AS095008557

IPM HOLDINGS, INC. (FORMERLY)
MINERALES INDUSTRIAS CORPORATION)
AND SUBSIDIARY

(Company's Full Name)

UNIT 103, GROUND FLOOR PRESTIGE
TOWER CONDOMINIUM F. ORTIGAS JR.
AVENUE ORTIGAS CENTER PASIG CITY

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

Atty. Ana Maria A. Katigbak
(Contact Person)

817-6791/897-5257
(Company Telephone Number)

12 **31**
Month *Day*
(Fiscal Year)

17-A
(Form Type)

4th Wed of May
(Annual Meeting)

N/A
(Secondary License Type, If Applicable)

CRMD
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

118
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended: **December 31, 2016**

2. SEC Identification Number: AS095-008557

3. BIR Tax Identification Number: 004-636-077-000

4. Exact name of issuer as specified in its charter: **IPM Holdings, Inc.**

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

6. (SEC Use Only) Industry Classification Code

7. Address of principal office :
   Unit 103, Ground Floor, Prestige Tower Condominium, F. Ortigas, Jr. Avenue
   Ortigas Center, Pasig City Postal Code: 1605

8. Issuer's telephone number, including area code: (632) 817-6791/897-5257

9. Former name, former address and former fiscal year, if changed since last report:
   Minerales Industrias Corporation

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P1.00 par value	**690,000,000**

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

    Yes [x] No [ ]

    The Philippine Stock Exchange Common Stock

12. Check whether the issuer:

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

13. Aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 2016:

Assumptions:

(a) Totalnumber of shares held by non-affiliates as of December 31, 2016	214,470,000
(b) Closing price of the Registrant's share on the exchange as of December 31, 2016	9.05
Aggregate market price of (a) as of December 31, 2016	**1,940,953,500**

APPLICABLE ONLY TO REGISTRANT'S INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [x] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

a. Any annual report to security holders - none
b. Any information statement filed pursuant to SRC Rule 20 - none
c. Any prospectus filed pursuant to SRC Rule 8.1 - none

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

OVERVIEW

IPM Holdings, Inc., formerly Minerales Industrias Corporation ("IPM" or the "Parent Company") was incorporatedon August 31, 1995 to engage in business as an investment holding company.

Its subsidiary, Basic Environmental Systems & Technologies, Inc. ("BEST") was in turn established on September 15, 1999 to engage in contracting and consulting business for waste management, public cleansing, sanitation and general hygiene to provide comprehensive waste disposal services.

The ParentCompany started commercial operations on September 4, 1995 with an initial capitalization of Php60.00 million. On October 27, 1997, the Parent Company's Board of Directors (BOD) authorized the additional issuance of shares of stock amounting to Php60.00 million from the unissued portion of the Parent Company's authorized capital stock at a par value of Php1.00 per share.

On June 14, 1998, the Parent Company listed its shares of stock in the Philippine Stock Exchange. The Parent Company offered for subscription to the public, 60.00 million unclassified common shares at an offer price equal to its par value of Php1.00 per share, increasing the Company's capitalization to Php180.00 million. The offer accounted for 33.3% outstanding capital stock of the Company. Proceeds from the offering amounting to Php58.20 million were used to partly finance the additional equity investment in Orion Savings Bank Inc.

On December 10, 1999, the Parent Company's stockholders and board of directors approved the increase in its authorized capital stock from 240.00 million shares to 740.00 million shares, all with par value of Php1.00. On the same date, the Board of Directors resolved to amend the Articles of Incorporation and By-Laws of the Company, changing the name of the Company to Multitech Investments Corporation. The resolutions were ratified and approved by the stockholders during its annual meeting in June 2000.

On July 26, 2007 and August 31, 2007, the Board of Directors and stockholders, respectively approved the amendment of the Articles of Incorporation in order to (a) change the corporate name of the company from Multitech Investments Corporation to Minerales Industrias Corporation, (b) change its principal office from Pasig City to Makati City and (c) change the primary purpose clause of the Company to reflect the shift from being an investment company to a mining company.

On September 24, 2007, the Securities and Exchange Commission (SEC) approved the change in company name and primary purpose. The change in registered address was subsequently approved by the SEC on January 14, 2008.

On December 29, 2009, the Board of Directors approved the private placement of a total of 10.0 million common shares out of the unissued authorized capital stock of the Company at a subscription price of Php1.00 per share. Of the total issue price of Php10.00 million, Php5.05 million was paid to the Company on December 31, 2009 while the balance was settled in full on February 1, 2010.

On November 20, 2012, the Board of Directors approved the subscription of the IPM group of companies to a total of 500.00 millionshares out of the Php500.00 millionincreasein the

authorized capital stock of the Company previously approved by the stockholders, at a total subscription price of Php500.00 million, payable in cash. Also, the Board of Directors authorized the acquisition of 615.00 million shares in Basic Environmental Systems & Technologies, Inc. (BEST) at par value of Php1.00 per share, which will constitute 75% of the resulting outstanding capital of BEST. BEST is a corporation engaged in contracting and consulting business for waste management, public cleansing, sanitation and general hygiene to provide comprehensive waste disposal services.

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 within the IPM group of companies or any of their designees/nominees to a total of 500.00 million shares out of the Php500.00 million increase in the authorized capital stock of the Parent Company previously approved by the shareholders, at a total subscription price of Php500.00 million, payable in cash: (a) IPM Construction and Development Corporation, Php350.00 million; (b) IPM Environmental Services, Inc., Php100.00 million; and (b) IPM Realty and Development Corporation, Php50.00 million. On the same date, the stockholders approved the amendment of the primary purpose of the Parent Company to enable the Company to revert to being a holding company and give it more flexibility in looking for suitable investments.

On March 4, 2013, the Parent Company acquired shares in BEST and subscription rights from various stockholders of BEST amounting to Php450.00 million and Php12.50 million, respectively, which resulted in the Company obtaining 75% interest in BEST, thereby treating BEST as its subsidiary starting March 4, 2013.

On June 11, 2013, the SEC approved the Parent Company's application for increase in authorized capital stock from Php240.00 million to Php740.00 million divided into 740.00 million shares, with a par value of Php1 per share and the amendment of the primary purpose of the Parent Company to revert back to a holding company.

On July 18, 2013, the Board of Directors approved the increase in the authorized capital stock of the Parent Company from Php740.00 million divided into 740.00 million shares with a par value of Php1 per share to Php5.00 billion divided into 5.00 billion shares with a par value of Php1 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. The SEC approved the amended articles of incorporation indicating the change of address on October 18, 2013.

On September 11, 2013, The Philippines Stock Exchange, Inc. (PSE) approved the application of the Parent Company to list the additional 500.00 million common shares (the "Private Placement Shares") with a par value of Php1.00 per share, at a Subscription Price of Php1.00 per share. The Parent Company, the IPM Group, and Metropolitan Bank and Trust Company-Trust Banking Group ("Escrow Agent") executed an Escrow Agreement and Certification and Undertaking on November 15, 2013 and December 4, 2013, respectively, to implement the required lock-up of the Private Placement Shares.

On July 22, 2015 and October 21, 2015, the Board of Directors and stockholders, respectively approved the amendment of the Articles of Incorporation in order to (a) change the corporate name of the Parent Company from Minerales Industrias Corporation to IPM Holdings, Inc., (b) change its ticker symbol from "MIC" to "IPM". The SEC approved the amended Articles of Incorporation indicating the change in the name of the Parent Company on November 25, 2015.

On May 25, 2016, the stockholders of the Parent Company approved the: (a) increase in the Corporation's authorized capital stock to an amount of up to Php7.50billion consisting of common and/or preferred shares as may be determined by the Board of Directors; (b) amendment of the Corporation's Articles of Incorporation to include in the company primary purpose clause the authority to issue sureties and guarantees; (c) amendment of the By-laws of the Corporation to create the Offices of the Chief Executive Officer and Chief Operating Officers; and (d) delegation to the Board of Directors of the authority to amend the By-Laws of the Corporation.

BUSINESS DESCRIPTION

The Parent Company embarked on its first strategic investment in August 1996, acquiring a 20% stake in Armstrong Securities, Inc. (ASI) in partnership with EBC Capital Corporation. Nine months later, the Parent Company, together with Tong Yang Group of Korea, established a thrift bank, Orion Savings Bank Inc. (the "Bank"). In 1998, the proceeds from the offering of shares to the public were used for the additional investment of the Parent Company in the Bank. The additional investment increased Parent Company'sownership stake in the Bank from twenty percent (20%) to forty percent (40%).

To provide diversity in the portfolio, the Parent Company also invested in Altech Fabrication Industries, Inc., a manufacturer and contractor of aluminum building materials. The foregoing investment was subsequently sold in 1997.

In September 1999, Mr. Dante T. Tan acquired for Php294.25 million, a 59% equity stake in the Parent Company, equivalent to 107.0 million shares. Capitalizing on the strong showing of its investee companies, the Company sold Armstrong Securities Inc. and Orion Savings Bank to Golden Maple Holdings, Inc. and Harrigold Assets, Inc., respectively, for a total consideration of Php152.3 million in September 1999. The ParentCompany then purchased Php191.0 million worth of shares of BW Resources Corporation (now known as "Fairmont Holdings, Inc.").

In November 1999, a Subscription Agreement was executed by and between the Parent Company and Mr. Dante T. Tan, for the latter to subscribe to sixty million (60,000,000) new common shares from the unissued authorized capital stock of the Company, for a total subscription price of Php60.0 million.

In May 2000, Mr. Tan had asked for the rescission of the subscription agreement. Likewise, Mr. Tan also has written the Parent Company expressing his withdrawal of interest in further subscribing to the 500 million common shares of the Parent Company which shall come from the Company's intended increase in authorized capital stock. The Board of Directors has since resolved to rescind the subscription contract on the 60.0 million common shares and to accept the withdrawal of interest in the subscription of the 500.0 million common shares of Mr. Tan.

In April 2002, a Subscription Agreement was signed between the Parent Company and the shareholders of Intercontinental Paper Industries, Inc. (IPII) where the latter will subscribe to the intended increase of authorized capital stock of 500 million common shares and to the 60.00 million common shares from the unissued authorized capital stock of the Parent Company at Php1.00 par value. The new Subscribers will pay for the additional shares with 560.00 million common shares ("IPII Shares") with par value of Php1.00 per share. The IPII Shares represent 100% of the outstanding capital common stock of IPII. After the issuance by the Parent Company of the additional shares to the New Subscribers and the transfer of the New Subscribers' IPII shares to the Parent Company, the paper manufacturing company shall be owned 100% by the Company.In April 2007, the Subscription Agreement with Shareholders of Intercontinental Paper Industries Inc. (IPPI) was been rescinded.

After several years of looking for suitable investments, the Parent Company finally reached agreement with the IPM group of companies in late 2012 for: (i) the subscription by the IPM group to 500.00 million shares of the Parent Company at a total subscription price of Php500.00 million, and (ii) the acquisition by the company of a 75% equity interest in BEST, a member company of the IPM group, using the proceeds of the IPM group subscription. These transactions were approved by the stockholders of the Parent Company representing at least two-thirds of the Parent Company's outstanding capital stock in its meeting on February 8, 2013. The subscription agreements and related documents to implement the transactions were executed on March 4, 2013.

The Parent Company's subsidiary, BEST, is engaged in contracting and consulting business for waste management, public cleansing, sanitation and general hygiene to provide comprehensive waste disposal services.

INDUSTRY TRENDS/COMPETITION

BEST is one of the few players in the solid waste management contracting industry which owns and operates its own sanitary landfill facility, having established the Morong Sanitary Landfill in 2008 to cater to the waste disposal needs of the cluster towns of Morong, Teresa, Baras and Cardona. In addition, it maintains under contract with its affiliate, IPM Environmental Services, Inc. (IPMESI), the latter's Quezon City Sanitary Landfill in Payatas which receives the solid waste of Quezon City. Moreover, it has a large fleet of dump trucks and other hauling/materials handling equipment that it uses for its waste collection and management contracts.

An emerging trend in the solid waste management industry is the so-called refuse-derived fuel (RDF) which involves the processing of solid waste into fuel for the cement and power generation industries, in substitution for coal. The production of RDF not only reduces industry's dependence on fossil fuels but also prevents the accumulation of waste matter in landfills, extending the latter's service life to the benefit of the general populace.

BEST is at the forefront of this new technology, through the first ever RDF facility constructed in the country , which is owned by a BEST affiliate, Mundo Verde Corporation, a joint venture with La Farge Industrial Ecology International, SA and IPM ESI. After this first facility which went into operation in early 2013, BEST is seen as the lead company within the IPM group to undertake additional RDF plants, utilizing waste collected in IPM ESI's Quezon City Landfill, transfer stations operated by another affiliate, IPM Construction and Development Corporation, and BEST's own landfill in Morong.

BEST is also in partnership with Lafarge Industrial Ecology International, SA ("LIEI") another RDF facility under Ecoedge Resources Corporation ("Ecoedge"). Ecoedge is 60% owned by BEST and 40% owned by LIEI. The total cost of the project amounted to Php127 million. The plant started operations in December 2014, with a rated capacity of up to 150 tons of RDF per day.

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 production of RDF. BEST is thus envisioned to provide significant income growth for the Company and its shareholders, particularly in light of the growing demand for renewable energy sources amid the burgeoning waste production of the rapidly growing urban population in the country, and BEST's unique position as a pioneer in RDF technology and its ready access to RDF feedstock.

SOURCES OF RAW MATERIALS AND NAMES OF PRINCIPAL SUPPLIERS

Not Applicable.

DEPENDENCE ON SINGLE CUSTOMER

Not Applicable.

TRANSACTION WITH AND/OR DEPENDENCE ON RELATED PARTIES

Except as disclosed in Note 14 of the audited consolidated financial statements for 2016and 2015, there were no other transactions entered into with related parties.

PATENTS, TRADEMARKS, ETC.

No product patents, trademarks, licenses were executed for the Company.

GOVERNMENT APPROVALS AND REGULATION

The Company has secured all necessary business permits and licenses granted by the government and its appropriate agencies, which include the Certificate of Registration from the BIR, registration and licenses from the SEC, Social Security System, etc. At present, the Company does not know any specific government regulation imposed on its business that may have material effect on the Company which it has not complied with.

RESEARCH AND DEVELOPMENT

Not Applicable.

ENVIRONMENTAL LAWS

Not Applicable.

HUMAN RESOURCES

The Company has 50 employeesas of December 31, 2016of whom four (4)are clerical, four (4) are administrative, thirty-seven (37)are operations, one (1) managerial and four (4) executive. The employees were not subject to any CollectiveBargainingAgreement (CBA).

Item 2. Properties

The consolidated property, plant and equipment for the year 2016, is as follows: land Php44.93 million, building and improvements Php32.50 million, transportation equipment Php60.81 million, office equipment Php0.57 million and development cost of Php28.69million, totaled of Php167.51 million.

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

Item 3. Legal Proceedings

The Parent Companyand its subsidiary are not involved in litigation that occurred in the last three years that would be considered material.

Item 4. Submission of Matters to a Vote of Security Holders

Except for the matters taken up during the Annual and Special Stockholders' Meeting held on May 25, 2016, there were no other matters submitted to a vote of the security holders in 2016.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholders Matters

(1) MARKET INFORMATION

The shares of the Parent Company are listed and traded in the Philippine Stock Exchange. The high and low closing prices of the Parent Company's shares for each quarter within the last two (2) years and the first quarter of 2017 are as follows:

Year	Quarter	High(in Php)	Low(in Php)
2015	First	5.50	4.90
	Second	6.20	4.90
	Third	8.43	6.07
	Fourth	9.96	8.10
2016	First	9.90	8.20
	Second	9.80	6.30
	Third	9.40	8.80
	Fourth	9.25	9.00
2017	First	9.09	8.90

The closing price of the Parent Company's shares on April 4, 2017 was Php9.00 per share.

(2) HOLDERS

The Parent Company has only common stock, with Php1.00 par value. As of December 31, 2016, the number of common shares issued and outstanding was 690,000,000 shares, held by a total of 118stockholders.The top twenty (20) stockholders of the ParentCompany as of December 31, 2016were as follows:

Name	No. of Shares	Percentage to Total
1. IPM Construction and Development Corp.	350,000,000	50.725%
2. PCD Nominee Corporation (Filipino)	203,727,571	29.526%
3. IPM Environmental Services, Inc.	65,000,000	9.420%
4. IPM Realty and Development Corporation	50,000,000	7.246%
5. PCD Nominee Corporation (Non-Filipino)	12,479,400	1.809%
6. William D. Ty	2,000,000	0.29%
7. Jocelyn Y. Lao	1,800,000	0.261%
8. David L. Kho	1,790,000	0.259%
9. Jewelle Y. Lao	1,000,000	0.145%
Isabelita P. Mercado	1,000,000	0.145%
10. Candice Choa Cocuaco	200,000	0.029%
11. S.J. Roxas& Co., Inc.	100,000	0.014%
12. Violeta L. Lim	74,000	0.011%
13. Ma. Teresita T. De Leon	61,000	0.009%
Hanson G. So &/or LarcyMarichi Y. So	61,000	0.009%
14. Pei Zhi Lin	60,000	0.009%
15. PCCI Securities Brokers Corporation	50,000	0.007%

16. Romeo G. See	37,000	0.005%
17. Roberto L. Uy	32,000	0.005%
18. Edmund Lee	29,000	0.004%
19. Lucena B. Enriquez	20,000	0.003%
George G. Precilla	20,000	0.003%
Mimi Perez	20,000	0.003%
Alberto Soon	20,000	0.003%
Johnny T. Yu	20,000	0.003%
Kim Sing Yu	20,000	0.003%
20. Elizabeth Ong	18,000	0.003%
TOTAL	**689,638,971**	**99.948%**

(3) DIVIDENDS

No dividends, either in cash or stock, were declared on the shares for the last three (3) years, i.e., 2016, 2015and 2014,sincethe Parent Company is in a deficit position. There are no restrictions that limit the ability to pay dividends on common equity but the Company, as a general rule, shall only declare from surplus profit as determined by the Board of Directors so long as such declaration will not impair the capital of the Company.

(4) RECENT SALES OF UNREGISTERED SECURITIES

No sales of unregistered securities or shares of the Parent Company were made during the past five (5) years.

Item 6. Management's Discussion and Analysis or Plan of Operation

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.

On July 22, 2015 and October 21, 2015, the Board of Directors and stockholders, respectively approved the amendment of the Articles of Incorporation in order to (a) change the corporate name of the Parent Company from Minerales Industrias Corporation to IPM Holdings, Inc., (b) change its ticker symbol from "MIC" to "IPM". The SEC approved the amended Articles of Incorporation on November 25, 2015. With the advent of climate change and a growing

environmental consciousness, the move was also seen as a major step towards opening the publicly-listed company to strategic partners who believe that, indeed, there is money in trash.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2016

Income

Consolidated revenues for 2016 amounted to Php357.68 million, up by Php39.18 million or 12.30% from the Php318.50 million posted in 2015.Revenues consisted mainlyof service income of Php275.78 million and rental income of Php78.81 million.

Expenses

Cost of services was essentially flat at Php171.65 million, from the Php171.35 million posted in 2015.

General and administrative expenses for 2016 rose by Php13.54 million or 44.65%, from Php30.32 million in 2015 to Php43.86 million in 2016. This was mainly due to the provision for impairment losses amounting to Php9.24 million pertaining to the write-off of long outstanding receivables from local government units.

Net Income

The twelve month operation of the Group resulted in a net income of Php94.27 million for2016. This is higher by Php16.56 million or 21.31%, than the net income of Php77.71million posted in 2015.

Financial Condition

Statements of financial position data	December 31,2016	December 31,2015	% Inc/(Dec)
Total Current Assets	829,867,309	692,749,113	19.87%
Total Assets	1,193,457,737	1,078,527,900	10.66%
Total Current Liabilities	224,949,727	204,729,820	9.88%
Total Liabilities	226,232,424	205,435,939	10.12%
Total Equity	967,225,313	873,091,961	10.78%

The material changes in the statements of financial position are as follows:

Consolidated total assets increased by Php114.93 million or 10.66% to Php1.19 billion in 2016 from Php1.08 billion in 2015.

- Cash and cash equivalents declined 91.99% from Php81.48 million in 2015 to Php6.52 million in 2016. The decrease was mainly due to the settlement of long term liabilities.

- Trade and other receivables increased by 35.43% from Php593.57 million in 2015 to Php803.85 million in 2016. This was largely due to the increase in services rendered to IPMESI to undertake the operation and maintenance of the Integrated Solid Waste

Management Facility in Payatas, Quezon City for a fixed monthly fee of Php15.58 million.

- Noncurrent assets went down by 5.75% from Php385.78 million in 2015to Php363.59 million in 2016 due mainly to depreciation charges on property, plant and equipment.

Total consolidated liabilities amounted to Php226.23million in 2016, increased by Php20.80 million or 10.12%, from Php205.43 million in 2015, due to the increase in deferred output tax.

Total stockholders' equity increased by Php94.13 million or 10.78%, from Php873.09 million in 2015to Php967.23million in 2016, reflecting the income for the current year.

Current ratio increased from 3.38x in 2015to 3.69x in 2016; net working capital stood at Php604.92 million in 2016 versus the Php488.02 million in 2015.

Liquidity and Capital Resource

For the year ended December 31, 2016, net cash used in operating activities amounted to Php71.58 million as compared to the Php39.66 million in 2015. This is mainly due to the increase in receivables from related parties.

Net cash provided by investing activities amounted to Php2.87million in 2016 as compared to Php0.42 million in 2015, the former figure representing cash dividends received from an affiliate, net of acquisition of property, plant and equipment.

Net cash used by financing activities amounted to Php6.24 million in 2016 as compared to the net cash provided by financing activities of Php99.39 million in 2015, the difference being the availment of a Php100 million loan in 2015.

2015

Income

Consolidated revenues for 2015 amounted to Php318.50 million, up by Php35.90 million or 12.70% from Php282.60 million posted in 2014.Revenues consisted of the following: Php260.45 million from service income; Php56.53 million from rental income; Php1.51 million from interest income; and Php0.01 million from other income.

Expenses

Cost of services increased by Php21.92 million or 14.67% from Php149.43 million in 2014 to Php171.35 million in 2015. This is mainly due to the increase in equipment rental costs associated with the bigger volume of business.

On the other hand, general and administrative expenses for the year declined by Php5.72 million or 15.87%, from Php36.04 million in 2014 to Php30.32 million in 2015. This was mainly due to the decreases in taxes and licenses, provision for impairment losses and professional fees.

Net Income

The twelve month operation of the Group resulted in a net income of Php77.71 million for2015, which is higher by Php16.48 million or 26.92%, than the net income of Php61.23 million posted in 2014.

Financial Condition

Statements of financial position data	December 31,2015	December 31,2014	% Inc/(Dec)
Total Current Assets	692,749,113	443,171,284	56.32%
Total Assets	1,078,527,900	888,549,822	21.38%
Total Current Liabilities	204,729,820	92,757,391	120.72%
Total Liabilities	205,435,939	93,173,867	120.49%
Total Equity	873,091,961	795,375,955	9.77%

The material changes in the statements of financial position are as follows:

Consolidated total assets increased byPhp189.98 million or 21.38% to Php1.08 billion in 2015 from Php888.55million in 2014.

- Cash and cash equivalents went up282.13% from Php21.32 million in 2014 to Php81.48 million in 2015. This was mainly due to the availment of a working capital loan amounting to Php100.00 million and the collection of long-outstanding receivables of about Php37.58 million.

- Trade and other receivables increased by 46.85% from Php404.20 million in 2014 to Php593.57 million in 2015. This was largely due totheincrease in services rendered to IPMESI to undertake the operation and maintenance of Integrated Solid Waste Management Facility for a fixed monthly fee of Php15.58 million.

- Noncurrent assets went down by 13.38% from Php445.38 million in 2014 to Php385.78 million in 2015. This was mainly due to the collection of long-outstanding receivables from IPMESI amounting to Php37.58 million and the annual set-up of depreciation and amortization.

Total consolidated liabilities amounted to Php205.43 million in 2015, up Php112.26 million or 120.49%, from Php93.17 million in 2014.The increase was mainly due to the availment of a working capital loan from a local bank.

Total stockholders' equity increased byPhp77.72 million or 9.77% from Php795.38million in 2014to Php873.09million in 2015, reflecting the income posted in the current year.

Current ratio decreased from 4.78x in 2014 to 3.38x in 2015; net working capital stood at Php488.02 million in 2015, versus the Php350.41 million in 2014.

Liquidity and Capital Resource

For the year ended December 31, 2015, net cash used in operating activities amounted to Php39.66 million as compared to the Php15.65 million net cash provided by operating activities in 2014. This reversal is mainly due to the increase in receivables and the decrease of payables from related parties.

Net cash provided by investing activities amounted to Php0.42 million in 2015 as compared to Php51.13 million in 2014. The difference is in short-term deposit amounting to Php101.22 million which was partly offset by the increase in investment amounting to Php48.60 million in 2014.

Net cash provided by financing activities amounted to Php99.39 million in 2015 as compared to the net cash used in financing activities of Php80.69 million in 2014 including the Php20.25 million proceeds from the issuance of shares stock.

2014

Income

Consolidated revenues for the year rose to Php282.60 million from Php268.52 million in 2013, or a growth to 5.24%.This is broken down as follows: Php245.82 million from service income; Php35.48 million from rental income; Php1.23 million from interest income; and Php0.07 million from other income.

Expenses

Cost of services for the year minimalincreased by 5.96% from Php141.02 million in 2013 to Php149.43 million in 2014.This is attributable mainly to the increases in equipment rental for the maintenance of the sanitary landfills, manpower training and consumption of chemical sprays.

General and administrative expenses for the year went up by 49.93% to Php36.04 million from Php24.04 million in 2013. This was mainly due to increases in taxes and licenses, retirement cost provisions, professional fees, salaries and allowance for doubtful accounts.

Net Income

The twelve month operation of the Group ended with a net income of Php61.23million, an increase of Php19.38 million or 46.30%overthe Php41.85million reportedin 2013. This is largely due to the one-time listing expense of Php25.22 million recognized in 2013.

Financial Condition

Statements of financial position data	December 31, 2014	December31,2013	% Inc/(Dec)
Total Current Assets	443,171,284	610,292,719	(27.38%)
Total Assets	888,549,822	1,033,934,372	(14.06%)
Total Current Liabilities	92,757,391	319,895,106	(71.00%)
Total Liabilities	93,173,867	320,070,974	(70.89%)
Total Equity	795,375,955	713,863,398	11.42%

The material changes in the statements of financial position are as follows:

The consolidated total assetsdeclined by 14.06% from Php1.03 billion in 2013 to Php888.55 million in 2014.

- Cash and cash equivalents dropped by39.49% from Php35.24 million in 2013 to Php21.32 million in 2014. The decrease was mainly due to the settlement of long term liabilities.

- Trade and other receivables decreased by 10.01% from Php449 million in 2013to Php404.20 million in 2014, resulting from account reclassification.

- Other current assets decreased by 30.62% from Php24.40 million in 2013 to Php16.93 million in 2014 due to the provision for impairment on its prepaid taxes, creditable withholding taxes and input VAT.

- Noncurrent assets went up 5.13% from Php423.64 million in 2013 to Php445.38 million in 2014, resulting from account reclassification.

Total consolidated liabilities posted a 70.89% decrease from Php320.07 million in 2013 to Php93.17 million in 2014. The decrease was mainly due to the settlement of the Company's obligations to related parties as well as the full settlement of its bank loan.

Total stockholders' equity amounted to Php795.37 million, up by 11.42% from Php713.86 million in 2013.

Current ratio increased from 1.91x in 2013 to 4.78x in 2014 due to the settlement of the short term obligations. Net working capital thus stood at Php350.41 million in 2014, as compared to Php290.40 million in 2013.

Liquidity and Capital Resource

For the year ended December 31, 2014, net cash used in operations amounted to Php15.65 million as compared to the Php559.77 million net cash provided by operations in 2013. This reversal is mainly due to the settlement of obligations to related parties in 2014.

Net cash provided by investing activities amounted to Php51.13 million in 2014 as compared to Php4.48 million net cash used in investing activities in 2013,duetothe decrease in short-term deposit amounting to Php101.22 million and increase in investment in joint venture amounting to Php48.60 million.

Net cash used in financing activities amounted to Php80.69 million in 2014 as compared to Php495.79 million net cash provided by financing activities in 2013, attributable mainly to the Php500.00 million proceeds from the issuance of shares of stock.

Key Performance Indicators

The Company's key performance indicators are as follows:

KPI	Calculation	December 31, 2016	December 31, 2015	December 31, 2014
Current Ratio(1)	Current Assets/Current Liabilities	3.69x	3.38x	4.78x
Quick Ratio (2)	Current Assets-Inventory-Prepaid Expenses /Current Liabilities	3.68x	3.37x	4.59x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	0.23x	0.24x	0.12x
Book Value per share (4)	Total Assets –Total Liabilities/ Outstanding Shares	1.40	1.27	1.15
Net Income per Share (5)	Net Income/Weighted Average Number of Shares Outstanding	0.14	0.11	0.09

		December 31, 2016	December 31, 2015	December 31, 2014
(1)	Current Ratio	829,867,309/224,959,727	692,749,113/204,729,820	443,171,284/92,757,391
(2)	Quick Ratio	827,708,537/224,959,727	689,167,642/204,729,820	426,242,346/92,757,391
(3)	Debt to Equity	226,735,747/967,225,313	205,435,939/873,091,961	92,757,391/795,375,955
(4)	Book Value/Share	967,225,313/690,000,000	873,091,961/690,000,000	795,375,955/690,000,000
(5)	Net Income per Share	94,274,997/690,000,000	77,712,687/690,000,000	61,227,771/690,000,000

The Current Ratio is a general and quick measure of a Group'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 Group'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 Group.

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.

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

No disclosures nor discussions were made for the following since these did not affect the past and present operations nor the foreseeable future operations of the Company: (a) default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; (b) any significant amount of the Company's trade payables which has not been paid within the stated terms; (c) any significant purchase commitment for capital expenditures; (d) any seasonal aspects that have material effect on the financial condition or results of operations; (e) any known trends, events or uncertainties that have had or will have an impact on net sales or revenues.

Item 7. Financial Statements

The audited consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in and disagreements with accountants on accounting and financial disclosure.

Audit and Audit-Related Fees

The Parent Company paid its auditors the following fees for the last two years for professional services rendered, exclusive of VAT and out of pocket expenses:

Year	Audit Fees	Tax Fees	All Other Fees
2016	Php168,000.00	-	-
2015	135,000.00	-	-

PART III - CONTROL AND COMPENSATION INFORMATION

Item9. Directors and Executive Officers of the Issuer

(1) DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

a. Incumbent Directors and Executive Officers.

The Corporation's Articles of Incorporation provide for a seven seat Board of Directors. The following is the list of the members of the Board:

Name	Position	Age	Citizenship
Isabelita P. Mercado	Chairman	66	Filipino
Rhodora G. Uy	Director	66	Filipino
Alfredo P. Javellana II	Independent Director	71	Filipino
Gener T. Mendoza	Director	59	Filipino
Antonio Victoriano F. Gregorio III	Director	43	Filipino
Francis Neil P. Mercado	Director	37	Filipino
David L. Kho	Independent Director	69	Filipino

The following is a list of the Parent Company's key executive officers as of the date of this report:

Name	Position	Age	Citizenship
Isabelita P. Mercado	Chairman/Chief Executive Officer	66	Filipino
Rhodora G. Uy	President/Chief Operating Officer	66	Filipino
Francis Neil P. Mercado	Treasurer	37	Filipino
Ana Maria A. Katigbak	Corporate Secretary	48	Filipino

b. Term of office.

The term of office of the Directors and executive officers is one (1) year from their election as such until their successors are duly elected and qualified.

Of the seven members of the Board, Mr. Gener T. Mendoza, and Ms. Isabelita P. Mercado have been directors of the Company since July 2007. Atty. Antonio F. Gregorio III has been a director since July 2011, Mr. Francis P. Mercado has been director since May 2012. Atty. Alfredo P. Javellana II has been a director since July 2012, Ms. Rhodora G. Uy and Atty. David L. Kho were elected as directors last May 2016.

With regard to the executive officers, Ms. Isabelita P. Mercado has been the Chairman and Chief Executive Officer while Ms. Rhodora G. Uy was elected as President and Chief Operating Officer last May 2016, Atty. Maria Ana Katigbak has been Corporate Secretary since July 2007 and Mr. Francis Neil P. Mercado has been Treasurer since September 2013.

c. Business experience of the Directors and Officers during the past five (5) years.

ISABELITA P. MERCADO, 66 years old, for the past five years has been the chair and chief executive officer of IPM Construction and Development Corporation (1991 to present), IPM Environment Services Inc. (2003 to present), IPM Realty & Development Corporation (1991 to present), IPM Trading and Development Corporation (1989 to present) and TRX Global Corporation (2008 to present). She also serves as president of Lee Gardens Property and Development Corporation (1997 to present) and director of several other companies within the IPM Group.

RHODORA G. UY,66 years old, graduated as Summa Cum Laude with a Bachelor of Science in Commerce Major in Accounting degree and as Magna Cum Laude with a Bachelor of Arts degree in the University of Sto. Tomas. She also completed the Get on Board Governance Education Program, Advanced Level at the Canadian Board Diversity Council; the Executive MBA at the National University of Singapore; and the Global Professional Master of Laws at the University of Toronto. Being a seasoned investment and corporate professional, she has worked as the Senior Finance Officer, Manila Regional Office of the International Finance Corporation (IFC),

World Bank Group and was the Country Head for Philippines and the Investment Director for Asia Group of Commonwealth Development Corporation, CDC Capital Partners. She was also the Managing Director of Newcrest Trading Limited, a special purpose vehicle owned by foreign shareholders in the British Virgin Islands. Currently, she sits as director of THR Hospitality Group LLC (California); Bumble Bee Preschool and Day Care Center Inc. (Philippines); JRL Go Children's Memorial Library (Philippines); and several asset/property holding companies, including Irvine Avenue LLC (U.S.), Providence Group LLC (U.S.), Fordham Properties Corporation (Philippines), and Newcrest Properties Corporation (Philippines)

ALFREDO P. JAVELLANA II, 71years old, is an independent director of USB Securities Phil. Inc. Mr. Javellana earned his Bachelor of Science in Commerce Major in Accounting and Bachelor of Laws from the University of San Agustin, Iloilo City. He was an independent director of UBS Securities Philippines, Inc. from December 16, 2009 to February 10, 2010. For the past five years he was a director of Philippine Savings Bank and Toyota Motor Philippines. Previously, he was the Chief Finance Officer of the Metropolitan Bank & Trust Company, Inc.likewise held several other positions in the same bank prior to his appointment as CFO.

GENER T. MENDOZA, 59years old, is co-founder and president of GNCA Holdings, Inc.For several years now, he has served as rehabilitation receiver or assignee-in insolvency for various companies. Previously, he was a principal at SyCipGorres& Co. (1983 to 1991), vice president for corporate finance of Kuok Phil. Properties Inc. (1994 to 1996) and executive vice president of Crown Equities Inc. (1996). Mr. Mendoza earned his MBA from the Harvard Business School and his bachelor of science in management engineering (summa cum laude) from the Ateneo de Manila University.

ANTONIO VICTORIANO F. GREGORIO III, 43years old**,** Mr. Gregorio graduated with a Juris Doctor from the Ateneo de Manila University Second Honors in 1998 and passed the bar examinations in 1999. He also has a Bachelor of Science Major in Management Engineering and a Bachelor of Arts, Major in Economics-Honors, both from the Ateneo de Manila University, with a standing of magna cum laude. He was valedictorian of his high school class in the Ateneo. Atty. Gregorio is a Partner at Gregorio Law Offices and sits as director and officer of various public and private companies, including Lodestar Investments Holdings Corporation (Corporate Secretary and Assistant Corporate Information Officer, 2008 to present), Abacus Consolidated Resources and Holdings, Inc., AGP Industrial Corporation (Chairman), Active Earnings, Inc. (Corporate Secretary, 2003 to present), Tajima Yakiniku, Inc. (Corporate Secretary, 2005 to present), Tanba Yakiniku, Inc. (Corporate Secretary and Treasurer), Big Herald Link International Corporation (Corporate Secretary and Treasurer, 2004 to present), Pride Development Bank Corporation, among other companies.

FRANCIS-NEIL P. MERCADO, 37years old, graduated with a Bachelor of Science degree in Economics and Finance from Southern New Hampshire University, Manchester, and New England, USA in 2003. He also completed his Bachelor of Science in Economics from Nottingham University, United Kingdom in 2001 and Foundation Levels from Bellerby's College, Cambridge, United Kingdom. He sits as director and/or officer of various companies' including Metro luxury Mining Corp. (2009 to present), Zinith Mines Inc. (2009-present), IPM Construction and Development Corp. (2007-present), IPM Realty and Development Corp. (2007-present) and IPM Trading and Development Corp. (2007-present).

DAVID Y. KHO, 69 years old,has been a legal and business practitioner since graduating from college. He finished his Business Administration degree, major in Banking and Finance, at the University of the Philippines-Diliman. He later earned his Bachelor of Laws degree also from U.P. Atty. Kho was a member of the 15th Congress of the Philippines where he served as Vice chairman of two committees and member of ten others. He ended his term

with a perfect attendance. David is an incumbent Trustee of the Kapihan sa Klub Filipino, past president of the Rotary club of Sto. Domingo, Quezon City, former Vice-President and Director of the Quezon City Sports Club, Inc., past Director and legal counsel of the Philippine Chamber of Commerce & Industry, Quezon City chapter, Lifetime member of U.P. Pan Xenia Fraternity, U.P. Law Alumni Assn., Integrated Bar, Charter President of the U.P. Junior Finance Assn. He is an author and publisher as well as a topnotcher of the Real Estate Brokers Exam.

ANA MARIA A. KATIGBAK, 48years old, is a member of the Integrated Bar of the Philippines and a graduate of Bachelor of Laws at the University of the Philippines. She is a Partner at the Castillo Laman Tan Pantaleon& San Jose Law Offices. For the past five years, she has served as assistant corporate secretary in certain publicly-listed companies such as: Marcventures Holdings, Inc., Boulevard Holdings, Inc., Premiere Entertainment Philippines, Inc., Mabuhay Holdings Corp., Paxys, Inc., Energy Development Corp., and Solid Group, Inc.

d. The names and nationalities of the incorporators of the Company are as follows:

Name	Nationality
Tony O. King	Filipino
Pacita K. Yap	Filipino
Felisa D. King	Filipino
Alberto Ty	Filipino
Joselyn C. Tiu	Filipino

(2) SIGNIFICANT EMPLOYEES

There are no employees identified for disclosure to which the operational decisions and strategies of the Company are entirely dependent on.

(3) FAMILY RELATIONSHIP

Ms. Isabelita P. Mercado is the mother of Mr. Francis Neil P. Mercado. Apart from the foregoing, there are no other family relationships, either by consanguinity or affinity, among the directors and executive officers of the Corporation.

(4) RESIGNATION/RE-ELECTION

Since the last annual stockholders' meeting of the Corporation, no Director has resigned or declined to standforreelectionto theBoard of Directors of the Corporation becauseof disagreement with the Corporation on any matter relating to the Corporation's operations, policies or practice.

(5) INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS DURING THE PAST 5 YEARS

The Company is not aware of any civil or criminal legal proceedings filed against any one of its directors, executive officers or control persons during the last five (5) years up to present.

Item10.Executive Compensation

(1) COMPENSATION TABLE

The following is a summary of the aggregate compensation paid or accrued during the two fiscal years, 2016and 2015, to the Company's Chairman and Chief Executive Officer and other most

highly compensated executive officers who are individually named, and to all other officers and directors of the Company as a group:

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Isabelita P. Mercado	2016-Jan to Dec 31	NIL	NIL	NIL
Chairman and Chief Executive Officer	2015-Jan to Dec 31	NIL	NIL	NIL
Rhodora G. Uy	2016-May to Dec 31	NIL	NIL	NIL
President and Chief Operating Officer				
Alfredo P. Javellana II	2016-Jan to Dec 31	NIL	NIL	NIL
Independent Director	2015-Jan to Dec 31	NIL	NIL	NIL
Gener T. Mendoza	2016-Jan to Dec 31	NIL	NIL	NIL
Director	2015-Jan to Dec 31	NIL	NIL	NIL
Antonio Victoriano F. Gregorio III	2016-Jan to Dec 31	NIL	NIL	NIL
Director	2015-Jan to Dec 31	NIL	NIL	NIL
Francis Neil P. Mercado	2016-Jan to Dec 31	NIL	NIL	NIL
Director and Treasurer	2015-Jan to Dec 31	NIL	NIL	NIL
David L. Kho	2016-May to Dec 31	NIL	NIL	NIL
Independent Director				
Ana Maria A. Katigbak	2016-Jan to Dec 31	NIL	NIL	NIL
Corporate Secretary	2015-Jan to Dec 31	NIL	NIL	NIL
TOTAL OF THE GROUP	2016	NIL	NIL	NIL
	2015	NIL	NIL	NIL

In May 23, 2012, the Board of Directors approved the grant of per diem to members of the Board of Directors, for every attendance at regular meetings of the board. The *per diem*are as follows: (i) Chairman of the Board Php20,000, (ii) Regular Directors Php10,000, and (iii) Independent Directors Php10,000.

There is no contract covering their employment with the Company and they hold office by virtue of their election to office. The Company has no agreements with its named executive officers regarding any bonus, profit sharing, and pension or retirement plan.

(2) COMPENSATION OF DIRECTORS

a. Standard Arrangements

The Parent Company provided standard compensatory arrangements with its Directors and Officers prior to August 31, 2007. They are provided fixed monthly fees until June 2005. The incumbent directors do not receive any compensation for their services.

b. Other Arrangements

None executed for the last five-years of operations other than the above-mentioned standard arrangements.

(3) EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN CONTROL ARRANGEMENTS

None executed by the Company for the last three years of operations

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

The following table sets forth as of December 31, 2016, the record and/or beneficial owners of more than 5% of the outstanding common shares of the Corporation and the amount of such record and/or beneficial ownership.

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	IPM Construction and Development Corporation* Unit 804, Ortigas Bldg., Ortigas Ave. cor. Meralco Ave., Ortigas Center, Pasig City Relationship: Majority Stockholder	All the shares of IPM Construction and Development Corporation are directly owned by its shareholders.	Filipino	350,000,000	50.725%
Common	PCD Nominee Corporation Relationship: Stockholder	The beneficial owners of such shares are Philippine Depository & Trust Corporation (PDTC) participants who hold the shares on their behalf or on behalf of their clients	Filipino	203,727,571	29.526%
Common	IPM Environmental Services, Inc. Unit 804, Ortigas Bldg., Ortigas Ave. cor. Meralco Ave., Ortigas Center, Pasig City Relationship: Affiliate	All the shares of IPM Environmental Services, Inc. are directly owned by its shareholders.	Filipino	65,000,000	9.42%
Common	IPM Realty and Development Corporation Northfields	All the shares of IPM Realty and Development Corporation are directly owned by its	Filipino	50,000,000	7.246%

	Executive Vill., Mc. Arthur Hi-way, Longos, Malolos, Bulacan Relationship: Affiliate	shareholders.			

Below is the record owner under PCD account holding more than 5% of the outstanding capital stock of the Company:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Citizenship	Number of Shares Held	Percent of Class
Common	Meridian Securities, Inc. Suite 2702 B&C Tektite Tower 1 Ortigas Centre, Pasig City	Filipino	96,382,200	13.97%

The above broker is only record owner of shares of stock held under the name of PCD Nominee Corp., thus they exercise no voting power over the shares.

As ofDecember 31, 2016, the foreign ownership level of IPMis 12,549,902 shares or equivalent to1.8188%.

(2) Security Ownership of Management

The table sets forth as of December 31, 2016, the record or beneficial stock ownership of each Director of the Corporation and all Officers and Directors as a group.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Isabelita P. Mercado *Chairman and Chief Executive Officer*	1,000,000 (Direct) 500,000 (Indirect)	Filipino	0.21739%
Common	Rhodora G. Uy *President and Chief Operating Officer*	2,000 (Direct)	Filipino	0.00029%
Common	Alfredo P. Javellana II *Independent Director*	1,000 (Direct) 179,000 (Indirect)	Filipino	0.02608%
Common	Gener T. Mendoza *Director*	5,000 (Indirect) 1,850,000 (Indirect)	Filipino	0.26884%
Common	Antonio Victoriano F. Gregorio III *Director*	1,000 (Direct)	Filipino	0.00014%
Common	Francis Neil P. Mercado *Director and Treasurer*	2,000 (Direct)	Filipino	0.00029%
Common	David L. Kho *Independent Director*	1,790,000 (Direct) 200,000 (Indirect)	Filipino	0.28841%

Common	Ana Maria A. Katigbak *Corporate Secretary*	0	Filipino	0 %
	T O T A L	**5,530,000**		**0.80145%**

All the above named directors and officers of the Corporation are the record and beneficial owners of the shares of stock set forth opposite their respective names.

(3) Voting Trust Holders of 5% or more

The Corporation is not aware of any person holding more than 5% of the shares of the Corporation under a voting trust or similar agreement which may result in a change in control of the Corporation.

(4) Changes in Control

The Securities and Exchange Commission approved the Corporation's increase in authorized capital stock from Php240.00 million to Php740.00 million divided into 740.00 million shares with a par value of Php1.00 each share on June 11, 2013. The IPM group of companies subscribed to the 500.00 million new common shares issued by the Corporation. The stock certificates representing 500.00 millionnew common shares was issued in favor of the IPM group of companies on June 19, 2013 following payment of the corresponding documentary stamp taxes on the original issuance of such shares. On October 17, 2014, the IPM group disposed 30.00 million shares of the outstanding capital stock of the Parent Company out of their500.00 million shares subscription. The IPM group of companies now own approximately 68.11% of the resulting outstanding capital stock of the Corporation, thereby acquiring control of the Corporation.

Item 12.Certain Relationships and Related Transactions

Except as disclosed in Note 14 of the audited consolidated financial statements for 2016 and 2015, there were no other transactions entered into with related parties.

PART IV – CORPORATE GOVERNANCE

Item 13.Corporate Governance

IPM Holdings, Inc. (Formerly Minerales Industrias Corporation) is fully committed in maintaining a high standard of corporate governance to protect the interest of its shareholders. It has complied throughout the period under review with the applicable principles and provisions set out in the Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, series of 2009).

The Company also continues to review and strengthen its policies and procedures, giving due consideration to areas that, for the best interests of the Company and its stockholders, need further improvement. The same is being done by participating in the corporate governance survey of the Philippine Stock Exchange, Inc. The Company will put in place a more comprehensive system to ensure compliance with leading corporate governance practices as soon as its business becomes fully operational.

Board of Directors

The Board of Directors consists of 7 directors, three of whom are executive officers and four are non-executive directors. The Board's membership reflects a blend of different financial and commercial experiences.

Directors	Executive Officers	Non-executive Officers	Independent Director
Isabelita P. Mercado	√		
Rhodora G. Uy	√		
Alfredo P. Javellana II			√
Gener T. Mendoza		√	
Antonio Victoriano F. Gregorio III		√	
Francis Neil P. Mercado	√		
David L. Kho			√

All non-executive officers are independent of management and free from any business or other relationship with the Company which could materially interfere with the exercise of their independent judgment.

The Nomination Committee ensures that there is a formal and transparent procedure for the appointment of new Directors of the Board. Training is also available on an ongoing basis to meet individual needs.

The term of office of all directors, including independent directors and officers shall be one (1) year and until the successors are duly elected and qualified.

Board Process

Members of the Board met regularly throughout the year. Their responsibilities to the Company included the:

a. review and approval of the interim and annual financial performance;
b. approval of the Company's key strategic and operational matters;
c. approval of major investments and funding decision;
d. monitoring of internal control; and
e. identification and management ofthe principal risks of the Company.

Board members were sufficiently notified of ensuing meetings and they worked on an agreed agenda in reviewing the key activities of the business. Relevant papers and presentations, as necessary, were distributed to enable the Board to deliberate on matters effectively. Minutes of the previous meetings are placed on the agenda of the Board.

The Corporate Secretary is responsible to the Board and is available to individual Directors in respect of Board procedures. The post is currently occupied by Atty. Ana Maria A. Katigbak.

Committees

The Board has delegated authority to the following committees on specific matters. All of the Committee have formal terms of reference.

Audit Committee
Members:

- Atty. Alfredo P. Javellana II (chairman/independent director)
- William D. Ty (independent director)
- Francis-Neil P. Mercado

The Audit Committee functions under the terms of reference approved by the Board. It meets at least twice a year and its roles include the review of the financial and internal reporting process, the system of internal control and management of risks and the external and internal audit process. The Audit Committee reviews the scope and results of the audit with external auditors and obtains external legal or other independent professional advice where necessary. The Audit Committee reports directly to the Board.

Other functions of the Audit Committee include the recommendation of the appointment or re-appointment of external auditors and the review of audit fees.

Nomination Committee
Members:

- Isabelita P. Mercado (chairman)
- Atty. Alfredo P. Javellana II (independent director)
- Gener T. Mendoza

The Committee, which meets as necessary, assesses and recommends to the Board candidates for appointment to executive and non-executive directors positions. The Committee also makes recommendations to the Board on its composition.

Compensation Committee
Members:

- Rhodora G. Uy (chairman)
- David L. Kho ((independent director)
- Francis-Neil P. Mercado

The Committee, seeks to establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and to provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment

Note: No salary or other compensation package was provided to the directors and other Executive Officers.

Compliance Officer

During the meeting of the Board of Directors of the Parent Company held on May 25, 2016, Atty. Ana Maria A. Katigbak was re-appointed as Compliance Officer ("CO") and Mr. RobertoE. Cabarco as Deputy CorporateInformation Officer. He was also designated as the Company's Compliance Officer.

The CO is responsible for ensuring that the Company's corporate principles are consistently adhered to throughout the organization. The CO acts independently and her role is to supply the top management with the necessary information on whether the organization's decisions comply with professional rules and regulations, internal directives, regulatory authorities, and the statutory law.

Relation with Shareholders

The directors place a high importance on maintaining good relationships with the shareholders and ensure that they are kept informed of significant Company's development.

The Company encourages shareholders to attend its annual stockholders' meetings, which provideopportunitiesfor shareholders to ask questions of the board.

PART V – EXHIBIT AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

The Audited Consolidated Financial Statements ending December 31, 2016 are herein attached and incorporated by reference.

(b) Reports on SEC Form 17-C. The following are the reports filed by the Company on SEC Form 17-C for the year 2016.

Date of Report	Description
March 30, 2016	Advising the 2016 annual stockholders meeting.
May 25, 2016	Results of the annual stockholders meeting.
June 16, 2016	SEC approval of the Amendment to Article II of the Articles of Incorporation, to include in the primary clause the authority to issue sureties and guarantees.
August 22, 2016	The Board of Directors approved the amendment of the Corporation's By-Laws to define the functions of the Chief Executive Officer and Chief Operating Officer, pursuant to the authority delegated to the Board of Directors by the stockholders of the Corporation at the Annual Stockholders' Meeting held on May 25, 2016.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on _____.

By:

ISABELITA P. MERCADO
Chairman of the Board/
Chief Executive Officer

FRANCIS NEIL P. MERCADO
Treasurer/Chief Financial Officer

ATTY. ANA MARIA A. KATIGBAK
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 17 2017, affiants exhibiting to me their Residence Certificates, as follows:

Name	Passport No.	Expiry Date	Place of Issue
Isabelita P. Mercado	EC3536522	Feb. 24, 2020	DFA, Manila
Francis Neil P. Mercado	EC4433663	June 17, 2020	DFA, Manila
Ana Maria A. Katigbak	P1893381A	Feb. 6, 2022	DFA, Manila

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Book No. 17
Series of 2017

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-88
UNTIL DEC. 31, 2018
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333-4/10/13
I.B.P O.R No. 706762, LIFETIME MEMBER JAN. 29,2007
PTR No. 590-90-82 JAN.3 2017
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation)
AND SUBSIDIARY

INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY SCHEDULES AND SEC FORM 17-C UNDER FORM 17-A, ITEM 7

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	5	0	0	8	5	5	7

COMPANY NAME

IPM HOLDINGS, INC. (FORMERLY MINERALES INDUSTRIAS CORPORATION) AND SUBSIDIARY

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

UNIT 103, GROUND FLOOR, PRESTIGE TOWER CONDOMINIUM, F. ORTIGAS JR. AVENUE, ORTIGAS CENTER PASIG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
	897-5257	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
118	4th Wed of May	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ana Maria A. Katigbak	AAK@cltpsj	817-6791	

CONTACT PERSON's ADDRESS

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

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

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

IPM HOLDINGS, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR THE FINANCIAL STATEMENTS

The management of IPM Holdings, Inc., formerly Minerales Industrias Corporation and Subsidiary (collectively referred to as "the Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

ISABELITA P. MERCADO
Chairman of the Board/
Chief Executive Officer

FRANCIS NEIL P. MERCADO
Treasurer/Chief Financial Officer

Signed this 7th day of April 2017

APR 0 7 2017

SUBSCRIBED AND SWORN to before me this _____, affiants exhibiting to me their Passports, as follows:

Name	Passport No.	Date of Issue	Place of Issue
Isabelita P. Mercado	EC3526522	February 25, 2015	DFA, Manila
Francis Neil P. Mercado	EB4433663	June 18, 2015	DFA, Manila

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ATTY. HOBERT N. DLUZ
NOTARY PUBLIC
Until December 31, 2017
Appt. No. M-20, Makati City
IBP #1052367 for 2017, Nov. 22, 2016-RSM
PTR #5909501, Jan. 03, 2017-Makati
S.C. Roll No. 59597
MCLE Compliance No. V-0015439; 9 March 2016
Unit 301 3rd Flr. Campos Rueda Bldg.
101 Urban Avenue, Brgy. Pio del Pilar

Unit 103 G/F Prestige Tower Condominium F. Ortigas Jr. Rd., Ortigas Center, Pasig City, Philippines 1605
Telephone No. (632) 631-0281 Fax. No. (632) 654-2157

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
IPM Holdings, Inc.
(Formerly Minerales Industrias Corporation)
Unit 103, Ground Floor, Prestige Tower Condominium,
F. Ortigas Jr. Avenue, Ortigas Center,
Pasig City

Opinion

We have audited the consolidated financial statements of IPM Holdings, Inc. and its Subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Adequacy of the allowance for impairment losses on trade receivables
As of December 31, 2016, the Group has outstanding trade receivables amounting to ₱750.12 million as disclosed in Note 5 to the consolidated financial statements. The estimation of allowance for impairment of these trade receivables was significant to our audit because it is a highly subjective area which requires high level of management judgment and trade receivables accounts for 63% of the Group's consolidated total assets.

Audit response
Our audit procedures included, among others, obtaining an understanding of the management's process in estimating allowance for impairment and the factors considered by the management in assessing the collectibility of its receivables. For allowance for impairment calculated on an individual basis, on a sample basis, we evaluated management's assumptions underlying the impairment identification and quantification by checking collections subsequent to year-end, reviewing historical collection patterns and any correspondence with the counterparties on expected settlement dates and reviewing management's consideration of the financial capacity of its counterparties. For allowance calculated collectively, we evaluated management's estimation of allowance for impairment by comparing loss rates against the Group's historical experience adjusted for current observable data.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jennifer D. Ticlao.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. 1507-A (Group A),
September 24, 2015, valid until September 23, 2018
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5908768, January 3, 2017, Makati City

March 28, 2017

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation) AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash (Notes 4 and 21)	**₱6,523,092**	₱81,476,440
Receivables - net (Notes 5, 20 and 21)	**803,854,779**	593,570,193
Other current assets (Note 6)	**19,489,438**	17,702,480
Total Current Assets	**829,867,309**	692,749,113
Noncurrent Assets		
Investments in an associate and a joint venture (Note 7)	**87,985,191**	89,274,864
Deposits (Notes 8 and 21)	**3,304,746**	3,285,485
Investment property (Note 9)	**104,401,990**	105,519,433
Property and equipment (Note 10)	**167,513,692**	186,488,620
Deferred tax assets (Note 18)	**384,809**	1,210,385
Total Noncurrent Assets	**363,590,428**	385,778,787
Total Assets	**₱1,193,457,737**	₱1,078,527,900
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 12 and 21)	**₱98,000,000**	₱100,000,000
Trade and other payables (Notes 11 and 21)	**121,027,350**	91,064,073
Due to related parties (Notes 14 and 21)	**–**	2,239,931
Income tax payable	**5,922,377**	11,425,816
Total Current Liabilities	**224,949,727**	204,729,820
Noncurrent Liability		
Net pension liability (Note 17)	**1,282,697**	706,119
Total Liabilities	**226,232,424**	205,435,939
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 13)	**690,000,000**	690,000,000
Retained earnings (Note 13)		
Unappropriated	**256,293,618**	171,655,226
Appropriated	**–**	14,803,219
Other reserves (Notes 1 and 17)	**(298,824,195)**	(298,717,962)
	647,469,423	577,740,483
Noncontrolling Interests	**319,755,890**	295,351,478
Total Equity	**967,225,313**	873,091,961
Total Liabilities and Equity	**₱1,193,457,737**	₱1,078,527,900

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation) AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
REVENUE AND OTHER INCOME			
Service income (Notes 14 and 20)	**₱275,783,494**	₱260,447,907	₱245,818,974
Rental income (Notes 9, 14 and 20)	**78,808,503**	56,531,736	35,475,243
Interest income (Notes 4, 8 and 14)	**1,243,121**	1,510,419	1,233,569
Equity in net earnings of an associate and a joint venture (Note 7)	**1,776,994**	–	–
Other income	**71,986**	12,554	72,598
	357,684,098	318,502,616	282,600,384
EXPENSES AND OTHER CHARGES			
Cost of services (Note 15)	**171,649,390**	171,346,575	149,431,440
General and administrative expenses (Note 16)	**43,859,579**	30,320,265	36,038,530
Interest expense (Notes 10 and 12)	**4,552,475**	909,911	944,656
Equity in net losses of an associate and a joint venture (Note 7)	**–**	726,271	1,842,001
	220,061,444	203,303,022	188,256,627
INCOME BEFORE INCOME TAX	**137,622,654**	115,199,594	94,343,757
PROVISION FOR INCOME TAX (Note 18)	**43,347,657**	37,486,907	33,115,986
NET INCOME	**94,274,997**	77,712,687	61,227,771
OTHER COMPREHENSIVE INCOME (LOSS)			
Item not to be reclassified to profit or loss in subsequent periods			
Actuarial gain (losses) on defined benefit obligation-net of tax (Note 17)	**(141,645)**	3,319	34,786
TOTAL COMPREHENSIVE INCOME	**₱94,133,352**	₱77,716,006	₱61,262,557
Net income attributable to:			
Equity holders of the parent	**₱69,835,173**	₱57,538,383	₱45,005,528
Noncontrolling interest	**24,439,824**	20,174,304	16,222,243
	₱94,274,997	₱77,712,687	₱61,227,771
Total comprehensive income attributable to:			
Equity holders of the parent	**₱69,728,940**	₱57,540,872	₱45,031,617
Noncontrolling interest	**24,404,412**	20,175,134	16,230,940
	₱94,133,352	₱77,716,006	₱61,262,557
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 19)	**₱0.10**	₱0.08	₱0.07

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation) AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

				Other Reserves			
	Capital Stock (Note 13)	**Retained Earnings-Unappropriated** (Note 13)	**Retained Earnings-Appropriated** (Note 13)	**Equity Reserve** (Note 1)	**Actuarial Losses on Defined Benefit Obligation** (Note 17)	**Noncontrolling Interests**	**Total Equity**
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**
At January 1, 2015	₱690,000,000	₱114,116,843	₱14,803,219	(₱298,498,391)	(₱222,060)	₱275,176,344	₱795,375,955
Net income	–	57,538,383	–	–	–	20,174,304	77,712,687
Other comprehensive income	–	–	–	–	2,489	830	3,319
At December 31, 2015	₱690,000,000	₱171,655,226	₱14,803,219	(₱298,498,391)	(₱219,571)	₱295,351,478	₱873,091,961
At January 1, 2014	₱690,000,000	₱69,111,315	₱14,803,219	(₱298,498,391)	(₱248,149)	₱238,695,404	₱713,863,398
Net income	–	45,005,528	–	–	–	16,222,243	61,227,771
Other comprehensive income	–	–	–	–	26,089	8,697	34,786
Additional investment of noncontrolling interests (Note 13)	–	–	–	–	–	20,250,000	20,250,000
At December 31, 2014	₱690,000,000	₱114,116,843	₱14,803,219	(₱298,498,391)	(₱222,060)	₱275,176,344	₱795,375,955

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation) AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱137,622,654**	₱115,199,594	₱94,343,757
Adjustments for:			
Depreciation and amortization (Notes 9, 10, 15 and 16)	**20,271,954**	21,449,272	20,716,829
Interest expense (Notes 10 and 12)	**4,552,475**	909,911	944,656
Equity in net losses (earnings) of an associate and a joint venture (Note 7)	**(1,776,994)**	726,271	1,842,001
Net change in pension liability (Notes 16 and 17)	**374,229**	294,384	290,302
Interest income (Notes 4, 8 and 14)	**(1,243,121)**	(1,510,419)	(1,233,569)
Operating income before changes in working capital	**159,801,197**	137,069,013	116,903,976
Decrease (increase) in:			
Receivables	**(210,147,938)**	(150,942,975)	51,386,450
Due from a joint venture	**–**	716,162	(449,202)
Other current assets	**(1,786,958)**	(773,542)	7,473,109
Increase (decrease) in:			
Trade and other payables	**29,693,349**	8,629,545	(28,626,222)
Due to related parties	**(1,239,931)**	(2,798,763)	(97,483,108)
Net cash generated from (used in) operations	**(23,680,281)**	(8,100,560)	49,205,003
Interest received	**62,801**	330,099	925,309
Income tax paid	**(47,964,816)**	(31,889,518)	(34,483,624)
Net cash provided by (used in) operating activities	**(71,582,296)**	(39,659,979)	15,646,688
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Note 10)	**(179,583)**	(645,073)	(1,486,958)
Increase in deposits	**(19,261)**	(130,120)	–
Dividends received from an associate (Note 7)	**3,066,667**	1,200,000	–
Decrease in short-term deposit	**–**	–	101,219,867
Additional investment in joint venture (Note 7)	**–**	–	(48,600,000)
Net cash provided by investing activities	**2,867,823**	424,807	51,132,909
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid (Notes 10 and 12)	**(4,238,875)**	(609,911)	(944,656)
Proceeds from:			
Bank loan (Note 12)	**–**	100,000,000	–
Issuance of shares of stock (Note 13)	**–**	–	20,250,000
Payment of bank loan (Note 12)	**(2,000,000)**	–	(100,000,000)
Net cash provided by (used in) financing activities	**(6,238,875)**	99,390,089	(80,694,656)
NET INCREASE (DECREASE) IN CASH	**(74,953,348)**	60,154,917	(13,915,059)
CASH AT BEGINNING OF YEAR	**81,476,440**	21,321,523	35,236,582
CASH AT END OF YEAR (Note 4)	**₱6,523,092**	₱81,476,440	₱21,321,523

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation) AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

The Parent Company was incorporated and organized in the Republic of the Philippines on August 31, 1995 to engage in the business of investment; to own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description; and, to manage any business, joint venture, firm partnership, corporation, institution or entity or otherwise act as holding or management corporation thereof.

BEST was incorporated in the Philippines on September 15, 1999 and is engaged in contracting and consulting business for waste management, public cleansing, sanitation and general hygiene to provide comprehensive waste disposal services.

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

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

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

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

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

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

On February 10, 2014, the BOD approved the payment to BEST of ₱22,875,000 representing 15% of the unpaid balance on the total subscription price for the 615,000,000 shares subscribed by the Parent Company in BEST.

On July 2, 2015, the BOD approved the change in the name of the Parent Company from "Minerales Industrias Corporation" to "IPM Holdings, Inc." and the change in the Parent Company's ticker symbol from "MIC" to "IPM". These were subsequently approved by the shareholders on October 21, 2015. The SEC approved the amended articles of incorporation indicating the change in the name of the Parent Company on November 25, 2015.

The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE) under the ticker "IPM". As of December 31, 2016 and 2015, the top four beneficial shareholders of the Parent Company are the following:

	Percentage of ownership
IPMCDC	51%
IPMESI	10%
IPMRDC	7%
Public	32%

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

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

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

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

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

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

The accompanying consolidated financial statements were authorized for issue by the BOD, as endorsed by the Audit Committee, on March 28, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying 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 statement of comprehensive income and within equity in the consolidated statement of financial position and consolidated statement 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 statement 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 December 31, 2016 and 2015, 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.

	2016	2015
Current assets	**₱830,626,112**	₱690,470,251
Noncurrent assets	**363,590,428**	385,778,787
Total assets	**₱1,194,216,540**	₱1,076,249,038
Current liabilities	**₱ 224,260,748**	₱204,487,477
Noncurrent liabilities	**1,282,697**	706,119
Total liabilities	**₱225,543,445**	₱205,193,596

	2016	2015
Revenue	**₱357,843,239**	₱318,653,791
Net income	**97,759,298**	80,697,214
Total comprehensive income	**97,617,653**	80,700,533
Cash flows from (used in):		
Operating activities	**(69,480,980)**	(36,842,624)
Investing activities	**2,867,823**	424,807
Financing activities	**(6,238,875)**	99,390,089
Net increase (decrease) in cash and cash equivalents	**(₱72,852,032)**	₱62,972,272
Accumulated balance of material NCI	**319,755,890**	295,351,478
Net income attributable to material NCI	**24,439,824**	20,174,304

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.

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 December 31, 2016 and 2015, the Group's financial instruments are in the nature of loans and receivables and other financial liabilities.

Day 1 profit

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique

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

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

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in profit or loss. The losses arising from impairment of such loans and receivables are recognized as "Provision for impairment losses" in profit or loss.

This accounting policy relates to the Group's "Cash", "Receivables" and "Deposits".

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

This accounting policy applies primarily to the Group's "Loans payable", "Trade and other payables", "Due to related parties" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

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

Financial liability

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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 Measurement

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

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

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

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

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable in the market, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models. Any difference noted between the fair value and the transaction price is treated as expense or income, unless it qualifies for recognition as some type of asset or liability.

Nonfinancial asset
Fair value measurement of nonfinancial asset, such as investment property, takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

The Group's management determines the policies and procedures for both recurring fair value measurement and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment 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

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

Deposits

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

Investments in an Associate and a Joint Venture

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

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

Under the equity method, the investments in associate and joint venture are carried in the consolidated 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 remaining investment at fair value and will subsequently be measured using the policy on financial assets. Any difference between the carrying amount of the associate and joint venture upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

Investment Property

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

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

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

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

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

Property and Equipment

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

Depreciation 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 and amortization 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 amortization 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.

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

Service income
Service income is recognized when the related services are rendered.

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

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

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

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

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

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

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

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

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

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

Retirement Cost
The Group, through BEST, has a funded, non-contributory retirement plan, administered by a trustee, covering its regular employees. Retirement cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined retirement costs comprise the following:

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

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

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

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

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

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

Short-term Benefits

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

Income tax

Current tax

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

Deferred tax

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

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

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

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

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

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

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 22.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss, net of any reimbursement.

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

Basic/Diluted Earnings Per Share (EPS)
EPS is computed by dividing net income for the year attributable to common shareholders of the parent company by the weighted average number of common shares issued and outstanding during the year, with retroactive adjustments for any stock dividends declared.

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

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 December 31, 2016 and 2015, 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 December 31, 2016 and 2015, the Group holds 16% interest in MCWM. The Group exercises significant influence in MCWM due to the presence of BEST's representatives in the Board of Directors of MCWM. Hence, BEST effectively has a participation in the policy-making processes of MCWM.

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

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

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

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

Allowance for impairment loss on receivable
The Group maintains allowance for impairment loss on its receivables at a level adequate to provide for any potential uncollectible receivables. The level of this allowance is regularly evaluated by the Group. The Group assesses whether objective impairment exists for the receivable by considering the financial condition and credit history of the counterparty. Moreover, the Group also considers its historical loss experience in assessing collective impairment of receivables. The Group reviews the status of the receivables and identifies amounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the Group's allowance for impairment loss on receivables would increase the Group's recorded expenses and decrease current assets. As of December 31, 2016 and 2015, the allowance for impairment losses on receivables amounted to ₱1.07 million and ₱4.39 million, respectively. The carrying amounts of receivables amounted to ₱803.85 million and ₱593.57 million as of December 31, 2016 and 2015, respectively (see Note 5).

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 December 31, 2016 and 2015, the Group did not recognize any impairment loss on its nonfinancial assets. As of December 31, 2016 and 2015, the carrying values of other current assets amounted to ₱19.49 million and ₱17.70 million, respectively, investments in an associate and a joint venture amounted to ₱87.99 million and ₱89.27 million, respectively, investment property amounted to ₱104.40 million and ₱105.52 million, respectively, and property and equipment amounted to ₱167.51 million and ₱186.49 million, respectively (see Notes 6, 7, 9 and 10).

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

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates in the Philippines. Net pension liability amounted to ₱1.28 million and ₱0.71 million as of December 31, 2016 and 2015, respectively. Further details about the assumptions used are provided in Note 17.

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

Deferred tax assets recognized amounted to ₱0.38 million and ₱1.23 million as of December 31, 2016 and 2015, respectively. The amount of unrecognized deferred tax assets amounted to ₱3.06 million and ₱4.27 million as of December 31, 2016 and 2015, respectively (see Note 18).

4. Cash

This account consists of:

	2016	2015
Cash on hand	**₱72,210**	₱65,000
Cash in banks	**6,450,882**	81,411,440
	₱6,523,092	₱81,476,440

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

Interest earned on cash in banks amounted to ₱0.03 million, ₱0.17 million and ₱0.07 million in 2016, 2015 and 2014, respectively.

5. Receivables

This account consists of:

	2016	2015
Trade receivables		
Related parties (Note 14)	**₱726,179,250**	₱529,693,744
Private entities	**15,912,853**	10,378,788
Local government units (LGUs)	**8,031,983**	20,705,005
	750,124,086	560,777,537
Loans receivable (Note 14)	**31,000,000**	31,000,000
Advances to officers and employees	**19,361,494**	493,053
Interest receivable (Note 14)	**2,668,900**	1,488,580
Advances to suppliers	**700,299**	339,520
Others	**1,066,172**	3,866,172
	804,920,951	597,964,862
Less allowance for impairment losses	**1,066,172**	4,394,669
	₱803,854,779	₱593,570,193

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 non-interest-bearing and collectible within one year.

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

The rollforward analysis of the Group's allowance for impairment losses follows:

	2016	2015
Balance at the beginning of the year	**₱4,394,669**	₱2,733,892
Provision for the year (Note 16)	**9,244,219**	1,660,777
Write-off	**(12,572,716)**	–
Balance at end of year	**₱1,066,172**	₱4,394,669

Allowance for impairment losses as of December 31, 2016 and 2015 pertains to long-outstanding trade and other receivables of the Group which were specifically identified as impaired.

Provision for impairment losses amounted to ₱9.24 million and ₱1.66 million in 2016 and 2015, respectively (see Note 16). Receivables from LGUs which were identified as uncollectible amounting to ₱12.57 million were written-off during the year.

6. Other Current Assets

This account consists of:

	2016	2015
Input VAT	**₱19,827,785**	₱17,692,929
Creditable withholding taxes	**2,451,210**	1,176,609
Prepayments	**2,158,772**	3,581,471
Deferred input VAT	**34,739**	–
Miscellaneous deposits	**15,669**	15,669
	24,488,175	22,466,678
Less allowance for impairment losses	**4,998,737**	4,764,198
	₱19,489,438	₱17,702,480

The movement in allowance for impairment losses follows:

	2016	2015
Balance at beginning of year	**₱4,764,198**	₱4,581,137
Provision for the year (Note 16)	**234,539**	183,061
Balance at end of year	**₱4,998,737**	₱4,764,198

The Parent Company provided allowance for impairment on its creditable withholding taxes and input VAT amounting to ₱5.00 million and ₱4.76 million as of December 31, 2016 and 2015, respectively, due to low probability that these assets may be utilized in the future.

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

The details of the Group's investments in an associate and a joint venture accounted for under the equity method as of December 31, 2016 and 2015 follow:

	Associate		**Joint Venture**		**Total**	
	Metro Clark Waste Management Corporation (MCWM)		**Ecoedge Resources Corporation (ERC)**			
	2016	2015	**2016**	2015	**2016**	2015
Cost:						
Balance at beginning and end of the year	**₱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	**15,604,605**	12,548,066	**(10,135,598)**	(5,152,788)	**5,469,007**	7,395,278
Equity in net earnings (losses) of an associate and a joint venture	**7,126,125**	4,256,539	**(5,349,131)**	(4,982,810)	**1,776,994**	(726,271)
Dividends received	**(3,066,667)**	(1,200,000)	**–**	–	**(3,066,667)**	(1,200,000)
Balance at end of year	**19,664,063**	15,604,605	**(15,484,729)**	(10,135,598)	**4,179,334**	5,469,007
	₱52,057,421	₱47,997,963	**₱35,927,770**	₱41,276,901	**₱87,985,191**	₱89,274,864

The reconciliation of the associate's and joint venture's net assets multiplied by the ownership interest and the carrying amount of each investments is shown in the table below:

	MCWM		ERC	
	2016	2015	**2016**	2015
Net assets	**₱299,358,277**	₱271,482,167	**₱55,604,617**	₱64,519,835
Ownership interest	**16%**	16%	**60%**	60%
	47,897,324	43,437,147	**33,362,770**	38,711,901
Fair value and other adjustments	**4,160,097**	4,560,816	**2,565,000**	2,565,000
Carrying value of investment	**₱52,057,421**	₱47,997,963	**₱35,927,770**	₱41,276,901

MCWM

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

As of December 31, 2016 and 2015, BEST holds 16% interest in MCWM. The Group exercises significant influence in MCWM due to the presence of BEST's representatives in the Board of Directors of MCWM. Hence, BEST effectively has a participation in the policy-making processes of MCWM.

Significant financial information of the associate follows:

	2016	2015
Cash and cash equivalents	**₱30,679,916**	₱30,838,524
Current assets	**161,459,212**	153,140,796
Noncurrent assets	**232,259,952**	201,067,695
Total assets	**₱393,719,164**	₱354,208,491
Current liabilities	**₱50,298,231**	₱22,631,488
Noncurrent liabilities	**44,062,656**	60,094,836
Total liabilities	**₱94,360,887**	₱82,726,324
Gross revenue	**₱349,439,923**	₱272,992,848
Cost and expenses - net	**290,604,302**	244,054,921
Net profit before income tax	**58,835,621**	28,937,927
Net profit	**54,035,078**	26,603,376
Other comprehensive income	**–**	–
Total comprehensive income	**₱54,035,078**	₱26,603,376

ERC

On November 6, 2013, BEST entered into a joint venture agreement with Lafarge Industrial Ecology International, S.A. (LIEI) to organize and establish ERC to engage in the development, utilization of renewable energy sources for non-power applications, and in particular, the production, processing, packaging, distribution and/or sale of fuel generated from municipal solid waste, such as refuse derived fuel, and pursuant thereto, to establish renewable energy systems or facilities, and to engage in any activity pursuant or incidental thereto. ERC was incorporated on

November 27, 2013 and its registered address is at Unit 103, GF Prestige Tower Condominium, F. Ortigas Jr. Avenue, Ortigas Center, Pasig City.

As of December 31, 2016 and 2015, 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.

Significant financial information of the joint venture follows:

	2016	2015
Current assets, including cash and cash equivalents of ₱1.29 million (2015: ₱3.72 million)	**₱16,702,202**	₱17,015,363
Noncurrent assets	**105,661,837**	111,939,344
Total assets	**₱122,364,039**	₱128,954,707
Current liabilities	**₱66,759,422**	₱64,434,872
Noncurrent liabilities	**–**	–
Total liabilities	**₱66,759,422**	₱64,434,872
Gross revenue	**₱26,014,246**	₱28,107,692
Cost of sales, including depreciation and amortization of ₱8.29 million (2015: ₱7.91 million)	**30,659,149**	30,660,028
Administrative expenses, including depreciation and amortization of ₱0.02 million (2015: ₱0.01 million)	**4,268,709**	5,751,146
Loss before income tax	**(8,913,612)**	(8,303,482)
Income tax expense	**1,606**	1,202
Net loss	**(8,915,218)**	(8,304,684)
Other comprehensive income	**–**	–
Total comprehensive loss	**(₱8,915,218)**	(₱8,304,684)

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

8. Deposits

As of December 31, 2016 and 2015, BEST has deposits to GSIS as surety bond amounting to ₱3.30 million and ₱3.29 million, respectively. 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. Interest income from deposits amounted to ₱0.03 million and ₱0.16 million in 2016 and 2015, respectively.

9. Investment Property

This account consists of:

	2016		
		Condominium	
	Land	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**
Balance at end of year	**–**	**4,453,339**	**4,453,339**
Net book value	**₱70,320,000**	**₱34,081,990**	**₱104,401,990**

	2015		
		Condominium	
	Land	Unit	Total
Cost	₱70,320,000	₱38,535,329	₱108,855,329
Accumulated depreciation:			
Balance at beginning of year	–	2,218,453	2,218,453
Depreciation (Note 16)	–	1,117,443	1,117,443
Balance at end of year	–	3,335,896	3,335,896
Net book value	₱70,320,000	₱35,199,433	₱105,519,433

Land pertains to a property located in Taytay, Rizal with currently undetermined use as of December 31, 2016 and 2015 (Note 20).

Portion of BEST's condominium unit located in Pasig City is being leased out to related parties. No rental income was recognized in 2016 and 2015 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. Depreciation amounting to ₱1.12 million in 2016 and 2015 is recognized in cost of services.

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 December 31, 2014 and November 22, 2016, respectively. The sales comparison approach was used in determining the fair value which considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. The fair value of the investment property is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation. The inputs used were asking prices of similar listings and offerings. Significant increases or decreases in asking price would result in higher or lower fair value of the asset.

10. Property and Equipment

This account consists of:

	2016					
	Land	**Condominium Unit and Improvements**	**Transportation and Heavy Equipment**	**Office Furniture and Fixtures**	**Development Costs**	**Total**
Cost						
At January 1 (Note 20)	**₱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 15 and 16)	**–**	**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**

	2015					
	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Total
Cost						
At January 1 (Note 20)	₱44,932,700	₱36,962,660	₱123,814,371	₱3,191,142	₱104,146,099	₱313,046,972
Additions	–	–	–	645,073	–	645,073
At December 31	44,932,700	36,962,660	123,814,371	3,836,215	104,146,099	313,692,045
Accumulated Depreciation and Amortization						
At January 1	–	2,245,029	40,173,458	1,341,918	63,111,191	106,871,596
Depreciation and amortization (Notes 15 and 16)	–	1,153,597	11,413,098	1,592,304	6,172,830	20,331,829
At December 31	–	3,398,626	51,586,556	2,934,222	69,284,021	127,203,425
Net Book Value	₱44,932,700	₱33,564,034	₱72,227,815	₱901,993	₱34,862,078	₱186,488,620

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

In 2013, the Group entered into a finance lease agreement with a local lending company for two units of transportation equipment amounting to ₱6.61 million. The carrying value of the transportation equipment amounted to ₱4.36 million and ₱5.05 million as of December 31, 2016 and 2015, respectively.

Future minimum rentals payable under non-cancellable finance lease as of December 31 follow:

	2016	2015
Within one year	**₱1,447,056**	₱1,221,840
After one year but not more than five years	**844,116**	2,072,276
	₱2,291,172	₱3,294,116

Interest expense incurred amounted to ₱0.39 million, ₱0.29 million and ₱0.34 million in 2016, 2015 and 2014, respectively.

The cost of fully-depreciated property and equipment still being used in operations amounted to ₱11.79 million and ₱11.07 million as of December 31, 2016 and 2015, respectively.

11. Trade and Other Payables

This account consists of:

	2016	2015
Trade payables		
Related parties (Note 14)	**₱13,165,254**	₱10,950,231
Third parties	**4,737,871**	6,069,166
	17,903,125	17,019,397
Payable to government agencies	**101,306,843**	72,535,043
Accrued expenses	**1,817,382**	1,509,633
	₱121,027,350	₱91,064,073

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. Accrued interest on loans payable amounted to ₱0.31 million and ₱0.30 million as of December 31, 2016 and 2015, respectively (see Note 12). These are non-interest-bearing and payable within 30 days.

12. Loans Payable

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

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

On December 29, 2016, BEST paid ₱2.00 million out of ₱100.00 million loan. On December 28, 2016, the outstanding loan amounting to ₱98.00 million was renewed by the bank for the period of 352 days and will mature on December 15, 2017. Interest from December 28, 2016 to January 25, 2017 shall be at the rate of 4.25% per annum and interest payment shall commence on January 25, 2017 and every month thereafter until fully paid at the prevailing interest rate.

Interest expense on loans payable amounted to ₱4.17 million, ₱0.62 million and ₱0.60 million in 2016, 2015, and 2014 respectively. Accrued interest payable amounted to ₱0.31 million and ₱0.30 million as of December 31, 2016 and 2015, respectively (Note 11).

13. Equity

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

	2016	2015
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		

The Parent Company's total number of shareholders is 118 as of December 31, 2016 and 2015, respectively.

Subscriptions
On February 8, 2013, the stockholders of the Parent Company representing at least two thirds of the outstanding capital stock approved the subscription by the following companies within the IPM group or any of their designees/nominees to a total of 500,000,000 shares out of the

₱500,000,000 increase in the authorized capital stock at a total subscription price of ₱500,000,000, which was paid as follows: (a) IPMCDC, ₱350,000,000; (b) IPMESI, ₱100,000,000; and (c) IPMRDC, ₱50,000,000.

The Parent Company received the deposits on stock subscription on February 11, 2013 and February 12, 2013 amounting to ₱50,000,000 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.

On May 25, 2016, the stockholders approved the increase in the Corporation's authorized capital stock to an amount of up to ₱7.50 billion consisting of common and/ or preferred shares as may be determined by the BOD.

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 December 31, 2016 and 2015, the Parent Company is in a deficit position, hence, no dividends were declared during the years covered.

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

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

	2016	2015	2014
Balance at beginning of year	**₱202,588,481**	₱199,603,954	₱195,870,153
Net loss during the year	**3,484,301**	2,984,527	3,733,801
	₱206,072,782	₱202,588,481	₱199,603,954

The appropriations made by BEST of ₱14.80 million represent continuing appropriation for future capital expenditures and property acquisitions in the field of waste to energy technology.

On March 30, 2016, the BOD of BEST approved the reversal of appropriated retained earnings of ₱14,803,219 to unrestricted retained earnings.

Noncontrolling Interests
On June 16, 2014, the other stockholders of BEST made additional investments amounting to ₱20,250,000 with corresponding equivalent number of shares issued.

14. Related Party Transactions

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

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

2016

Category	Amount	Outstanding Balance	Terms	Conditions
Trade receivables (Note 5)				
Parent				
IPMCDC (a)	**₱131,529,298**	**₱128,734,290**	Non-interest-bearing; within one year	Unsecured, no impairment
Shareholders				
IPMESI (b)	**187,288,837**	**597,391,758**	Non-interest-bearing; within one year	Unsecured, no impairment
IPMRDC (c)	**706,661**	**34,687**	Non-interest-bearing; within one year	Unsecured, no impairment
Joint Venture				
ERC (d)	**53,571**	**18,515**	Non-interest-bearing; on demand	Unsecured, no impairment
		₱726,179,250		
Loans Receivable (Note 5)				
Joint venture				
ERC (e)	**₱–**	**₱31,000,000**	Interest-bearing;due and demandable	Unsecured, no impairment
Interest Receivable (Note 5)				
ERC (e)	**1,180,320**	**2,668,900**	Due and demandable	Unsecured, no impairment
		₱33,668,900		
Trade payables (Note 11)				
Parent				
IPMCDC (f)	**₱145,976,096**	**₱13,165,254**	Non-interest-bearing; on demand	Unsecured
IPMRDC (f)	**57,580**	**–**	Non-interest-bearing; on demand	Unsecured
		₱13,165,254		
Accrued expenses				
Affiliate				
GNCA Holdings, Inc. (GNCA) (h)	**₱180,000**	**₱50,400**	Non-interest-bearing; on demand	Unsecured
BOD (i)	**300,000**	**–**	Non-interest-bearing; on demand	Unsecured
		₱50,400		

2015

Category	Amount	Outstanding Balance	Terms	Conditions
Trade receivables (Note 5)				
Parent				
IPMCDC (a)	₱113,710,185	₱79,658,802	Non-interest-bearing; within one year	Unsecured, no impairment
Shareholders				
IPMESI (b)	188,972,230	449,790,699	Non-interest-bearing; within one year	Unsecured, no impairment
IPMRDC (c)	1,737,589	204,697	Non-interest-bearing; within one year	Unsecured, no impairment
Joint Venture				
ERC (d)	108,645	39,546	Non-interest-bearing; on demand	Unsecured, no impairment
		₱529,693,744		

Category	Amount	Outstanding Balance	Terms	Conditions
Loans receivable (Note 5)				
Joint venture				
ERC (e)	₱–	₱31,000,000	Interest-bearing;due and demandable	Unsecured, no impairment
Interest receivable(Note 5)				
ERC (e)	1,180,320	1,488,580	Due and demandable	Unsecured, no impairment
		₱32,488,580		
Trade payables (Note 11)				
Parent				
IPMCDC (f)	₱145,976,096	₱10,944,876	Non-interest-bearing;within one year	Unsecured
IPMRDC (f)	52,748	5,355	Non-interest-bearing;within one year	Unsecured
		₱10,950,231		
Due to				
Parent				
IPMCDC (g)	₱13,184,806	₱2,239,931	Non-interest-bearing;on demand	Unsecured
		₱2,239,931		
Accrued expense				
Affiliate				
GNCA (h)	₱180,000	₱–	Non-interest-bearing;due and demandable	Unsecured
BOD (i)	320,000	–	Non-interest-bearing; on demand	Unsecured
		₱–		

a. BEST provides composting of waste materials services to IPMCDC and charges composting and waste processing fees based on a fixed contract price specified in the composting agreement. In 2016, 2015 and 2014, BEST charged IPMCDC for transportation and heavy equipment rental fees. In July 2015, BEST entered into a consultancy agreement with IPMCDC for the monitoring of efficiency of the latter's operation and compliance with rules and regulations on IPMCDC's contract with several local municipalities. The income payment is based on a fixed amount specified in the consultancy agreement.

b. BEST has an existing contract with IPMESI for the operation and maintenance of an Integrated Solid Waste Management Facility for a fixed monthly fee of ₱15.58 million. In 2016, 2015 and 2014, 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 from lease of office space was recognized in 2016 and 2015 since BEST's lease agreement with IPMRDC was terminated in December 2014 (see Note 20). In 2016 and 2015, BEST charged IPMRDC for the rental of heavy equipment.

d. BEST provided advances to ERC in line with its start-up operations. The advances are non-interest-bearing and payable on demand.

e. In 2014, the Group granted loans to ERC amounting to ₱19.00 million with 3.8640% interest rate per annum and ₱12.00 million with 3.718% interest rate per annum which are due and demandable. Accrued interest receivable amounted to ₱2.67 million and ₱1.49 million as of December 31, 2016 and 2015, respectively.

f. IPMCDC and IPMRDC charge BEST for the rental of equipment, subcontracted services, salaries and wages, fuel and oil and repairs and maintenance costs incurred in line with the operations of BEST.

g. Due to IPMCDC is for various reimbursable expenses advanced by the related party on behalf of BEST. These advances are non-interest bearing and are due on demand.

h. The Parent Company entered into an agreement with GNCA, an entity controlled by one of the Parent Company's director, for the sharing of common costs incurred on the leased office space of the Parent Company. The agreement provides that Parent Company shall pay fixed monthly utility charges of ₱15,000 in 2016, 2015 and 2014, in lieu of its proportionate share in monthly rentals on the leased premises.

i. In 2013, the BOD of the Parent Company approved the grant of per diem to members of the BOD for every attendance in the regular meetings of the BOD. Total per diem paid to the directors amounted to ₱0.30 million, ₱0.32 million, and ₱0.24 million in 2016, 2015 and 2014, respectively (see Note 16).

Transactions with related parties are based on terms agreed to by the parties. Outstanding balances as of reporting date are unsecured, non-interest bearing and settled in cash, unless otherwise stated. There have been no guarantees provided or received for any related party receivables or payables. Based on management's assessment, no provision for impairment for receivables for related parties is necessary due to regular settlements made by the related parties in 2016 and 2015. This assessment is done on a regular basis.

Compensation of Key Management Personnel

Details of the compensation of key management personnel of the Group are as follows:

	2016	2015	2014
Salaries and other short-term employee benefits	**₱7,956,783**	₱6,307,613	₱4,474,290
Long-term employee benefits	**214,399**	152,981	143,228
	₱8,171,182	₱6,460,594	₱4,617,518

15. Cost of Services

This account consists of:

	2016	2015	2014
Rent (Note 14)	**₱91,333,946**	₱89,324,115	₱55,457,000
Contract costs (Note 14)	**27,983,500**	27,364,244	28,027,685
Depreciation and amortization (Notes 9 and 10)	**17,585,928**	19,625,574	19,197,504
Materials and tools (Note 14)	**9,864,570**	9,516,568	16,077,897
Repairs and maintenance (Note 14)	**8,012,522**	11,213,897	9,479,300
Fuel and oil (Note 14)	**7,971,605**	7,242,500	15,037,713
Salaries, wages and employee benefits (Note 14)	**7,505,977**	5,538,488	4,806,206
Taxes and licenses	**938,127**	1,012,998	337,175
Supplies	**217,585**	139,713	225,459
Transportation and travel	**154,788**	94,092	547,821
Utilities	**48,322**	89,082	137,616
Others	**32,520**	185,304	100,064
	₱171,649,390	₱171,346,575	₱149,431,440

16. General and Administrative Expenses

This account consists of:

	2016	2015	2014
Taxes and licenses	**₱12,516,242**	₱10,678,881	₱15,394,076
Salaries, wages and employee benefits (Note 14)	**10,144,792**	9,308,671	8,478,497
Provision for impairment losses (Notes 5 and 6)	**9,478,758**	1,843,838	1,883,900
Depreciation and amortization (Note 10)	**2,686,026**	1,823,698	1,519,325
Entertainment, amusement and recreation	**2,447,816**	660,423	705,550
Professional fees	**1,726,219**	1,448,811	2,272,148
Utilities (Note 14)	**954,481**	986,727	903,694
Stock exchange listing fee	**693,910**	397,430	542,918
Transportation and travel	**573,849**	235,704	247,295
Office supplies and printing costs	**416,845**	625,344	777,582
Pension expense (Note 17)	**336,734**	273,768	283,003
Repairs and maintenance	**315,849**	476,273	580,590
Directors' fee (Note 14)	**300,000**	320,000	240,000
Rent (Note 14)	**126,083**	185,332	6,000
Insurance	**120,728**	14,090	253,614
Provision for tax deficiency (Note 11)	**–**	–	1,167,512
Others	**1,021,247**	1,041,275	782,826
	₱43,859,579	₱30,320,265	₱36,038,530

17. Pension Plan

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

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

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

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

	2016		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net pension liability**
At January 1	**₱1,056,535**	**(₱350,416)**	**₱706,119**
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**

	2015		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability
At January 1	₱761,474	(₱344,998)	₱416,476
Benefit cost in profit or loss			
Current service cost (Note 16)	273,768	–	273,768
Net interest expense (income) (Note 16)	37,693	(17,077)	20,616
Remeasurements in other comprehensive income			
Remeasurement loss-return on plan asset	–	11,659	11,659
Actuarial gain - changes in financial assumptions	(35,537)	–	(35,537)
Actuarial loss - changes in experience	19,137	–	19,137
At December 31	₱1,056,535	(₱350,416)	₱706,119

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. The actual return on plan assets amounted to ₱3,565 and ₱5,418 in 2016 and 2015, respectively.

The Group did not make any contribution in 2016 and 2015 to the defined benefit pension plan. The Group does not expect any contribution to the defined benefit pension plan in 2017.

The present value of the pension obligation is determined using an actuarial valuation, which involves making various assumptions. The principal assumptions used in determining pension benefits are as follows:

	2016	2015
Discount rate	**5.50%**	5.31%
Salary increase rate	**2.00%**	2.00%

The following sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

		Increase (decrease) in present value of defined benefit obligation	
	Change in variable	**2016**	2015
Discount rate	+100 bps	**(₱106,336)**	(₱89,413)
	-100 bps	**122,399**	103,686
Salary increase rate	+100 bps	**114,164**	96,471
	-100 bps	**(101,325)**	(84,909)

The Group expects to pay retirement benefits amounting to ₱0.13 million and ₱0.34 million in 2017 and 2019, respectively. The weighted average duration of the defined benefit obligation is 8.4 years and 10.9 years as of December 31, 2016 and 2015, respectively.

18. Income Tax

The provision for income tax recognized in profit or loss consists of:

	2016	2015	2014
Current	**₱42,448,816**	₱38,007,435	₱33,571,091
Final	**12,561**	66,020	185,062
Deferred	**886,280**	(586,548)	(640,167)
	₱43,347,657	₱37,486,907	₱33,115,986

The provision for current income tax represents regular corporate income tax (RCIT) of BEST in 2016, 2015 and 2014.

The components of the Group's unrecognized deferred tax assets follow:

	2016	2015
NOLCO	**₱9,134,793**	₱13,157,555
Allowance for impairment losses	**1,066,172**	1,066,172
	10,200,965	14,223,727
Tax rate	**30%**	30%
	₱3,060,290	₱4,267,118

The Group's deferred tax assets pertaining to the Parent Company's NOLCO and BEST's allowance for impairment loss were not recognized in the books because management believes that it is not probable that taxable profits will be available in the future against which these can be utilized. The Group will recognize a previously unrecognized deferred tax asset to the extent that it becomes probable that future taxable income will allow the deferred tax asset to be recovered.

The components of the Group's recognized deferred tax assets follow:

	2016	2015
Presented in profit or loss		
Allowance for impairment losses	**₱–**	₱998,549
Net pension liability	**237,147**	124,878
	237,147	1,123,427
Presented in other comprehensive income		
Actuarial losses on defined benefit obligation	**147,662**	86,958
Net deferred tax assets	**₱384,809**	₱1,210,385

The reconciliation between the statutory income tax and the effective income tax follows:

	2016	2015	2014
At statutory tax rate	**₱41,286,796**	₱34,559,878	₱28,303,127
Add (deduct) tax effects of:			
Nondeductible expense	**1,665,927**	1,942,473	3,334,254
Equity in net (income) losses of an associate and a joint venture	**(533,098)**	217,881	552,600
Interest income subjected to final tax	**(6,280)**	(33,010)	(92,531)
Expired NOLCO	**2,141,140**	512,366	432,253
Change in unrecognized deferred tax assets	**(1,206,828)**	287,319	586,283
Effective income tax	**₱43,347,657**	₱37,486,907	₱33,115,986

The Parent Company's NOLCO as of December 31, 2016 consists of:

Year Incurred	Amount	Expired	Balance	Expiry Date
2016	₱3,114,370	₱–	₱3,114,370	2019
2015	2,665,618	–	2,665,618	2018
2014	3,354,805	–	3,354,805	2017
2013	7,137,132	7,137,132	–	2016
	₱16,271,925	₱7,137,132	₱9,134,793	

19. Basic/Diluted Earnings per Share

Basic/diluted earnings per share was computed as follows:

	2016	2015	2014
Net income attributable to equity holders of the parent company (a)	**₱70,959,015**	₱57,538,383	₱45,005,528
Weighted average number of outstanding common share (b)	**690,000,000**	690,000,000	690,000,000
Basic earnings per share (a/b)	**₱0.10**	₱0.08	₱0.07

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

20. Commitments

As of December 31, 2016 and 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 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. Income from composting amounted to ₱12.00 million in 2016 and 2015 (Note 14).

  b. Consultancy and field services in IPMCDC's Materials Recovery Facility (MRF) which is being renewed every year. In July 2015, the Group entered into new consultancy services contracts with IPMCDC for the monitoring of efficiency of the latter's operation and compliance with rules and regulations on IPMCDC's contract with several local cities. The Group recognized income amounting to ₱41.79 million and ₱124.35 million in 2016 and 2015, respectively, arising from these consultancy service contracts (Note 14).

- The Group entered into a contractual commitment with IPMESI, a stockholder, to undertake the Operation and Maintenance of Integrated Solid Waste Management Facility for a fixed monthly fee of ₱15.58 million. This agreement was renewed on March 28, 2014 for the period covering January 1, 2014 to December 31, 2014. The agreement was renewed for another year in 2015 and 2016 (Note 14).

- The Group entered into a contractual commitment to provide garbage hauling and disposal services for the Municipality of Taytay, Rizal for a consideration of ₱16.00 million at ₱349 per cubic meter for a total of 45,845 cubic meters of waste hauled to the landfill facility. The agreement ended in June 2013 when the total computed volume of waste had already been completely hauled to the landfill facility. Outstanding receivable from the municipality amounted to ₱2.73 million and ₱14.11 as of December 31, 2016 and 2015, respectively. Receivables amounting to ₱11.37 million was written-off during the year as these were identified as uncollectible from the municipality (Note 5).

- The Group 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. As of and for the years ended December 31, 2016 and 2015, the amount of income recognized by the Group and outstanding balance per municipality follow:

		Income (in millions)		**Outstanding Balance** (in millions)	
Municipality	Rate per ton	**2016**	2015	**2016**	2015
Baras	₱600	**₱1.57**	₱1.22	**₱0.63**	₱2.12
Binangonan	600	**5.94**	–	**0.60**	–
Cardona	600	**0.65**	0.41	**0.50**	0.29
Jalajala	600	**0.37**	0.23	**0.14**	0.20
Morong	300	**–**	–	**1.20**	1.20
Pililla	600	**–**	0.04	**0.04**	0.04
Tanay	600	**2.26**	1.09	**1.51**	1.18
Teresa	500	**1.97**	1.84	**1.87**	1.56

In 2016 receivables from Morong amounting to ₱1.20 million was written-off during the year as these were identified as uncollectible from the municipality (Note 5).

On March 2, 2015 and March 16, 2015, the Group entered into contractual commitments with the municipality of Pililla and Jalajala, respectively, for the tipping and disposal of residual wastes. In 2016, the Group entered into a new contract agreement for tipping and disposal of residual waste with the municipality of Binangonan. Under these agreements, the Group, through BEST, allows these municipalities to dump residual wastes in BEST's landfill in Morong. In 2016, it was determined that land with currently undetermined use was capitalized as part of BEST's landfill under "Property and Equipment" instead of "Investment Property". The balances of property and equipment and investment property have been adjusted to properly reflect the transaction (Notes 9 and 10). This resulted to a decrease in property and equipment and increase in investment property amounting to ₱70.32 million in 2016 and 2015. These adjustments have no impact to the Group's net income and EPS for the years ended December 31, 2015 and 2014 and to the Group's total assets, total liabilities, retained earnings and equity as of December 31, 2015 and January 1, 2015.

- The Group entered into a contractual commitment with Republic Cement and Building Lafarge Republic, Inc. (RCBM), formerly Lafarge Republic, Inc. (LRI), to provide trucking and hauling services to transport Refuse-Derived Fuel (RDF) upon request of RCBM. The contract is effective from July 1, 2013 to June 30, 2014, renewable upon mutual agreement of the parties. In 2016, 2015 and 2014, the agreement was renewed under the same terms. Outstanding receivable from RCBM amounted to ₱3.59 million and ₱3.70 million as of December 31, 2016 and 2015, respectively. The Group recognized income amounting to ₱2.06 million, ₱2.53 million and ₱3.74 million from the services rendered in 2016, 2015, and 2014, respectively.

21. Financial Risk Management Objectives and Policies

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

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

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

Credit risk

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

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

	2016	2015
Loans and receivables:		
Cash*	**₱6,450,882**	₱81,411,440
Receivables:		
Trade**	**750,124,086**	557,449,040
Loan	**31,000,000**	31,000,000
Interest	**2,668,900**	1,488,580
Others**	**–**	2,800,000
Deposits	**3,304,746**	3,285,485
	₱793,548,614	₱677,434,545

**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 December 31, 2016 and 2015.

The aging analysis of financial assets as of December 31, 2016 and 2015 follows:

	2016				
	Neither Past Due nor Impaired	**Past Due but not Impaired**			
	High Grade	**31 to 60 Days**	**Over 60 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*

	2015				
	Neither Past Due nor Impaired	Past Due but not Impaired			
	High Grade	31 to 60 Days	Over 60 days	Impaired	Total
Financial assets:					
Loans and receivables:					
Cash*	₱81,411,440	₱–	₱–	₱–	₱81,411,440
Receivables:					
Trade	70,722,530	31,256,380	455,470,130	3,328,497	560,777,537
Loans	–	–	31,000,000	–	31,000,000
Interest	1,180,320	–	308,260	–	1,488,580
Others	2,800,000	–	–	1,066,172	3,866,172
Deposits	3,285,485	–	–	–	3,285,485
	₱159,399,775	₱31,256,380	₱486,778,390	₱4,394,669	₱681,829,214

**excluding cash on hand*

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

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

Liquidity risk

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

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

The table below summarizes the maturity profile of the Group's nonderivative financial assets and liabilities as of December 31, 2016 and 2015 based on contractual undiscounted payments:

	2016				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**More than One Year**	**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**

	2016				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**More than One Year**	**Total**
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**

	2015				
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	Total
Financial assets					
Loans and receivables:					
Cash	₱81,476,440	₱–	₱–	₱–	₱81,476,440
Receivables:					
Trade	35,478,100	84,712,505	437,258,435	–	557,449,040
Loan	31,000,000	–		–	31,000,000
Interest	1,488,580	–		–	1,488,580
Others	2,800,000	–	–	–	2,800,000
Deposits	–	–	–	3,285,485	3,285,485
	₱152,243,120	₱84,712,505	₱437,258,435	₱3,285,485	₱677,499,545
Financial liabilities					
Trade and other payables (excluding payable to government agencies)	₱–	₱18,529,030	₱–	₱–	₱18,529,030
Due to related parties	2,239,931	–	–	–	2,239,931
Loans payable	–	–	100,000,000	–	100,000,000
	₱2,239,931	₱18,529,030	₱100,000,000	₱–	₱120,768,961

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group considers its total equity amounting to ₱967.23 million and ₱873.09 million as of December 31, 2016 and 2015, respectively, as capital.

Fair Value Information

Due to the short-term nature of the Group's financial instruments, their fair values approximate their carrying amounts as of December 31, 2016 and 2015.

Fair Value Hierarchy

As of December 31, 2016 and 2015, the Group has no financial instrument carried in the books at fair value. There were no transfers between Level 1 and Level 2 financial instruments, and no transfers into or out of Level 3 fair value instrument.

22. Segment Information

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

	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**
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**

	2015				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income	₱–	₱317,152,911	₱317,152,911	(₱160,714)	₱316,992,197
Interest income	9,539	1,500,880	1,510,419	–	1,510,419
Interest expense	–	909,911	909,911	–	909,911
Equity interest	–	726,271	726,271	–	726,271
Income (loss) before tax	(2,982,619)	118,182,213	115,199,594	–	115,199,594
Provision for income tax	1,908	37,484,999	37,486,907	–	37,486,907
Net income (loss)	(2,984,527)	80,697,214	77,712,687	–	77,712,687
Other Information					
Segment assets	₱617,465,836	₱1,076,249,038	₱1,693,714,874	(₱615,186,974)	₱1,078,527,900
Segment liabilities	130,054,317	205,193,596	335,247,913	(129,811,974)	205,435,939
Depreciation and amortization	–	21,449,272	21,449,272	–	21,449,272

	2014				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income	₱72,598	₱281,294,217	₱281,366,815	₱–	₱281,366,815
Interest income	58,368	1,175,201	1,233,569	–	1,233,569
Interest expense	–	944,656	944,656	–	944,656
Equity interest	–	1,842,001	1,842,001	–	1,842,001
Income (loss) before tax	(3,649,529)	97,993,286	94,343,757	–	94,343,757
Provision for income tax	11,674	33,104,312	33,115,986	–	33,115,986
Net income (loss)	(3,661,203)	64,888,974	61,227,771	–	61,227,771
Other Information					
Segment assets	₱620,268,524	₱883,281,298	₱1,503,549,822	(₱615,000,000)	₱888,549,822
Segment liabilities	129,840,820	92,958,047	222,798,867	(129,625,000)	93,173,867
Depreciation and amortization	–	20,716,829	20,716,829	–	20,716,829

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*.

Revenue derived from IPMCDC, IPMESI and IPMRDC (entities under common control of IPM Group) amounted to ₱319.52 million, ₱304.42 million and ₱251.97 million, in 2016, 2015 and 2014, respectively.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
IPM Holdings, Inc.
(Formerly Minerales Industrias Corporation)
Unit 103, Ground Floor, Prestige Tower Condominium
F. Ortigas Jr. Avenue Ortigas Center
Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of IPM Holdings, Inc. and its subsidiary (collectively, the Group) as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A, and have issued our report thereon dated March 28, 2017. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. 1507-A (Group A),
September 24, 2015, valid until September 23, 2018
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5908768, January 3, 2017, Makati City

March 28, 2017

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation) AND SUBSIDIARY

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as of December 31, 2016:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of 'Effective PFRSs'			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	**Not early adopted**		
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4	**Not early adopted**		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	**Not early adopted**		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	**Not early adopted**		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	**Not early adopted**		
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	**Not early adopted**		
PFRS 16	Leases	**Not early adopted**		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Presentation of Financial Statements - Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Statement of Cash Flows, Disclosure Initiative	**Not early adopted**		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	**Not early adopted**		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Amendments to PAS 27: Separate Financial Statements			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	**Not early adopted**		
	Amendments to PFRS 10, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	**Not early adopted**		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Tax effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		**Adopted**	**Not Adopted**	**Not Applicable**
	Hedge Accounting			
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓
	Amendments to PAS 40: Investment Property, Transfers of Investment Property	**Not early adopted**		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	**Not early adopted**		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	5	0	0	8	5	5	7

COMPANY NAME

IPM HOLDINGS, INC. (FORMERLY MINERALES INDUSTRIAS CORPORATION)

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

UNIT 103, GROUND FLOOR, PRESTIGE TOWER CONDOMINIUM, F. ORTIGAS JR. AVENUE, ORTIGAS CENTER PASIG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@mineralesindustrias.com	897-5257	NA

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
118	4th Wed of May	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ana Maria A. Katigbak	AAK@cltpsj	817-6791	

CONTACT PERSON's ADDRESS

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

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

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

IPM HOLDINGS, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of IPM Holdings, Inc., formerly Minerales Industrias Corporation (the "Parent Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Parent Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Parent Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has audited the financial statements of the Parent Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

ISABELITA P. MERCADO
Chairman of the Board/
Chief Executive Officer

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 7
RDO 43 PASIG CITY
RECEIVED
11 APR 2017
BY: MELECIO F. CANTARA

FRANCIS NEIL P. MERCADO
Treasurer/Chief Financial Officer

Signed this 7th day of April 2017

SUBSCRIBED AND SWORN to before me this APR 07 2017, affiants exhibiting to me their Passports, as follows:

Name	Passport No.	Date of Issue	Place of Issue
Isabelita P. Mercado	EC3526522	February 25, 2015	DFA, Manila
Francis Neil P. Mercado	EB4433663	June 18, 2015	DFA, Manila

Doc No. 482
Book No. 181
Series of 2017
PAGE NO. 98

ATTY. HOBERT N. DUZ
NOTARY PUBLIC
Until December 31, 2017
Appt. No. M-20, Makati City
IBP #1052367 for 2017, Nov. 22, 2016-RSM
PTR #5909501, Jan. 03, 2017-Makati
S.C. Roll No. 59597
MCLE Compliance No. V-0015439; 9 March 2016
Unit 301 3rd Flr. Ortigas Building, Pasig City

Unit 103 G/F Prestige Tower Condominium F. Ortigas Jr. Rd., Ortigas Center, Pasig City, Philippines 1605
Telephone No. (632) 631-0281 Fax. No. (632) 654-2157

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Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
IPM Holdings, Inc.
(Formerly Minerales Industrias Corporation)
Unit 103, Ground Floor, Prestige Tower Condominium,
F. Ortigas Jr. Avenue Ortigas Center,
Pasig City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of IPM Holdings, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2016 and 2015, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 13 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of IPM Holdings, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Jennifer D. Ticlao.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 7
RDO 43 PASIG CITY
RECEIVED
11 APR 2017
BY: MELECIO F. CANTARA

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. 1507-A (Group A),
September 24, 2015, valid until September 23, 2018
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5908768, January 3, 2017, Makati City

March 28, 2017

IPM HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash (Notes 4 and 12)	**₱336,520**	₱2,437,836
Receivables (net of allowance for impairment losses of ₱1,066,172 as of December 31, 2016 and 2015) (Note 12)	**–**	–
Other current assets - net (Note 5)	**20,000**	28,000
Total Current Assets	**356,520**	2,465,836
Noncurrent Assets		
Investment in a subsidiary (Notes 6 and 10)	**485,375,000**	485,375,000
TOTAL ASSETS	**₱485,731,520**	₱487,840,836
LIABILITIES AND EQUITY		
Current Liabilities		
Advances from related party (Note 10)	**₱1,000,000**	₱–
Accrued expenses and other payables (Notes 7 and 10)	**804,302**	429,317
Total Current Liabilities	**1,804,302**	429,317
Equity		
Capital stock (Note 8)	**690,000,000**	690,000,000
Deficit	**(206,072,782)**	(202,588,481)
Total Equity	**483,927,218**	487,411,519
TOTAL LIABILITIES AND EQUITY	**₱485,731,520**	₱487,840,836

See accompanying Notes to Parent Company Financial Statements.

IPM HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
INCOME			
Interest (Note 4)	**₱1,573**	₱9,539	₱58,368
	1,573	9,539	58,368
EXPENSES			
Professional fees	**898,005**	475,911	1,185,957
Stock exchange listing fee	**693,910**	397,430	542,918
Salaries and wages	**636,000**	629,333	766,000
Directors' per diem (Note 10)	**300,000**	320,000	240,000
Provision for impairment losses (Note 5)	**234,539**	183,061	216,180
Utilities (Note 10)	**180,000**	180,000	180,000
Rent expense (Note 10)	**160,714**	321,429	–
Entertainment, amusement and recreation	**136,650**	143,478	209,510
Office supplies and printing costs	**82,906**	117,723	92,645
Transportation	**41,207**	43,067	40,808
Taxes and licenses	**15,616**	14,616	29,760
Bid expense	–	–	200,000
Miscellaneous	**106,012**	166,110	76,717
	3,485,559	2,992,158	3,780,495
LOSS BEFORE INCOME TAX	**3,483,986**	2,982,619	3,722,127
PROVISION FOR INCOME TAX (Note 9)	**315**	1,908	11,674
NET LOSS	**₱3,484,301**	₱2,984,527	₱3,733,801
OTHER COMPREHENSIVE INCOME	–	–	–
TOTAL COMPREHENSIVE LOSS	**₱3,484,301**	₱2,984,527	₱3,733,801

See accompanying Notes to Parent Company Financial Statements.

IPM HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 8)	**Deficit**	**Total**
At January 1, 2016	**₱690,000,000**	**(₱202,588,481)**	**₱487,411,519**
Net loss	**–**	**(3,484,301)**	**(3,484,301)**
At December 31, 2016	**₱690,000,000**	**(₱206,072,782)**	**₱483,927,218**
At January 1, 2015	₱690,000,000	(₱199,603,954)	₱490,396,046
Net loss	–	(2,984,527)	(2,984,527)
At December 31, 2015	₱690,000,000	(₱202,588,481)	₱487,411,519
At January 1, 2014	₱690,000,000	(₱195,870,153)	₱494,129,847
Net loss	–	(3,733,801)	(3,733,801)
At December 31, 2014	₱690,000,000	(₱199,603,954)	₱490,396,046

See accompanying Notes to Parent Company Financial Statements.

IPM HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱3,483,986)**	(₱2,982,619)	(₱3,722,127)
Adjustments for:			
Provision for impairment losses (Note 5)	**234,539**	183,061	216,180
Interest income (Note 4)	**(1,573)**	(9,539)	(58,368)
Operating loss before changes in working capital	**(3,251,020)**	(2,809,097)	(3,564,315)
Changes in operating assets and liabilities:			
Increase in other current assets	**(226,539)**	(197,728)	(216,180)
Increase in advances from related party	**1,000,000**	–	–
Increase (decrease) in accrued expenses and other payables	**374,985**	181,838	(367,697)
Net cash used in operations	**(2,102,574)**	(2,824,987)	(4,148,192)
Interest received	**1,573**	9,539	58,368
Income tax paid	**(315)**	(1,908)	(11,674)
Net cash used in operating activities	**(2,101,316)**	(2,817,356)	(4,101,498)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment of subscription payable (Note 6)	–	–	(22,875,000)
Net cash used in investing activities	–	–	(22,875,000)
NET DECREASE IN CASH	**(2,101,316)**	(2,817,356)	(26,976,498)
CASH AT BEGINNING OF YEAR	**2,437,836**	5,255,192	32,231,690
CASH AT END OF YEAR (Note 4)	**₱336,520**	₱2,437,836	₱5,255,192

See accompanying Notes to Parent Company Financial Statements.

IPM HOLDINGS, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

IPM Holdings, Inc. (IPM), formerly Minerales Industrias Corporation (the Parent Company) was incorporated and organized in the Republic of the Philippines on August 31, 1995 to engage in the business as an investment holding company.

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

On February 8, 2013, the stockholders of the Parent Company representing at least two thirds of the outstanding capital stock approved the subscription by the following within 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 previously approved by the shareholders, 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.

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 subscription to the proposed increase in the authorized capital stock of the Parent Company.

On March 4, 2013, the Parent Company acquired 615,000,000 shares in BEST representing 75% interest, thereby treating it as a subsidiary 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 (see Note 6).

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

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 ₱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. The SEC approved the amended articles of incorporation indicating the change of address on October 18, 2013.

On February 10, 2014, the BOD approved the payment to BEST of ₱22,875,000 representing 15% of the unpaid balance on the total subscription price for the 615,000,000 shares subscribed by the Parent Company in BEST. Subscription payable as of December 31, 2016 and 2015 amounted to ₱129,625,000 (see Notes 6 and 10).

On July 2, 2015 and October 21, 2015, the BOD and the shareholders, respectively, 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". The SEC approved the Parent Company's Amended Articles of Incorporation indicating the change in the name of the Parent Company on November 25, 2015.

The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE). As of December 31, 2016 and 2015, the percentage ownership of the top four beneficial shareholders of the Parent Company follows:

	Percentage of ownership
IPMCDC	51%
IPMESI	10%
IPMRDC	7%
Public	32%

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

The Parent Company's unissued authorized capital stock amounted to ₱50,000,000 as of December 31, 2016 and 2015 (see Note 8).

The Parent Company's subsidiary, BEST, was 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 (see Note 6).

The accompanying financial statements were authorized for issue by the BOD, as endorsed by the Audit Committee, on March 28, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying parent company financial statements have been prepared on a historical cost basis. These parent company financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

The Parent Company also prepares and issues consolidated financial statements for the same period as the separate financial statements presented in compliance with PFRS. These financial statements may be obtained at the Parent Company's registered office address or from the SEC.

Statement of Compliance

The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Change in presentation of the parent company statements of comprehensive income

In 2014, the Parent Company opted to present its other comprehensive income in a single-linked statement since the Parent Company no longer has any items of other comprehensive income in its 2014 parent company financial statements, including the 2013 and 2012 comparative statements. Previously, the Parent Company presented its other comprehensive income using two-linked statements.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have any significant impact on the Parent Company's financial position or performance unless otherwise indicated.

- 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 Parent Company's 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 Parent Company 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 and are carried in the parent company statement of financial position at face amount and earn interest based on the prevailing bank deposit rates.

Financial Instruments

Date of recognition

The Parent Company recognizes a financial asset or a financial liability on the parent company 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 Parent Company 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 December 31, 2016 and 2015, the Parent Company has no financial assets and liabilities at FVPL, AFS financial assets and HTM investments.

Day 1 difference
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 Parent Company 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 Parent Company 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, the 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 in provision for impairment losses in profit or loss. This accounting policy relates to the Parent Company's "Cash" and "Receivables".

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 Parent Company's accrued expenses and other payables and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax and taxes payable).

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.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the parent company 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.

Impairment of Financial Assets

The Parent Company 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company. 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 Parent Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Parent Company to reduce any difference between loss estimate and actual loss experience.

Derecognition of Financial Assets and Liabilities

Financial asset

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

a. the right to receive cash flows from the asset has expired;
b. the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company 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 the profit or loss.

Investment in a Subsidiary

A subsidiary is an entity in which the Parent Company exercises control over the operation and management of the subsidiary. The Parent Company 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.

An investor controls an investee if and only if the investor has all the following:

- 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 effect the amount of the investor's returns.

The Parent Company's investment in a subsidiary is accounted for in the parent company financial statements under the cost method of accounting.

The reporting dates of the subsidiary and the Parent Company are identical and the subsidiary's accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances.

The Parent Company recognizes dividend income from its subsidiary once the subsidiary declared dividends.

Impairment of Nonfinancial Asset

The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company 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 unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase in other comprehensive income. 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.

Fair Value Measurement

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

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

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

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 Parent Company 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 assets
The fair values for financial instruments traded in active markets at the reporting date are based on their quoted market price which is between the bids and ask prices 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 financial statements on a recurring basis, the Parent Company 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 Parent Company's management determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring fair value measurement.

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 Parent Company'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 Parent Company 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 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.

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.

Deficit

Deficit represents the cumulative amount of net losses of the Parent Company.

Revenue Recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Parent Company 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.

Interest income

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

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized in profit or loss in the period these are incurred.

Income tax

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences and net operating loss carry over (NOLCO) to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and NOLCO can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed as of the reporting period and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

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

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

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

Value-added tax (VAT)
Revenue, expenses and assets are recognized net of the amount of sales tax except:

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

The net amount of tax recoverable from the tax authority is included as part of "Other current assets" in the parent company statement of financial position.

Operating Segment
The Parent Company'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 11.

Provisions
Provisions are recognized when the Parent Company 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 Parent Company 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 parent company 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 parent company financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Parent Company's financial position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the accompanying parent company financial statements in conformity with PFRS requires the Parent Company to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. However, future events may occur which will cause the assumptions

used in arriving at the estimates to change. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable. Actual results could differ from such estimates.

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.

Estimates

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

Estimating allowance for impairment losses on receivables

The Parent Company maintains allowance for impairment loss on its receivables at a level adequate to provide for any potential uncollectible receivables. The level of this allowance is regularly evaluated by the Parent Company. The Parent Company assesses whether objective impairment exists for the receivable by considering the financial condition and credit history of the counterparty. Moreover, the Parent Company also considers its historical loss experience in assessing collective impairment of receivables. The Parent Company reviews the status of the receivables and identifies amounts that are to be provided with allowance on a continuous basis.

As of December 31, 2016 and 2015, receivables amounting to ₱1,066,172 have been fully provided with allowance for impairment losses since management believes that these receivables will not be recovered.

Impairment of nonfinancial assets

The Parent Company 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 and significant negative industry or economic trends. The Parent Company recognizes an impairment loss if such indications are present and whenever the carrying amount of an asset exceeds its recoverable amount.

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

The carrying amount and the related impairment loss of prepaid taxes, creditable withholding tax and input VAT are disclosed in Note 5. The Parent Company recognized impairment loss amounting to ₱234,539 and ₱183,061 in 2016 and 2015, respectively. As of December 31, 2016 and 2015, the Parent Company's other current assets amounting to ₱20,000 and ₱28,000 respectively are recoverable (see Note 5). As of December 31, 2016 and 2015, there were no impairment indicators noted in the investment in a subsidiary amounting to ₱485,375,000 (see Note 6).

Recognition of deferred tax assets
As of December 31, 2016 and 2015, deferred tax assets have not been recognized in respect of carry forward benefit of NOLCO that are available for offset against future taxable income for three succeeding years because management believes that it is more likely than not that the tax benefits will not be realized in the future. As of December 31, 2016 and 2015, unrecognized deferred tax assets amounted to ₱2,740,438 and ₱3,947,267, respectively (see Note 9).

4. Cash

This account consists of:

	2016	2015
Cash on hand	**₱2,210**	₱5,000
Cash in bank	**334,310**	2,432,836
	₱336,520	₱2,437,836

Cash in bank earns interest at the prevailing bank deposit rate.

Interest earned from cash in bank amounted to ₱1,573 and ₱9,539 in 2016 and 2015, respectively.

5. Other Current Assets

This account consists of:

	2016	2015
Prepaid taxes	**₱1,976,300**	₱1,976,300
Creditable withholding tax	**1,137,430**	1,137,430
Input VAT	**1,885,007**	1,650,468
Prepaid expenses	**20,000**	28,000
	5,018,737	4,792,198
Less allowance for impairment losses	**4,998,737**	4,764,198
	₱20,000	₱28,000

The movement in allowance for impairment losses follows:

	2016	2015
Balance at beginning of year	**₱4,764,198**	₱4,581,137
Provision for impairment losses	**234,539**	183,061
Balance at end of year	**₱4,998,737**	₱4,764,198

The Parent Company provided an allowance for impairment on its prepaid taxes, creditable withholding tax and input VAT amounting to ₱4,998,737 and ₱4,764,198 as of December 31, 2016 and 2015, respectively, due to low probability that these assets may be utilized in the future.

6. Investment in a Subsidiary

The Parent Company's investment in a subsidiary, BEST, amounted to ₱485,375,000 as of December 31, 2016 and 2015.

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

On November 20, 2012, the Parent Company's BOD authorized the acquisition of 615,000,000 shares in BEST at par value of ₱1 per share, which 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.

On March 4, 2013, the Parent Company acquired 615,000,000 shares in BEST representing 75% interest and paid ₱462,500,000.

On February 10, 2014, the BOD approved the payment to BEST of ₱22,875,000 representing 15% of the unpaid balance on the total subscription price for the 615,000,000 shares subscribed by the Parent Company in BEST. Subscription payable as of December 31, 2015 and 2014 amounting to ₱129,625,000 was offset against the Parent Company's investment in a subsidiary (see Note 10).

The Parent Company accounts for its investment in BEST at cost.

Summarized below is the financial information of BEST as of December 31:

	2016	2015
Current assets	**₱830,626,112**	₱690,470,251
Noncurrent assets	**363,590,428**	385,778,787
Total assets	**₱1,194,216,540**	₱1,076,249,038
Current liabilities	**₱224,260,748**	₱204,487,477
Noncurrent liabilities	**1,282,697**	706,119
Total liabilities	**₱225,543,445**	₱205,193,596
Revenue	**₱357,843,239**	₱318,653,791
Net income	**97,759,298**	80,697,214
Total comprehensive income	**97,617,653**	80,700,533

7. Accrued Expenses and Other Payables

This account consists of:

	2016	2015
Accrued expenses	**₱780,753**	₱414,787
Taxes payable	**23,549**	14,530
	₱804,302	₱429,317

Accrued expenses pertain to unreleased checks and accruals of professional fees as of December 31, 2016 and 2015. Of the total amount, ₱115,061 is payable to BEST which pertains to

accrual of rent expense and business permit renewal amounting to ₱114,643 and ₱418, respectively. On the other hand, ₱50,400 is payable to GNCA Holdings, Inc. for unpaid utilities expense (see Note 10).

Taxes payable pertains to liabilities for withholding tax on compensation and expanded withholding tax as of December 31, 2016 and 2015.

Accrued expenses and taxes payable are non-interest-bearing and are generally payable within 30- to 60- day terms.

8. Equity

Capital Stock

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

	2016	2015
Number of shares authorized to issue:		
At beginning and end of year	**740,000,000**	740,000,000
Number of shares issued and outstanding:		
At beginning and end of year	**690,000,000**	690,000,000

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

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

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 deposit on future stock subscription from these companies on February 11, 2013 and February 12, 2013 amounting to ₱50,000,000 and ₱450,000,000, respectively, for the said subscription, which was subsequently transferred to common shares following the approval of SEC of the application for increase in authorized shares of the Parent Company on June 11, 2013.

On May 25, 2016, the stockholders approved the increase in the Corporation's authorized capital stock to an amount of up to ₱7.50 billion consisting of common and/ or preferred shares as may be determined by the BOD.

The Parent Company's unissued authorized capital stock amounted to ₱50,000,000 as of December 31, 2016 and 2015.

The number of holders of securities of the Parent Company as of December 31, 2016 and 2015 is 118 shareholders.

9. Income Tax

The provision for income tax consists of final tax on interest income.

The Parent Company's unrecognized deferred tax asset as of December 31, 2016 and 2015 pertains to the Parent Company's NOLCO amounting to ₱9,134,793 and ₱13,157,555, respectively. The tax effect of these NOLCO amounted to ₱2,740,438 and ₱3,947,267 as of December 31, 2016 and 2015, respectively.

The Parent Company's deferred tax assets were not recognized in the books because management believes that it is not probable that future taxable profits will be available against which these can be utilized in the future before the carry forward benefit expires. The Parent Company will recognize a previously unrecognized deferred tax asset to the extent that it becomes probable that future taxable income will allow the carry forward benefit of NOLCO to be recovered.

The Parent Company's NOLCO as of December 31, 2016 consists of:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Date
2016	₱3,114,370	₱–	₱–	₱3,144,370	2019
2015	2,665,618	–	–	2,665,618	2018
2014	3,354,805	–	–	3,354,805	2017
2013	7,137,132	–	7,137,132	–	2016
	₱16,271,925	₱–	₱7,137,132	₱9,134,793	

The movements in NOLCO follow:

	2016	2015
Balance at beginning of year	**₱13,157,555**	₱12,199,823
Addition	**3,114,370**	2,665,618
Expiration	**(7,137,132)**	(1,707,886)
Balance at end of year	**₱9,134,793**	₱13,157,555

The reconciliation between the statutory income tax and the effective income tax follows:

	2016	2015	2014
Statutory income tax	**(₱1,045,196)**	(₱894,786)	(₱1,116,638)
Add (deduct) tax effects of:			
Change in unrecognized deferred tax assets	**(1,206,829)**	287,319	574,189
Expired NOLCO	**2,141,140**	512,366	432,253
Nondeductible expenses	**111,357**	97,963	127,707
Interest income subjected to final tax	**(157)**	(954)	(5,837)
Effective income tax	**₱315**	₱1,908	₱11,674

10. Related Party Transaction

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 Parent Company; (b) associates; and (c) individual owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the Parent Company 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:

	Amount		Outstanding Balance			
Category	**2016**	2015	**2016**	2015	**Terms**	**Conditions**
Subsidiary						
BEST						
Rent (a)	**₱160,714**	₱321,429	**₱114,643**	₱–	Non-interest-bearing; on demand	Unsecured
Subscription payable (b)	**–**	–	**129,625,000**	129,625,000	Due and demandable	Unsecured
Advances from related party (c)	**1,000,000**	–	**1,000,000**	–	Non-interest-bearing; on demand	Unsecured
Other related parties						
GNCA Holdings, Inc.(GNCA)						
Utilities (d)	**180,000**	180,000	**50,400**	–	Non-interest-bearing; on demand	Unsecured
Directors						
Directors' per diem (e)	**300,000**	320,000	**–**	–	Non-interest-bearing; on demand	Unsecured

a. On January 12, 2015, the Parent Company entered into a contract of lease with BEST for rental of office space amounting to ₱15,000 per month inclusive of utilities or ₱180,000 per year. The contract retroactively covers the period from October 2014 to October 2015. The contract of lease was renewed for another year. The Parent Company's unpaid rent expense as of December 31, 2016 and 2015 amounted to ₱114,643 and nil, respectively.

b. Subscription payable of the Parent Company to BEST amounted to ₱129,625,000 as of December 31, 2016 and 2015 which was offset against the Parent Company's investments in a subsidiary (see Note 6).

c. Advances from related party of the Parent Company to BEST amounted to ₱1,000,000 as of December 31, 2016. This represents non-interest bearing advances obtained from subsidiary to finance the operating requirements of the Company.

d. The Parent Company entered into an agreement with GNCA, an entity controlled by one of the Parent Company's BOD, for the sharing of common costs incurred on the leased office space. The agreement provides that the Parent Company shall pay fixed monthly utility charges of ₱15,000 in 2016 and 2015, in lieu of its proportionate share in monthly rentals on the leased premises. In 2016 and 2015, the Parent Company's unpaid utilities expense amounted to ₱50,400 and nil, respectively.

e. In 2013, the BOD of the Parent Company approved the grant of per diem to members of the BOD for every attendance in the regular meetings of the BOD. Total per diem paid to the directors amounted to ₱0.30 million and ₱0.32 million in 2016 and 2015, respectively (see Note 16).

11. Segment Information

For management reporting purposes, the Parent Company's activities are organized in one operating segment. As of December 31, 2016, the segment's assets and liabilities amounted to ₱485.73 million and ₱1.80 million, respectively. As of December 31, 2015, the segment's assets and liabilities amounted to ₱487.84 million and ₱0.43 million, respectively. In 2016 and 2015, the segment's source of revenue is interest income. The segment's net loss amounted to ₱3.48 million, ₱2.98 million, and ₱3.73 million in 2016, 2015 and 2014, respectively.

The Parent Company has no revenue outside the Philippines and no revenue from a single customer, hence, the Parent Company did not present geographical information required by PFRS 8, *Operating Segments.*

12. Financial Instruments

Fair Value Information
Due to the short-term nature of the Parent Company's financial instruments, their fair values approximate their carrying amounts as of December 31, 2016 and 2015.

Fair Value Hierarchy
As of December 31, 2016 and 2015, the Parent Company has no 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.

Financial Risk Management Objectives and Policies
The Parent Company's principal financial instruments comprise of cash, advances from related party, and accrued expenses and other payables. The main purpose of the Parent Company's financial instruments is to fund its operational and capital expenditures.

The main risks arising from the Parent Company's financial instruments are credit risk and liquidity risk. The main objectives of the Parent Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

Credit risk
The investment of the Parent Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Parent Company's holding of cash exposes the Parent Company to credit risk if the counterparty is unwilling or unable to fulfill its obligations, and the Parent Company consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing. The Parent Company's maximum exposure to credit risk pertains only to cash in bank amounting to ₱334,310 and ₱2,432,836 as of December 31, 2016 and 2015, respectively.

The gross maximum exposure to credit risk of the Parent Company approximates its net maximum exposure. There were no amounts that are set-off with the criteria in PAS 32, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*. There are no amounts subject to an enforceable master netting arrangement or similar agreement as of December 31, 2016 and 2015.

The Parent Company's cash in bank has high grade credit quality. The credit quality of the financial assets was determined based on the nature of the counterparty and the Parent Company's historical experience with them.

As of December 31, 2016 and 2015, the Parent Company's receivable amounting to ₱1,066,172 is fully impaired.

Liquidity risk
Liquidity or funding risk is the risk associated with the difficulty of selling financial assets in a timely manner at their values to meet obligations.

The Parent Company seeks to manage its liquidity profile to be able to finance capital expenditures and working capital requirements.

The Parent Company's advances from related party and accrued expenses and other payables excluding taxes payable are all due within one year.

Capital management
The primary objective of the Parent Company'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 Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

As of December 31, 2016 and 2015, the Parent Company has a deficit of ₱206,072,782 and ₱202,588,481, respectively. In 2013, following the receipt of capital infusion from IPM Group of Companies, the Parent Company acquired 75% interest in BEST, an investment that is expected to improve its financial condition. Following the subscription agreement with IPMCDC, IPMESI and IPMRDC, the Parent Company became part of the IPM Group of Companies on March 4, 2013.

The Parent Company is not exposed to externally-imposed capital requirements.

13. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with the requirements set forth by Revenue Regulations 15-2010, hereunder are the information on taxes and license fees paid or accrued in 2016.

VAT
The Parent Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

a. The Parent Company did not have any transaction subjected to output VAT in 2016.

Input VAT for 2016 follows:

Balance at January 1, 2016	₱1,650,468
Current year's domestic purchases/payments for:	
Services lodged under other accounts	176,687
Goods other than for resale or manufacture	16,966
Others	40,886
Balance at December 31, 2016	**₱1,885,007**

Taxes and Licenses

Details of the taxes and licenses for 2016 follow:

Local	
Business clearance	₱15,116
National	
BIR annual registration	500
	15,616
	₱15,616

Withholding Taxes

The withholding taxes paid in 2016 follow:

Tax on compensation and benefits	₱77,700
Expanded withholding taxes	67,753
	₱145,453

Tax Assessments

The Parent Company has no Final Assessment Notice and/or Formal letter of Demand from the Bureau of Internal Revenue (BIR) for alleged deficiency income tax, VAT and withholding tax. In addition, the Parent Company has no pending tax case outside the administration of the BIR as of December 31, 2016.

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
IPM Holdings, Inc.
(Formerly Minerales Industrias Corporation)
Unit 103, Ground Floor, Prestige Tower Condominium,
F. Ortigas Jr. Avenue Ortigas Center,
Pasig City

We have audited the accompanying parent company financial statements of IPM Holdings, Inc. as of and for the year ended December 31, 2016, on which we have rendered the attached report dated March 28, 2017.

In compliance with Securities Regulation Code Rule No. 68, As Amended (2011), we are stating that the above Parent Company has one hundred nine (109) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. 1507-A (Group A),
September 24, 2015, valid until September 23, 2018
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5908768, January 3, 2017, Makati City

March 28, 2017

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation)
AND SUBSIDIARY

Schedule A - Financial Assets

December 31, 2016

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting period (iii)	Income received and accrued
Loans and receivables:				
Cash and cash equivalents		6,450,882	6,450,882	
Trade receivables		750,124,086	750,124,086	
Loan receivables		31,000,000	31,000,000	
Interest		2,668,900		2,668,900
Deposits		3,304,746	3,304,746	
Total Financial Assets		**793,548,614**	**790,879,714**	**2,668,900**

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation)
AND SUBSIDIARY
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)
December 31, 2016

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions				Balance at end of period
			Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	
Trade	529,693,744	358,741,031	162,255,525		-	-	726,179,250
Loans receivable	31,000,000						31,000,000
Advances to officers & employees	493,053	18,868,441					19,361,494
Interest receivable	1,488,580	1,180,320					2,668,900
	562,675,377	**378,789,792**	**162,255,525**	**-**	**-**	**-**	**779,209,644**

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation) AND SUBSIDIARY
Schedule C - Amounts Receivable from Related Parties
which are eliminated during the consolidation of financial statements
December 31, 2016

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period
IPM Holdings Inc.					1,115,323		1,115,323

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation) AND SUBSIDIARY

Schedule D- Intangible Assets - Other Assets

December 31, 2016

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) (iii)	Ending balance

None

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation) AND SUBSIDIARY
Schedule E- Long Term Debt
December 31, 2016

Title of Issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)

None

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation)
AND SUBSIDIARY
Schedule F- Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2016

Name of related party (i)	Balance at beginning of period	Balance at end of period (ii)

None

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation)
AND SUBSIDIARY

Schedule G - Guarantees of Securities of Other Issuers

December 31, 2016

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

None

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation)
AND SUBSIDIARY
Schedule H - Capital Stock
December 31, 2016

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversions and other rights	Number of Shares Held By		
				Related parties	Directors, officers and employees	Others
Common shares - Php1 par value	740,000,000	690,000,000	none	470,000,000	5,530,000	214,470,000

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation)
AND SUBSIDIARY
Spplementary Schedule of Deficit of the Parent Company
December 31, 2016

Unappropriated deficit, as adjusted, beginning	202,588,481
Net loss during the period closed to deficit	3484301
Unappropriated deficit, as adjusted, ending	**206,072,782**

IPM HOLDINGS, INC. (Formerly Minerales Industrias Corporation)
AND SUBSIDIARY

FINANCIAL SOUNDNESS INDICATORS
December 31, 2016

		Years Ended December 31	
FSI	**Calculation**	**2016**	**2015**
Current Ratio	Current Assets/Current Liabilities	3.69x	3.38x
Quick Ratio	Current Assets-Inventory-Prepayments/Current Liabilities	3.68x	3.37x
Debt to Equity Ratio	Liabilities/ Stockholders' Equity	0.23x	0.24x
Asset to Equity Ratio	Assets/Stockholders' Equity	1.23x	1.24x
Interest Coverage Ratio	Earnings Before Interest & Taxes/Interest Expense	31.23	127.60
Gross Profit Margin	Gross Profit/Net Sales	0.39	0.36
Book Value per share	Total Assets –Total Liabilities/ Outstanding Shares	1.40	1.27
Net Income per Share	Net Income/Weighted Average Number of Shares Outstanding	0.14	0.11

	December 31, 2016	December 31, 2015
Current Ratio	829,867,309/224,959,727	692,749,113/204,729,820
Quick Ratio	827,708,537/224,959,727	689,167,642/204,729,820
Debt to Equity	226,735,747/967,225,313	205,435,939/873,091,961
Asset to Equity Ratio	1,193,547,737/967,225,313	1,078,527,900/873,091,961
Interest Coverage Ratio	142,175,129/4,552,475	116,109,505/909,911
Gross Profit Margin	139,411,028/354,919,997	115,312,803/316,979,643
Book Value/Share	967,225,313/690,000,000	873,091,961/690,000,000
Net Income per Share	94,274,997/690,000,000	77,712,687/690,000,000

MAP OF IPM HOLDINGS, INC. (Formerly Minerales Insutrias Corporation)
Group of Companies