

COVER SHEET

A S 0 9 5 - 0 0 8 5 5 7

SEC Registration Number

I P M H O L D I N G S , I N C . (F O R M E R L Y
M I N E R A L E S I N D U S T R I A S C O R P O R A T I
O N)

(Company's Full Name)

U n i t 1 0 3 G r o u n d F l r . P r e s t i g e
T o w e r C o n d o m i n i u m O r t i g a s J r .
A v e . O r t i g a s C e n t e r , P a s i g C i t y

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

Atty. Ana A. Katigbak

Contact Person

817 6791 to 95

Company Telephone Number

1	2
---	---

Month

3	1
---	---

Day

Fiscal Year

SEC Form 20-IS
Definitive Information Statement

FORM TYPE

Annual Meeting of
Stockholders
June 27, 2018

Month Day

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE
COMMISSION
MAY 24 2018
MARKET REGULATION DEPT.
BY *[Signature]*

1. Check the appropriate box:

Preliminary Information Statement

Definitive Information Statement

2. Name of Corporation as specified in its charter: **IPM HOLDINGS, INC. (formerly
Minerales Industrials Corp.)**

3. Province, country or other jurisdiction of incorporation or organization: Philippines

4. SEC Identification Number: AS095-008557

5. BIR Tax Identification Code: 004-636-077-000

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

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

8. Date, time and place of the meeting of security holders:

**June 27, 2018, Wednesday
2:00 p.m.
Verdana AB
9th Floor, Marco Polo Ortigas
Ortigas Center, Pasig City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders:
June 1, 2018

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor: The Management of the Corporation

Address and Telephone No.: Unit 103, Ground Floor, Prestige Tower Condominium,
F. Ortigas Jr. Avenue, Ortigas Center, Pasig City
Telephone: (632) 897-5257/817-6791

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
---------------------	--

Common	690,000,000 shares
--------	--------------------

12. Are any or all of Corporation's Securities Listed with the Philippine Stock Exchange?
Yes No

If yes, disclose the name of such Stock Exchange and the class of securities therein:
Philippine Stock Exchange - Common Stock

IPM HOLDINGS, INC.
Unit 103, Ground Floor, Prestige Tower Condominium,
F. Ortigas Jr. Avenue, Ortigas Center, Pasig City

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholders:

Please be notified that the annual meeting of stockholders of **IPM HOLDINGS, INC.** (the "Corporation") will be held on Wednesday, June 27, 2018 at 2:00 p.m., at Verbena AB, 9th Floor, Marco Polo Ortigas, Meralco Ave., Ortigas Center, Pasig City, with the following agenda:

1. Call to Order
2. Report on Attendance and Quorum
3. Approval of Minutes of Previous Stockholders' Meeting
4. Management Report
5. Ratification of All Acts of the Board of Directors and Officers
6. Election of Directors
7. Appointment of the Independent External Auditor
8. Other Matters
9. Adjournment

Stockholders of record as of May 23, 2018 will be entitled to notice of, and to vote at said annual meeting or any adjournments or postponements thereof.

Duly accomplished proxies should be submitted to the Corporate Secretary of the Corporation not later than June 17, 2018. Validation of proxies shall be held on June 22, 2018 at 10:00 a.m. at the principal office of the Corporation.

On the day of the meeting, you or your duly designated proxy, are hereby required to bring this Notice and any form of identification (i.e. driver's license, company I.D., TIN card, etc.) to facilitate registration. Registration begins at exactly 1:00 p.m.

Very truly yours,


ANA MARIA A. KATIGBAK
Corporate Secretary

AGENDA
Details and Rationale

1. Call to order

The Chairman of the Board of Directors, Ms. Isabelita P. Mercado, will call the meeting to order.

2. Proof of notice and certification of quorum

The Corporate Secretary, Atty. Ana Maria A. Katigbak, will certify that copies of this Notice have been sent to all stockholders of record as of May 23, 2018, and whether the attendees represented at the meeting hold a sufficient number of shares for quorum for the valid transaction of business.

3. Approval of the Minutes of the Annual Meeting of Stockholders held on May 24, 2017

Copies of the draft minutes have been distributed together with the Notice of Annual Stockholders' Meeting and Information Statement.

The stockholders will be requested to approve the draft minutes. The following is the proposed resolution:

"RESOLVED, that the minutes of the Annual Stockholders' Meeting of IPM Holdings, Inc. ("Corporation") held on May 24, 2017 be, as it is hereby, approved.

4. Management Report & Audited Financial Statements for Year Ended December 31, 2017

The Chairman, Ms. Isabelita P. Mercado or the President, Ms. Rhodora G. Uy, or their representative will present the report of the Management to the Stockholders, discuss initiatives undertaken and challenges faced by the Corporation in 2017, and share her personal perspective of the Corporation's future. Copies of the Management Report had previously been distributed to the stockholders together with the audited financial statements as of the year ended December 31, 2017.

The Treasurer, Mr. Francis Neil P. Mercado, or his representative will present the financial results and the audited financial statements for the year ended December 31, 2017 and the first quarter interim financial report. The financial statements were audited by the Company's external auditor, Sycip Gorres Velayo & Co. and approved by the Corporation's Board of Directors. In compliance with the regulatory requirements, the audited financial statements have also been submitted to the Securities and Exchange Commission and Bureau of Internal Revenue.

Questions will be entertained from the stockholders after the presentation.

The stockholders will be requested to approve the annual report of management as presented by the President, and the audited financial statements for year ended December 31, 2017 and the first quarter interim financial report. The following is the proposed resolution:

"RESOLVED, that the annual Management Report as presented by the officers of IPM Holdings, Inc. and the Corporation's audited financial statements for year ended December 31, 2017 and the first quarter interim financial report, be, as it is hereby, approved."

5. Ratification of Acts of the Board of Directors and Management

The Corporation's performance was the result of the acts, contracts, resolutions and actions of the Board of Directors and Management of the Corporation, and the stockholders will be requested to ratify the same. The following is the proposed resolution:

"RESOLVED, that all acts, contracts, resolutions and actions of the Board of Directors and Management of the Corporation from the date of the last annual stockholder's meeting up to the present be, as they are hereby, approved, ratified and confirmed."

6. Election of Directors

For Regular Directors

1. ISABELITA P. MERCADO
2. GENER T. MENDOZA
3. ANTONIO VICTORIANO F. GREGORIO III
4. FRANCIS NEIL P. MERCADO
5. RHODORA G. UY

For Independent Directors

1. ALFREDO P. JAVELLANA II
2. DAVID L. KHO

Voting may be done in person or by proxy. Proxy forms have been distributed to all stockholders of record together with this Notice. Signed and accomplished proxy forms are required to be submitted not later than June 17, 2018 and shall be validated on June 22, 2018. Votes may be cumulated as provided in the Corporation Code.

7. Appointment of Independent External Auditor

The Corporation's external auditor, Sycip Gorres Velayo & Co. is proposed to be reappointed for the current year 2018-2019. The following is the proposed resolution:

"RESOLVED, that the audit firm Sycip Gorres Velayo & Co. be, as it is hereby, appointed as the Corporation's external auditor for the current year 2018-2019."

8. Other Matters

Stockholders may propose to discuss other issues and matters.

9. Adjournment

After all matters in the agenda have been taken up, the Chairman shall entertain a motion to adjourn the meeting.

PROXY

IPM HOLDINGS, INC.

PROXY SOLICITED ON BEHALF OF THE MANAGEMENT OF IPM HOLDINGS, INC. FOR THE ANNUAL STOCKHOLDERS' MEETING TO BE HELD ON JUNE 27, 2018, 2:00 P.M. AT THE VERBENA AB, 9TH FLOOR, MARCO POLO ORTIGAS, MERALCO AVE., ORTIGAS CENTER, PASIG CITY.

Instruction

- (a) The proxy must be duly accomplished by the stockholder of record as of Record Date. A proxy executed by a corporation shall be in the form of a board resolution duly certified by the Corporate Secretary or in a proxy form executed by a duly authorized corporate officer accompanied by a Corporate Secretary's Certificate quoting the board resolution authorizing the said corporate officer to execute the said proxy.
- (b) Duly accomplished proxies may be mailed or submitted personally to the Corporate Secretary of the Corporation and received not later than June 17, 2018 at the following address:

The Corporate Secretary
IPM Holdings, Inc.
Unit 103, Ground Floor, Prestige Tower Condominium,
F. Ortigas Jr. Avenue, Ortigas Center, Pasig City
- (c) In case of shares of stock owned jointly by two or more persons, the consent of all co-owners must be necessary for the execution of the proxy. For persons owning shares in an "and/or" capacity, any one of them may execute the proxy.
- (d) Validation of proxies will be held by the Stock Transfer Agent on June 22, 2018 at 10:00 a.m. at the principal office of the Corporation at Unit 103, Ground Floor, Prestige Tower Condominium, F. Ortigas Jr. Avenue, Ortigas Center, Pasig City.
- (e) Unless otherwise indicated by the stockholder, a stockholder shall be deemed to have designated the President of the Corporation, as his proxy for the annual stockholders' meeting to be held on June 27, 2018.
- (f) If the number of shares of stock is left in blank, the proxy shall be deemed to have been issued for all of the stockholder's shares of stock in the Corporation as of Record Date.
- (g) The manner in which this proxy shall be accomplished, as well as the validation hereof shall be governed by the provisions of SRC Rule 20.
- (h) The stockholder executing the proxy shall indicate the manner by which he wishes the proxy to vote on any of the matters in (1), (2), (3), and (4), below by checking the appropriate box. Where the boxes (or any of them) are unchecked, the stockholder executing the proxy is deemed to have authorized the proxy to vote in favor of the matter.

The Undersigned hereby appoints:

- a) The Chairman of IPM Holdings, Inc.
- b) or, _____

as his/her/its Proxy to attend the above annual meeting of the stockholders of **IPM Holdings, Inc.**, and any adjournment or postponement thereof, to vote all shares of stock held by the undersigned as specified below and on any matter that may properly come before said meeting.

Management recommends a vote for:

1. *Approval of the Minutes of the Annual Stockholders' Meeting held on May 24, 2017*

FOR AGAINST ABSTAIN

2. *Ratification of the Acts of the Board of Directors, Officers, and Management from the date of the last Annual Stockholders' Meeting up to the present*

FOR AGAINST ABSTAIN

3. *Approval of the selection of Sycip Gorres Velayo & Co. as independent external auditor*

FOR AGAINST ABSTAIN

4. *Election of Directors¹*

- () for all nominees listed below (except as marked to the contrary below).
 () withhold authority to vote for all nominees listed below.
 () strike the box opposite the name of each nominee to indicate that authority to vote for such nominee is withheld.

Security holder may strike a line through the nominee's name in the list below to withhold authority to vote for any individual nominee.

Nominees

For Regular Directors:

ISABELITA P. MERCADO
 RHODORA G. UY
 GENER T. MENDOZA
 FRANCIS NEIL P. MERCADO
 ANTONIO VICTORIANO F. GREGORIO III

For Independent Directors:

ALFREDO P. JAVELLANA II
 DAVID L. KHO

- (i) In their discretion, the Proxies are authorized to vote upon such other matters as may properly come before the meeting.

This proxy when properly executed will be voted in the manner directed above by the undersigned stockholder. If no direction is made, this proxy will be voted in favor of items 1, 2, 3, and 4.

Dated _____

 (Signature over printed name, including title when signing for a corporation or partnership or as an agent, attorney or fiduciary)

Please mark, sign, date, and return promptly in accompanying envelope.

¹ Cumulative method of voting under Section 24 of the Corporation Code of the Philippines is allowed.

PART I
INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting

The enclosed proxy is solicited for and on behalf of the Management of **IPM HOLDINGS, INC. Formerly Minerales Industrials Corporation** (hereinafter called the "Corporation") for use in connection with the annual meeting of the stockholders to be held on June 27, 2018 at 2:00 P.M., at the Verbena AB, 9th Floor, Marco Polo Ortigas, Ortigas Center, Pasig City.

The information statement and form of proxy will be sent to the stockholders of record as of May 23, 2018 (the "Record Date") on or before June 1, 2018.

The matters to be considered and acted upon at such meeting are referred to in the Notice and are more fully discussed in this statement.

The complete mailing address of the Corporation is:

Unit 103, Ground Floor, Prestige Tower Condominium, F. Ortigas Jr. Avenue, Ortigas Center, Pasig City

Item 2. Dissenter's Right of Appraisal

The Corporation Code limits the exercise of the appraisal right to the following instances:

- a. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of share, or of authorizing preferences in respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 81);
- b. In case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section 81);
- c. In case of merger or consolidation (Section 81);
- d. In case of investments in another corporation, business or purpose (Section 42).

The appraisal right shall be available to any stockholder who voted against the proposed action and any stockholder who wishes to exercise such right must make a written demand, within thirty (30) days after the date of the meeting or when the vote was taken, for the payment of the fair market value of his shares. Upon payment, he must surrender his certificates of stock. No payment shall be made to any dissenting stockholder unless the Corporation has unrestricted retained earnings in its books to cover such payment.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director, officer, nominee for director, or associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, on any matter to be acted upon. No director has informed the Corporation in writing of any intention to oppose any action to be taken during the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders

- (a) As of the Record Date which is May 23, 2018, the date to determine the stockholders entitled to notice and to vote at the annual meeting of stockholders on June 27, 2018, the Corporation has the following outstanding shares:

Common shares (voting)	-	690,000,000 shares
------------------------	---	--------------------

As of the April 30, 2018, 677,469,496 common shares of the Corporation are registered under Filipinos and 12,530,504 common shares are registered under foreign ownership.

- (b) Only holders of common shares as of the Record Date shall be entitled to vote in the election of directors in the manner provided hereunder. On the approval of the minutes of the previous stockholders' meeting, ratification of all acts of the Board of Directors and officers during the previous year, and appointment of the independent auditor, each share of outstanding common stock is entitled to one vote.
- (c) In the election of directors, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of common shares of stock standing in his name at record date. A stockholder entitled to vote may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by a stockholder shall not be exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the whole number of directors to be elected.
- (d) **Security Ownership of Certain Record and Beneficial Owners**

The following table sets forth as of April 30, 2018, 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 Building, Ortigas Avenue, 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	206,531,769	29.932%
Common	IPM Environmental Services, Inc. Unit 804 Ortigas Building, Ortigas Avenue, Pasig City Relationship: Stockholder	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 Executive Vill., Mc. Arthur Hi-way, Longos, Malolos, Bulacan Relationship: Stockholder	All the shares of IPM Realty and Development Corporation are directly owned by its shareholders.	Filipino	50,000,000	7.246%

* The Corporation has common shareholders with IPM Construction and Development Corporation, IPM Environmental Services, Inc., and IPM Realty and Development Corporation. Ms. Isabelita P. Mercado and Francis Neil P. Mercado are majority shareholders of IPM Construction and Development Corporation, IPM Environmental Services, Inc., and IPM Realty and Development Corporation.

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

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	132,515,600	19.21%

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 of April 30, 2018, the foreign ownership level of IPM is 12,530,504 shares or equivalent to 1.8160%.

The respective proxies of the above shareholders are appointed by their respective Board of Directors. Identity of the natural persons authorized to vote the shares of above shareholders will be determined upon submission of the proxies on June 17, 2018.

(e) Security Ownership of Management

The table sets forth as of April 30, 2018 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 <i>Chairman and Chief Executive Officer</i>	1,000,000 (Direct) 500,000 (Indirect)	Filipino	0.21739%
Common	Rhodora G. Uy <i>President and Chief Operating Officer</i>	2,000 (Direct)	Filipino	0.00029%
Common	Alfredo P. Javellana II <i>Independent Director</i>	1,000 (Direct) 179,000 (Indirect)	Filipino	0.02608%
Common	Gener T. Mendoza <i>Director</i>	5,000 (Indirect)	Filipino	0.00072%
Common	Antonio Victoriano F. Gregorio III <i>Director</i>	1,000 (Direct)	Filipino	0.00014%
Common	Francis Neil P. Mercado <i>Director and Treasurer</i>	2,000 (Direct)	Filipino	0.00029%
Common	David L. Kho <i>Independent Director</i>	10,000 (Direct) 449,800 (Indirect)	Filipino	0.06664%
Common	Ana Maria A. Katigbak <i>Corporate Secretary</i>	0	Filipino	0 %
	TOTAL	2,149,800		0.31156%

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.

(f) 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.

(g) Changes in Control

From January 1, 2017 to date, there has been no change in control of the Corporation. Neither is the Corporation aware of any arrangement, which may result in a change in control of the Corporation.

Item 5. Directors and Executive Officers

(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	67	Filipino
Rhodora G. Uy	Director	67	Filipino
Alfredo P. Javellana II	Independent Director	72	Filipino
Gener T. Mendoza	Director	60	Filipino
Antonio Victoriano F. Gregorio III	Director	44	Filipino
Francis Neil P. Mercado	Director	38	Filipino
David L. Kho	Independent Director	70	Filipino

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

Name	Position	Age	Citizenship
Isabelita P. Mercado	Chairman/Chief Executive Officer	67	Filipino
Rhodora G. Uy	President/Chief Operating Officer	67	Filipino
Francis Neil P. Mercado	Treasurer	38	Filipino
Ana Maria A. Katigbak	Corporate Secretary	49	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 Corporation since July 2007. Atty. Antonio F. Gregorio III has been a director since July 2011, Mr. Francis P. Mercado has been a 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 have been directors since May 2016.

With regard to the executive officers, Ms. Isabelita P. Mercado was the President from September 2013 to May 2016. In May 2016, Ms. Isabelita P. Mercado was elected as Chairman and Chief Executive Officer while Ms. Rhodora G. Uy was elected as President and Chief Operating Officer. Atty. Maria Ana Katigbak has been Corporate Secretary since July 2007 while 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, 67 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, 67 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, 72 years old, is an independent director of UBS 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, 60 years 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 SyCip Gorres & 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). He is independent director of Chelsea Logistics Holding Corporation. 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, 44 years 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, 38 years 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 L. KHO, 70 years old, has been a legal and business practitioner since his graduation. He finished his Business Administration degree, major in Banking and Finance, at the University of the Philippines-Diliman and later earned his Bachelor of Laws degree also from University of the Philippines. He was a member of the 15th Congress of the Philippines where he served as Vice chairman of two committees and member of ten others and is currently a director of Boulevard Holdings, Inc. He also 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, 49 years 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.

The following incumbent directors are being nominated for election:

For Regular Directors:

Isabelita P. Mercado
Rhodora G. Uy
Gener T. Mendoza
Antonio Victoriano F. Gregorio III
Francis Neil P. Mercado

For Independent Directors:

Alfredo P. Javellana II
David L. Kho

Atty. Alfredo P. Javellana II was nominated by Ms. Jocelyn Y. Kho [no relationship] while Atty. David L. Kho was nominated by Patrick Louie Mercado [no relationship].

(d) Independent Directors.

Messrs. Alfredo P. Javellana II and David L. Kho are currently the Corporation's Independent Directors. Attached hereto are the Certifications issued by Messrs. Javellana and Kho of their qualification to act as Independent Directors.

Under its Revised Manual on Corporate Governance (amended as of July 30, 2014), the Corporation is required to have at least two (2) Independent Directors or such number of Independent Directors as shall be required under the applicable rules and regulations of the Securities and Exchange Commission.

In compliance with the Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009) and SRC Rule 38, which provides for the guidelines on the nomination and election of independent directors, the Nomination Committee was tasked among others, to accept and to pre-screen nominees for election as independent directors conformably with the criteria prescribed in the said SEC Memo Circular/SRC Rule 38 and the Corporation's Revised Code of Corporate Governance.

The Corporation's Nomination and Compensation Committee is composed of the following:

Chairman: Isabelita P. Mercado
Members: Alfredo P. Javellana II (Independent Director)
Gener T. Mendoza

(e) Other directorships held in reporting companies naming each company.

Antonio Victoriano F. Gregorio III	Chairman and Director of Nihao Mineral Resources Int'l. Inc., Asiabest Group International Inc. and Lodestar Investments Holdings Corporation, Director of Abacus Consolidated Resources and Holdings, Inc. and Dizon Copper-Silver Mines
Gener T. Mendoza	Independent Director of Chelsea Logistics Holding Corporation
David L. Kho	Independent Director of Boulevard Holdings, Inc.
Ana Maria A. Katigbak	Director of Mabuhay Holdings, Inc.

(f) 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.

(g) Resignation/Re-election

Since the last annual stockholders' meeting of the Corporation, no Director has resigned or declined to stand for reelection to the Board of Directors of the Corporation because of disagreement with the Corporation on any matter relating to the Corporation's operations, policies or practices.

(h) Involvement in Legal Proceedings

To the best of the Corporation's knowledge, there has been no occurrence during the past five (5) years up to the present date of this Information Statement of any of the following events that are material to an evaluation of the ability and integrity of any director, executive officer, or controlling person of the Corporation:

- Any bankruptcy petition filed by or against any business of which the person was a general partner or executive officer, either at the time of the bankruptcy or within 2 years prior to that time;
- Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, traffic violations and other minor offenses;
- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

- Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Similarly, to the best of the Corporation's knowledge, there are no material pending legal proceedings to which the Corporation or any of its subsidiaries or affiliates is a party.

(i) Significant employees

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

(j) Certain Relationships and Related Transactions

Except as disclosed in Note 14 of the audited consolidated financial statements for 2017, there were no other transactions entered into with related parties.

Item 6. Compensation of Directors and Executive Officers

The following is a summary of the aggregate compensation paid or accrued during the last two fiscal years, (2017 and 2016) and for the ensuing fiscal year (2018), to the Corporation'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 Corporation as a group:

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Isabelita P. Mercado <i>Chairman and Chief Executive Officer</i>	2018-Jan to Dec 31 (Est) 2017-Jan to Dec 31 2016-Jan to Dec 31	NIL	NIL	NIL
Rhodora G. Uy <i>President and Chief Operating Officer</i>	2018-Jan to Dec 31 (Est) 2017-Jan to Dec 31 2016-May to Dec 31	NIL	NIL	NIL
Alfredo P. Javellana II <i>Independent Director</i>	2018-Jan to Dec 31 (Est) 2017-Jan to Dec 31 2016-Jan to Dec 31	NIL	NIL	NIL
Gener T. Mendoza <i>Director</i>	2018-Jan to Dec 31 (Est) 2017-Jan to Dec 31 2016-Jan to Dec 31	NIL	NIL	NIL
Francis Neil P. Mercado <i>Director and Treasurer</i>	2018-Jan to Dec 31 (Est) 2017-Jan to Dec 31 2016-Jan to Dec 31	NIL	NIL	NIL
Antonio Victoriano F. Gregorio III <i>Director</i>	2018-Jan to Dec 31 (Est) 2017-Jan to Dec 31 2016-Jan to Dec 31	NIL	NIL	NIL
David L. Kho <i>Independent Director</i>	2018-Jan to Dec 31 (Est) 2017-Jan to Dec 31	NIL	NIL	NIL

	2016-May to Dec 31			
Ana Maria A. Katigbak <i>Corporate Secretary</i>	2018-Jan to Dec 31 (Est) 2017-Jan to Dec 31 2016-Jan to Dec 31	NIL	NIL	NIL
TOTAL OF THE GROUP	2018 (Est) 2017 2016	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 Php20,000.00, (ii) Regular Directors Php10,000.00, and (iii) Independent Directors Php10,000.00.

There is no contract covering their employment with the Corporation and they hold office by virtue of their election to office. Except for the *per diem*, the Corporation's Officers and Directors do not receive any compensation or salary by virtue of their positions. The Corporation has no agreements with its named executive officers regarding any bonus, profit sharing, pension or retirement plan.

As of date, none of the Corporation's common shares are subject to outstanding options or warrants to purchase, or securities convertible into common shares of the Corporation.

Item 7. Independent Public Accountant

- (a) The auditing firm of SyCip Gorres Velayo & Co. will be recommended to the stockholders for appointment as the Corporation's principal accountant for the ensuing fiscal year. Conformably with SRC Rule 68(3) (b) (iv), the Corporation's independent public accountant shall be rotated, or the handling partner shall be changed, every 5 years. A two-year cooling off period shall be observed in the re-engagement of the same signing partner or individual auditor.
- (b) Ms. Jennifer D. Ticlao, audit partner of SyCip Gorres Velayo & Co. is the principal accountant of the Corporation for the fiscal year most recently completed (December 31, 2017).
- (c) Representatives of SyCip Gorres Velayo & Co are expected to be present at the June 27, 2018 stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and they are expected to be available to respond to appropriate questions.
- (d) SyCip Gorres Velayo & Co has no shareholdings in the Corporation nor does it have any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Corporation. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines.
- (e) There are no disagreements on any matter of accounting principle or practices, financial statement disclosures, etc., between SyCip Gorres Velayo & Co and the Corporation.

(f) The Corporation's Audit Committee is composed of the following:

Chairman: Alfredo P. Javellana II (Independent Director)
Members: David L. Kho (Independent Director)
Francis Neil P. Mercado

Item 8. Compensation Plan

There are no items to be taken up with respect to compensation plans.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

There are no items to be taken up with respect to authorization or issuance of securities.

Item 10. Modification or Exchange of Securities

There are no matters or actions to be taken up with respect to the modification or exchange of the Corporation's securities.

Item 11. Financial and Other Information

The audited consolidated financial statements as of December 31, 2017, Management's Discussion and Analysis, Market Price of Shares and Dividends, and other data related to the Corporation's financial information are attached hereto as "**Annex A.**"

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There is no action to be taken with respect to any merger, consolidation or acquisition.

Item 13. Acquisition or Disposition of Property

There is no action to be taken with respect to any acquisition or disposition of property.

Item 14. Restatement of Accounts

There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Corporation.

D. OTHER MATTERS

Item 15. Action with respect to Reports

Summary of Items to be Submitted for Stockholders' Approval

(1) *Approval of the Minutes of the Annual Stockholders' Meeting held on May 24, 2017*

The minutes of the annual stockholders' meeting held on May 24, 2017 will be submitted for approval of the stockholders at the annual meeting to be held on June 27, 2018.

Below is a summary of the items and/or resolutions approved at the annual stockholders' meeting held on May 24, 2017:

- (a) The Chairman of the Board of Directors of the Corporation called the meeting to order. The Secretary of the Meeting certified that a quorum existed for the transaction of business.
- (b) The stockholders approved the minutes of the annual stockholders' meeting held on May 25, 2016.
- (c) The President of the Corporation presented the consolidated financial report for the year 2016 and the 1st quarter of 2017 and the highlights of the Corporation's business operations and prospects.
- (e) Upon motion duly made and seconded, the stockholders ratified the acts of the officers and the Board of Directors of the Corporation performed or undertaken from the date of the last Annual Stockholders' Meeting up to the present.
- (f) The following were elected as directors of the Corporation for the year 2017-2018, to serve as such for a period of one year and until their successors shall have been elected and qualified:

For Regular Directors:

Isabelita P. Mercado
Rhodora G. Uy
Gener T. Mendoza
Antonio Victoriano F. Gregorio III
Francis Neil P. Mercado

For Independent Directors:

Alfredo P. Javellana II
David L. Kho

- (g) Upon motion duly made and seconded, the audit firm of Sycip Gorres Velayo & Co. was appointed as the Corporation's external auditor for the year 2017-2018.
 - (h) Upon motion duly made and seconded, the annual stockholders' meeting was adjourned.
- (2) *Ratification of the Acts of the Board of Directors and Officers*

Resolutions, contracts, and acts of the board of directors and management for ratification refer to those passed or undertaken by them during the year and for the day to day operations of the Corporation as contained or reflected in the minute books, annual report and financial statements. These acts are covered by resolutions of the Board of Directors duly adopted in the normal course of trade or business involving engagement of consultants, approval of financial statements, designation of authorized bank signatories, and election of the officers and members of the various Board committees.

(3) *Appointment of Independent External Auditor*

The auditing firm of Sycip Gorres Velayo & Co. will be recommended to the stockholders for appointment as the Corporation's principal accountant for the ensuing fiscal year.

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, By-laws or Other Documents

No action is to be taken with respect to amendment of Charter or By-Laws of the Corporation.

Item 18. Summary of Voting Matters/Voting Procedures

(a) Summary of Matters to be presented to the Stockholders

- (1) Approval/ratification of the minutes of the annual meeting of stockholders held on May 24, 2017. Approval of said minutes shall constitute confirmation of all the matters stated in the minutes.
- (2) Resolutions, contracts, and acts of the board of directors and management for ratification refer to those passed or undertaken by them during the year and for the day to day operations of the Corporation as contained or reflected in the minute books, annual report and financial statements. These acts are covered by resolutions of the Board of Directors duly adopted in the normal course of trade or business involving treasury matters, engagement of consultants, approval of financial statements, designation of authorized bank signatories, and election of the officers and members of the various Board committees.
- (3) Selection of Sycip Gorres Velayo & Co. as independent auditors.
- (4) Election of Directors

Election of a Board of seven (7) directors, consisting of five (5) regular directors and two (2) independent directors, each of whom will hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified. The nominees for directors are:

For Regular Directors:

ISABELITA P. MERCADO
RHODORA G. UY
GENER T. MENDOZA
FRANCIS NEIL P. MERCADO
ANTONIO VICTORIANO F. GREGORIO III

For Independent Directors:

ALFREDO P. JAVELLANA II
DAVID L. KHO

All of the above nominees are currently directors of the Corporation.

The nominees for Independent Directors¹ of the Corporation for the Annual Stockholders' Meeting of June 27, 2018 within the purview of SRC Rule 38 are Atty. Alfredo P. Javellana II and Atty. David L. Kho.

(b) Voting Procedures

- (1) Approval/ratification of the minutes of the annual stockholders' meeting held on May 24, 2017.
 - (A) Vote required: A majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.
 - (B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.
- (2) Ratification of the acts of the Board of Directors and Officers
 - (A) Vote required: A majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.

¹An "Independent Director" shall mean a person other than an officer or employee of the Corporation or its subsidiaries, or any other individual having a relationship with the Corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

- (B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.
- (3) Appointment of Independent External Auditors
- (A) Vote required: A majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.
 - (B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.
- (4) Election of Directors
- (A) Vote required: The seven (7) candidates receiving the highest number of votes shall be declared elected, provided that at least two of whom must be independent directors.
 - (B) Method by which votes will be counted: Cumulative voting applies. Under this method of voting, a stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing in his own name on the stock books of the Corporation as of the Record Date, and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit.

The seven nominees obtaining the highest number of votes will be proclaimed as Directors of the Corporation for the ensuing year, two of whom shall be independent directors.

SyCip Gorres Velayo & Co. was appointed as Board of Canvassers for the annual meeting. The Board of Canvassers shall have the power to count and tabulate all votes, assents and consents, determine and announce the result, and to do such acts as may be proper to conduct the election or vote with fairness to all stockholders.

PART II INFORMATION REQUIRED IN A PROXY FORM

Item 1. Identification

This proxy is being solicited for and on behalf of the Management of the Corporation. The Chairman of the Corporation will vote the proxies at the annual stockholders' meeting to be held on June 27, 2018.

Item 2. Instruction

- (a) The proxy must be duly accomplished by the stockholder of record as of Record Date. A proxy executed by a corporation shall be in the form of a board resolution duly certified by the Corporate Secretary or in a proxy form executed by a duly authorized corporate officer accompanied by a Corporate Secretary's Certificate quoting the board resolution authorizing the said corporate officer to execute the said proxy.
- (b) Duly accomplished proxies shall be submitted to the Corporate Secretary of the Corporation not later than June 17, 2018 (not less than 10 calendar days prior to the date of the stockholders' meeting) at the following address:

The Corporate Secretary
IPM Holdings, Inc.
Unit 103, Ground Floor, Prestige Tower Condominium,
F. Ortigas Jr. Avenue, Ortigas Center, Pasig City

- (c) In case of shares of stock owned jointly by two or more persons, the consent of all co-owners must be necessary for the execution of the proxy. For persons owning shares in an "and/or" capacity, any one of them may execute the proxy.
- (d) Validation of proxies will be held by the Corporate Secretary and/or Stock Transfer Agent on June 22, 2018 at 10:00 a.m. at the principal office of the Corporation at Unit 103, Ground Floor, Prestige Tower Condominium, F. Ortigas Jr. Avenue, Ortigas Center, Pasig City.
- (e) Unless otherwise indicated by the stockholder, a stockholder shall be deemed to have designated the President of the Corporation, as his proxy for the annual stockholders meeting to be held on June 27, 2018.
- (f) If the number of shares of stock is left in blank, the proxy shall be deemed to have been issued for all of the stockholder's shares of stock in the Corporation as of Record Date.
- (g) The manner in which this proxy shall be accomplished, as well as the validation hereof shall be governed by the provisions of SRC Rule 20 (11)(b).
- (h) The stockholder executing the proxy shall indicate the manner by which he wishes the proxy to vote on any of the matters in (1) to (7) below by checking the appropriate box. Where the boxes (or any of them) are unchecked, the stockholder executing the proxy is deemed to have authorized the proxy to vote for the matter. **(Note: If you intend to submit a proxy, please fill up and submit the enclosed proxy instrument, not the following Item 2(h).)**

- (1) Approval of the minutes of the previous annual meeting of stockholders held on May 24, 2017.

FOR AGAINST ABSTAIN

- (2) Ratification of all the acts and resolutions of the Board of Directors, officers and management of the Corporation from the date of the last annual stockholders' meeting up to present.

FOR AGAINST ABSTAIN

- (3) Approval of the Selection of Sycip Gorres Velayo & Co., as independent external auditors

FOR AGAINST ABSTAIN

- (4) Election of Directors

() for all nominees listed below (except as marked to the contrary below).

() withhold authority to vote for all nominees listed below.

() strike the box opposite the name of each nominee to indicate that authority to vote for such nominee is withheld.

Security holder may strike a line through the nominee's name in the list below to withhold authority to vote for any individual nominee.

Nominees

For Regular Directors:

- [] ISABELITA P. MERCADO
[] RHODORA G. UY
[] GENER T. MENDOZA
[] FRANCIS NEIL P. MERCADO
[] ANTONIO VICTORIANO F. GREGORIO III

For Independent Directors:

- [] ALFREDO P. JAVELLANA II
[] DAVID L. KHO

Item 3. Revocability of Proxy

Any stockholder who executes the proxy enclosed with this statement may revoke it at any time before it is exercised. The proxy may be revoked by the stockholder executing the same at any time by submitting to the Corporate Secretary a written notice of revocation not later than the start of the meeting, or by attending the meeting in person and signifying his intention to personally vote his shares. Shares represented by an unrevoked proxy will be voted as authorized by the stockholder.

Item 4. Persons Making the Solicitation

The solicitation is made by the Management of the Corporation. No director of the Corporation has informed the Corporation in writing that he intends to oppose an action intended to be taken up by the Management of the Corporation at the annual meeting. Solicitation of proxies shall be made through the use of mail or personal delivery by its regular employees. The Corporation shall not engage the services of special employees or proxy solicitors in the proxy solicitation. The Corporation will shoulder the cost of solicitation, which is estimated to be ₱10,000.00.

Item 5. Interest of Certain Persons in Matters to be Acted Upon

No director, officer, nominee, or associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, on any matter to be acted upon at the annual stockholders' meeting to be held on June 27, 2018 except as otherwise disclosed in this report.

PART III

SIGNATURE

Management does not intend to bring any matter before the meeting other than those set forth in the Notice of the annual meeting of stockholders and does not know of any matters to be brought before the meeting by others. If any other matter does come before the meeting, it is the intention of the persons named in the accompanying proxy to vote the proxy in accordance with their judgment.

ACCOMPANYING THIS INFORMATION STATEMENT ARE COPIES OF THE (1) NOTICE OF THE ANNUAL STOCKHOLDERS' MEETING CONTAINING THE AGENDA THEREOF; (2) PROXY INSTRUMENT; (C) THE CORPORATION'S MANAGEMENT REPORT PURSUANT TO SRC RULE 20 (4); (D) AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF IPM HOLDINGS. INC. AND SUBSIDIARY FOR THE YEAR ENDED DECEMBER 31, 2017; (E) CERTIFICATIONS OF QUALIFICATION OF INDEPENDENT DIRECTORS; AND (F) CORPORATION'S QUARTERLY REPORT (SEC FORM 17-Q) FOR THE PERIOD ENDED MARCH 31, 2018.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE CORPORATION WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE CORPORATION'S LATEST ANNUAL REPORT IN SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

ALL REQUESTS MAY BE SENT TO THE FOLLOWING:

IPM Holdings, Inc.


Unit 103, Ground Floor, Prestige Tower Condominium,
F. Ortigas Jr. Avenue, Ortigas Center, Pasig City

Attention: The Corporate Secretary

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati, May 24, 2018.

IPM HOLDINGS, INC.

By:


Ana Maria A. Katigbak
Corporate Secretary

IPM HOLDINGS, INC.
(Formerly Minerales Industrias Corporation)
MANAGEMENT REPORT
Pursuant to SRC Rule 20 (4)

I. INCORPORATED HEREIN ARE THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF IPM HOLDINGS, INC. (FORMERLY MINERALES INDUSTRIAS CORPORATION) AND SUBSIDIARY FOR THE YEAR ENDED DECEMBER 31, 2017 WITH THE CORRESPONDING STATEMENT OF MANAGEMENT RESPONSIBILITY AND THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2018.

II. 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.

III. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

PLAN OF OPERATIONS

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

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

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

As of December 31, 2017, BEST is actively engaged in various stages of development for the realization of these PPP projects, which will place BEST at the forefront of the waste management industry all over the Philippines.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the 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 and the interim consolidated financial statements as of March 31, 2018.

First Quarter Ended March 31, 2018 Compared to First Quarter Ended March 31, 2017

Income

Total consolidated income for the quarter ending March 31, 2018 amounted to Php43.96 million, down Php50.79 million or 53.60% from the Php94.75 million posted in the same period of 2017. This was mainly due to the temporary closure of the Quezon City Sanitary Landfill. Total income consisted mainly of Php21.07 million in service income and Php22.59 million in rental income.

Expenses

Cost of services amounted to Php10.48 million, Php35.60 million or 77.25% lower than the Php46.08 million reported in the first quarter of 2017. This is attributable mainly to the decrease in manpower costs and equipment rental expenses for the maintenance and operation of the Quezon City Sanitary Landfill.

General and administrative expenses declined by Php5.97 million or 36.74%, from Php16.24 million in 2017 to Php10.27 million in 2018.

Net Income

The first three months of 2018 resulted to a net income after tax of Php15.58 million, lower by Php6.13 million or 28.24% than the Php21.71 million reported in 2017. The significant reduction in cost of services helped temper the impact of sharply lower revenue on the Company's bottomline.

Financial Position as of March 31, 2018 Compared to Financial Position as of December 31, 2017

Statements of financial position data	31-Mar-2018	31-Dec-2017	% Inc/(Dec)
Total Current Assets	971,395,373	947,171,431	2.56%
Total Assets	1,310,246,870	1,290,863,788	1.50%
Total Current Liabilities	239,625,163	234,937,472	2.00%
Total Liabilities	240,779,548	236,091,857	1.99%
Total Stockholders' Equity	1,069,467,322	1,054,771,931	1.50%

The Company's consolidated total assets slightly increased by Php19.38 million or 1.5% from Php1.29 billion as of December 31, 2017 to Php1.31 billion as of March 31, 2018.

- Cash and cash equivalents decreased by 13.25% from Php7.70 million as of December 31, 2017 to Php6.68 million as of March 31, 2018.
- Trade and other receivables slightly increased by 3.30% from Php927.88 as of December 31, 2017 to Php958.49 million as of March 31, 2018.
- Other current assets decreased by 46.28% from Php11.59 million as of December 31, 2017 to Php6.22 million as of March 31, 2018 due to the decrease in input VAT pertaining to the cost of services and general and administrative expenses.

- Noncurrent assets went down by 1.41% from Php343.69 million as of December 31, 2017 to Php338.85 million as of March 31, 2018.

Total consolidated liabilities amounted to Php240.76 million as of March 31, 2018, up slightly by Php4.67 million or 1.98% from Php236.09 million as of December 31, 2017.

Total stockholders' equity increased by Php14.71 million or 1.39%, from Ph1,054.77 million as of December 31, 2017 to Phpp1,069.48 million as of March 31, 2018.

Current ratio increased from 4.03x as of December 31, 2017 to 4.05x as of March 31, 2018; net working capital stood at Php731.79 million as of March 31, 2018 versus Php712.23 million as of December 31, 2017.

Liquidity and Capital Resources

For the quarter ended March 31, 2018, net cash provided by operations amounted to Php0.003 million including the net income before tax of Php21.11 million and the depreciation and amortization expense of Php4.64 million. Trade and other receivables rose by Php30.30 million while other current assets decreased by Php5.36 million. Trade and other payables decreased by Php1.74 million. Net cash used by financing activities amounted to Php1.02 million.

For the quarter ended March 31, 2017, net cash used in operations amounted to Php0.76 million including the net income before tax of Php31.31 million and the depreciation and amortization expense of Php5.06 million. Trade and other receivables rose by Php54.03 million while other current assets increased by Php4.63 million. Trade and other payables increased by Php21.16 million while due to related parties increased by Php2.00 million resulting from the settlement of outstanding obligations.

Key Performance Indicators

The company's key performance indicators are as follows:

KPI	Calculation	31-Mar-2018	31-Dec-2017
Current Ratio (1)	Current Assets/Current Liabilities	4.05	4.03x
Quick Ratio (2)	Current Assets-Inventory-Prepaid Expenses /Current Liabilities	4.02	3.98x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	0.22	0.22x
Book Value per share (4)	Total Assets -Total Liabilities/ Outstanding Shares	1.54	1.53
Net Income per Share (5)	Net Income/Weighted Average Number of Shares Outstanding	0.02	0.13

2017 vs. 2016

Income

Consolidated revenues for 2017 amounted to Php296.65 million, down by Php61.03 million or 17.06% from the Php357.86 million posted in 2016. This was mainly due to the temporary closure of the Quezon City Sanitary Landfill in August 2017. Revenues for 2017 consisted mainly of service income of Php209.63 million, rental income of Php85.21 million, interest income of Php1.23 million and equity in net earnings of an associate and a joint venture of Php0.52 million.

Expenses

Cost of services for the year decreased by Php48.78 million or 28.42% from the Php171.65 million posted in 2016 to Php122.87 million in 2017. This is attributable mainly to the decrease in manpower costs and equipment rental expenses for the maintenance and operation of the Quezon City Sanitary Landfill which was temporarily closed in August 2017.

General and administrative expenses declined by Php3.52 million or 8.03%, from Php43.86 million in 2016 to Php40.34 million in 2017.

Net Income

The twelve month operation of the Group resulted in a net income of Php87.13 million for 2017. This is lower by Php7.15 million or 7.58% than the net income of Php94.27 million posted in 2016.

Financial Condition

Statements of financial position data	31-Dec-2017	31-Dec-2016	% Inc/(Dec)
Total Current Assets	947,171,431	829,867,309	14.14%
Total Assets	1,290,863,788	1,193,457,737	8.16%
Total Current Liabilities	234,937,472	224,949,727	4.44%
Total Liabilities	236,091,857	226,232,424	4.36%
Total Equity	1,054,771,931	967,225,313	9.05%

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

Consolidated total assets increased by Php97.40 million or 8.16% to Php1,290.86 million in 2017 from Php1,193.46 million in 2016.

- Cash and cash equivalents increased by 18% from Php6.52 million in 2016 to Php7.70 million in 2017. The decrease was mainly due to the settlement of long term liabilities.
- Trade and other receivables increased by 15.43% from Php803.85 million in 2016 to Php927.89 million in 2017. 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 Quezon City for a fixed monthly fee of Php15.58 million up to July 2017.

- Other current assets decreased by 40.54% from Php19.49 million in 2016 to Php11.59 million in 2017 due to the decrease in input VAT pertaining to the cost of services and general and administrative expenses.
- Noncurrent assets went down by 5.47% from Php363.59 million in 2016 to Php343.69 million in 2017. This is due mainly to adjustments in the carrying value of investments in affiliates Metro Clark Waste Management Corporation (MCWM) and Ecoedge Resources Corporation (ERC).

Total consolidated liabilities amounted to Php236.09 million in 2017, up slightly by Php9.86 million or 4.36% from Php226.23 million in 2016.

Total stockholders' equity increased by Php87.54 million or 9.05%, from Php967.23 million in 2016 to Php1,054.77 million in 2017, reflecting the income for the current year.

Current ratio increased from 3.69x in 2016 to 4.03x in 2017; net working capital stood at Php712.23 million in 2017 versus the Php604.92 million in 2016.

Liquidity and Capital Resource

For the year ended December 31, 2017, net cash provided by operating activities amounted to Php2.72 million as compared to the net cash used in operating activities of Php71.58 million in 2016. This is mainly due to the decreases in receivables from related parties, other current assets and trade and other payables.

Net cash provided by investing activities amounted to Php3.88 million in 2017 as compared to Php2.87 million in 2016, the former figure representing cash dividends received from an affiliate, net of acquisition of property, plant and equipment.

Net cash used in financing activities amounted to Php5.42 million in 2017 as compared to Php6.24 million in 2016.

2016 vs. 2015

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 mainly of 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 44.66%, 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 for 2016. This is higher by Php16.56 million or 21.31%, than the net income of Php77.71 million posted in 2015.

Financial Condition

Statements of financial position data	31-Dec-2016	31-Dec-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 Quezon City for a fixed monthly fee of Php15.58 million.
- Noncurrent assets went down by 5.75% from Php385.78 million in 2015 to 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 Php94.14 million or 10.78%, from Php873.09 million in 2015 to Php967.23million in 2016, reflecting the income for the current year.

Current ratio increased from 3.38x in 2015 to 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 in 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 vs. 2014

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 for 2015, 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	31-Dec-2015	31-Dec-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 by Php189.98 million or 21.38% to Php1.08 billion in 2015 from Php888.55 million in 2014.

- Cash and cash equivalents went up 282.13% 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 to the increase 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 by Php77.72 million or 9.77% from Php795.38 million in 2014 to Php873.09 million 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.

Key Performance Indicators

The Corporation's key performance indicators are as follows:

KPI	Calculation	31-Dec-2017	31-Dec-2016	31-Dec-2015
Current Ratio(1)	Current Assets/Current Liabilities	4.03x	3.69x	3.38x
Quick Ratio (2)	Cash + Marketable Securities +	3.98x	3.60x	3.37x

	Receivables / Current Liabilities			
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	0.22x	0.23x	0.24x
Book Value per share (4)	Total Assets -Total Liabilities/ Outstanding Shares	1.53	1.40	1.27
Net Income per Share (5)	Net Income/Weighted Average Number of Shares Outstanding	0.13	0.14	0.11

		<u>31-Dec-2017</u>	<u>31-Dec-2016</u>	<u>31-Dec-2015</u>
(1) Current Ratio	947,171,431/234,937,472	829,867,309/224,949,727	692,749,113/204,729,820	
(2) Quick Ratio	935,583,423/234,937,472	810,377,871/224,949,727	689,167,642/204,729,820	
(3) Debt to Equity	236,091,857/1,054,771,931	226,232,424/967,225,313	205,435,939/873,091,961	
(4) Book Value/Share	1,054,771,931/690,000,000	967,225,313/690,000,000	873,091,961/690,000,000	
(5) Net Income per Share	87,128,566/690,000,000	94,274,997/690,000,000	77,712,687/690,000,000	

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

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

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

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 Corporation: (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 Corporation'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

IV. BRIEF DESCRIPTION OF GENERAL NATURE AND SCOPE OF BUSINESS

OVERVIEW

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

Its subsidiary, Basic Environmental Systems & Technologies, Inc. or 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 Parent Company 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 Corporation's capitalization to Php180.00 million. The offer accounted for 33.3% outstanding capital stock of the Corporation. 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 Corporation, changing the name of the Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 million shares out of the Php500.00 million increase in the authorized capital stock of the Corporation 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 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 Corporation 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 Corporation 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 Php7.50 billion 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's ownership 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 aluminium 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 Corporation 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 Parent Company 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 Corporation, 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 Corporation'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 Corporation. In April 2007, the Subscription Agreement with Shareholders of 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. 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 the 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.

In the next several years, the Corporation 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 Corporation 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 2017 and 2016, there were no other transactions entered into with related parties.

PATENTS, TRADEMARKS, ETC.

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

GOVERNMENT APPROVALS AND REGULATION

The Corporation 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 Corporation does not know any specific government regulation imposed on its business that may have material effect on the Corporation which it has not complied with.

RESEARCH AND DEVELOPMENT

Not Applicable.

ENVIRONMENTAL LAWS

Not Applicable.

HUMAN RESOURCES

The Corporation has 50 employees as of December 31, 2017 of whom 4 are clerical, 4 are administrative, 37 are operations, 1 managerial and 4 executive. The employees were not subject to any Collective Bargaining Agreement (CBA).

Item 2. Properties

The consolidated property, plant and equipment for the year 2017, is as follows: land Php40.80 million, building and improvements Php31.34 million, transportation equipment Php49.40 million, office equipment Php0.51 million and development cost of Php32.59 million and leasehold improvements Php0.54 million, totaled of Php155.17 million.

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

Item 3. Legal Proceedings

The Parent Company and 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 24, 2017, there were no other matters submitted to a vote of the security holders in 2017.

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 2018 are as follows:

Year	Quarter	High(in Php)	Low(in Php)
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
	Second	9.04	8.51
	Third	8.80	8.00
	Fourth	9.00	8.00
2018	First	8.35	8.00

The closing price of the Parent Company's shares on May 21, 2018 was Php8.20 per share.

(2) HOLDERS

The Parent Company has only common stock, with Php1.00 par value. As of April 30, 2018, the number of common shares issued and outstanding was 690,000,000 shares, held by a total of 118 stockholders. The top twenty (20) stockholders of the Parent Company as of April 30, 2018 were 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)	206,531,769	29.932%
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)	12,460,002	1.806%
6. William D. Ty	2,000,000	0.29%
7. Jocelyn Y. Lao	1,800,000	0.261%
8. Isabelita P. Mercado	1,000,000	0.145%
9. Candice Choa Cocuaco	200,000	0.029%
10. S.J. Roxas & Co., Inc.	100,000	0.014%
11. Violeta L. Lim	74,000	0.011%
12. Ma. Teresita T. De Leon	61,000	0.009%
Hanson G. So &/or Larcy Marichi Y. So	61,000	0.009%
13. Pei Zhi Lin	60,000	0.009%
14. PCCI Securities Brokers Corporation	50,000	0.007%
15. Romeo G. See	37,000	0.005%
16. Roberto L. Uy	32,000	0.005%
17. Edmund Lee	29,000	0.004%
18. 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%
19. Elizabeth Ong	18,000	0.003%
20. Gregorio O. Yu Jr.	15,500	0.002%
TOTAL	689,649,271	99.949%

(3) DIVIDENDS

No dividends, either in cash or stock, were declared on the shares for the last three (3) years, i.e., 2017, 2016 and 2015, since the Parent Company is in a deficit position. There are no restrictions that limit the ability to pay dividends on common equity but the Corporation, 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 Corporation.

(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.

(5) RECENT SALES OF UNREGISTERED SECURITIES

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

VI. DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON 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) and the Corporation's 2014 Revised Manual on Corporate Governance. The Corporation has not deviated from its own Revised Manual on Corporate Governance.

The Corporation also continues to review and strengthen its policies and procedures, giving due consideration to areas that, for the best interests of the Corporation 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 Corporation 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.

	Executive Officers	Non-executive Officers	Independent Director
Directors			
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 Corporation 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. Where appropriate, every director receives training, taking into account his individual qualifications and experience. 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 Corporation included the:

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

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)
- David L. Kho (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 24, 2017, Atty. Ana Maria A. Katigbak was re-appointed as Compliance Officer (“CO”) and Mr. Roberto E. Cabarco as Deputy Corporate Information Officer. He was also designated as the Corporation’s Compliance Officer.

The CO is responsible for ensuring that the Corporation’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 Corporation’s development.

The Corporation encourages shareholders to attend its annual stockholders’ meetings, which provide opportunities for shareholders to ask questions of the board.

VI. EXTERNAL AUDIT FEES

1. Audit and Audit-Related Fees

The Parent Company paid its auditors the following fees for the last two (2) years for professional services rendered, exclusive of VAT and out of pocket expenses:

Year	Audit Fees	Tax Fees	All Other Fees
2017	Php184,800.00	-	-
2016	168,000.00	-	-

2. Other assurance and related services by the external auditor that are reasonable related to the performance of the audit review of the Corporation’s financial statements - **NONE**

3. Tax Fees - **NONE**

4. All other fees - **NONE**


5. The Audit Committee has checked all financial reports against their compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements. They reviewed all audit plans, scope, resources and budget necessary to implement it. The financial statement was then presented to and approved by the Audit Committee and Board of Directors. Payments and fees related to the services by the external auditor were discussed and approved by the Audit Committee.

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

CERTIFICATION

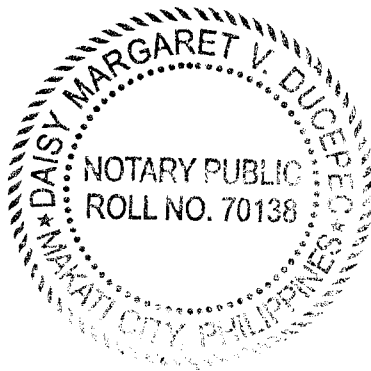
I, **ANA MARIA A. KATIGBAK**, of legal age, Filipino, with office address at the 3rd Floor, The Valero Tower, 122 Valero Street, Salcedo Village, Makati City, being the duly elected Corporate Secretary of **IPM Holdings, Inc.** (the "Corporation"), a corporation duly organized and existing in accordance with Philippine law, with principal office address at Unit 103, Ground Floor, Prestige Tower Condominium, F. Ortigas Jr. Avenue, Ortigas Center, Pasig City, hereby certify that as of the date of this Certification, none of the directors or officers of the Corporation are employed by or connected with any government agencies or its instrumentalities.

IN WITNESS WHEREOF, I have hereunto signed this Certification this 24th day of May 2018 at Makati City.


ANA MARIA A. KATIGBAK
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of Makati, Philippines, this May 24, 2018, affiant who is personally known to me and whose identity I have confirmed through her Passport ID No. P1893381A, issued on February 7, 2017 bearing the affiant's photograph and signature.

Doc. No. 263
Page No. 54
Book No. IV
Series of 2018.




DAISY MARGARET V. DUCEPEC
Appointment No. M-532
Notary Public for Makati City
Until December 31, 2018
Castillo Laman Tan Pantaleon
& San Jose Law Firm
The Valero Tower, 122 Valero Street
Salcedo Village, Makati City
PTR No. 6616089:01-04-2018; Makati City
IBP No. 022622:01-04-2018; Makati Chapter
Roll No. 70138

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **DAVID L. KHO**, of legal age, Filipino, with address at William Building, 35-B Quezon Avenue, Quezon City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of **IPM Holdings, Inc.** (the "Corporation") and have been its Independent Director since May 2016.

2. I am affiliated with the following companies or organizations:

Company	Position	Period of Service
Kapihan sa Klub Filipino	Trustee	2012 to present
Toyota Manila Bay Corporation	Director	2016 to present
Boulevard Holdings, Inc.	Independent Director	2017 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code ("SRC") and its Implementing Rules and Regulations ("IRR") and other issuances of the Securities and Exchange Commission ("SEC").

4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the SRC and its IRR, Code of Corporate Governance and other issuances of the SEC.


6. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have hereunto signed this Certification on May 22, 2018 at Makati City.


DAVID L. KHO
Affiant

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of Makati, this 24 MAY 2018 affiant who personally appeared before me and exhibited his Tax Identification Number 183-459-845.

Doc. No. 104
Page No. 22
Book No. ✓
Series of 2018.


MELVIN C. MALABANAN
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
APPOINTMENT NO. M-357
429 EMILIA BAUTISTA, PALANAN, MAKATI CITY
PWR. NO. 6983216 Jan. 4, 2018
IBP NO. 019760 IBP Batangas, Jan. 03, 2018
MCLE Compliance No. V-0019727
PPLM ROLL NO. 58312
TIN: 278602761000

REPUBLIC OF THE PHILIPPINES)
— **MAKATI CITY**) S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ALFREDO P. JAVELLANA II**, of legal age, Filipino, with address at 230 Anahaw Street, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of **IPM Holdings, Inc.** (the "Corporation") and have been its Independent Director since July 2012.

2. I am affiliated with the following companies or organizations:

Company	Position	Period of Service
UBS Securities Philippines, Inc.	Independent Director	2009 to present
Wilcon Corporation	Independent Director	2016 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code ("SRC") and its Implementing Rules and Regulations ("IRR") and other issuances of the Securities and Exchange Commission ("SEC").

4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the SRC and its IRR, Code of Corporate Governance and other issuances of the SEC.

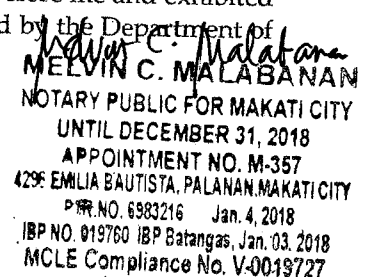
6. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have hereunto signed this Certification on May 22, 2018 at Makati City.


ALFREDO P. JAVELLANA II
Affiant

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of Makati, this 24 MAY 2018 affiant who personally appeared before me and exhibited his Passport No. EC04871527 with expiry date on June 3, 2019 issued by the Department of Foreign Affairs in Manila.

Doc. No. 105
Page No. 22
Book No. 8
Series of 2018.


MELVIN C. MALABANAN
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
APPOINTMENT NO. M-367
429 EMLIA BAUTISTA, PALANAN, MAKATI CITY
P.R. NO. 6983216 Jan. 4, 2018
IBP NO. 019760 IBP Batangas, Jan. 03, 2018
MCLE Compliance No. V-0019727

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	5	0	0	8	5	5	7
---	---	---	---	---	---	---	---	---	---	---

COMPANY NAME

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

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

U	N	I	T		1	0	3	,		G	R	O	U	N	D		F	L	O	O	R	,		P	R	E	S	T	I
G	E		T	O	W	E	R		C	O	N	D	O	M	I	N	I	U	M	,		F	.		O	R	T	I	G
A	S		J	R	.		A	V	E	N	U	E	,		O	R	T	I	G	A	S		C	E	N	T	E	R	
P	A	S	I	G		C	I	T	Y																				

Form Type

A	C	F	S
---	---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	/	A
---	---	---

COMPANY INFORMATION

Company's Email Address <table border="1" style="width: 100%; text-align: center;"><tr><td>info@ipmholdings.com.ph</td></tr></table>	info@ipmholdings.com.ph	Company's Telephone Number <table border="1" style="width: 100%; text-align: center;"><tr><td>897-5257</td></tr></table>	897-5257	Mobile Number <table border="1" style="width: 100%; text-align: center;"><tr><td>N/A</td></tr></table>	N/A
info@ipmholdings.com.ph					
897-5257					
N/A					
No. of Stockholders <table border="1" style="width: 100%; text-align: center;"><tr><td>118</td></tr></table>	118	Annual Meeting (Month / Day) <table border="1" style="width: 100%; text-align: center;"><tr><td>4th Wed of May</td></tr></table>	4th Wed of May	Fiscal Year (Month / Day) <table border="1" style="width: 100%; text-align: center;"><tr><td>December 31</td></tr></table>	December 31
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 <table border="1" style="width: 100%; text-align: center;"><tr><td>Ana Maria A. Katigbak</td></tr></table>	Ana Maria A. Katigbak	Email Address <table border="1" style="width: 100%; text-align: center;"><tr><td>AAK@cltpsj</td></tr></table>	AAK@cltpsj	Telephone Number/s <table border="1" style="width: 100%; text-align: center;"><tr><td>817-6791</td></tr></table>	817-6791	Mobile Number <table border="1" style="width: 100%; text-align: center;"><tr><td>N/A</td></tr></table>	N/A
Ana Maria A. Katigbak							
AAK@cltpsj							
817-6791							
N/A							

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. and its Subsidiary (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, 2017 and 2016, 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.

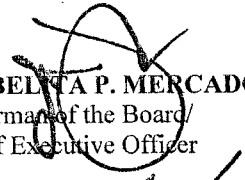
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company 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 13th day of April 2018

APR 27 2018

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

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

Doc No. 142
Page No. 30
Book No. 08
Series of 2018


ATTY. HERBERT N. ILUZ
NOTARY PUBLIC

Unit December 31, 2019

Appt. No. M-102, Makati City

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
IPM Holdings, Inc.
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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 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, 2017, the Group has outstanding trade receivables amounting to ₱871.08 million. The estimation of allowance for impairment of these trade receivables was significant to our audit because it is a subjective area which requires high level of management judgment and trade receivables accounts for 67% of the Group's consolidated total assets.

The disclosures in relation to trade receivables are included in Notes 3, 5 and 14 to the consolidated financial statements.

Audit response

Our audit procedures included, among others, obtaining an understanding of the factors considered by the management in assessing the collectability of its receivables, including among others, the fair value of the collateral. For allowance for impairment calculated on an individual 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 receivables covered by collateral, we have read the memorandum of agreement, recomputed the fair value of such collateral, and compared the fair value with the carrying value of the receivables being secured.

Accounting for the investment in a joint venture

The Group has an investment in a joint venture engaged in production, processing and distribution of fuel generated from municipal solid waste amounting to ₱21.77 million as at December 31, 2017 and accounts for the investment under the equity method. The Group's share in the joint venture's net loss is significantly affected by the impairment loss recognized in the joint venture's property and equipment. This matter is significant to our audit because of the significant management judgment and estimations involved in determining the recoverable amount of the joint venture's property and equipment and the complexity of the estimation process.

The disclosures in relation to the investment in joint venture are included in Notes 3 and 7 to the consolidated financial statements.

Audit response

Our audit procedures included, among others, obtaining the relevant financial information from the joint venture as of December 31, 2017, and recomputation of the Group's equity in net loss of the joint venture. We reviewed the appraisal report of the joint venture's property and equipment as at December 31, 2017. We considered the independence, reputation and competence of the appraiser. We involved our internal specialist in evaluating the reasonableness of the methodology used by the appraiser to determine the recoverable amount of the joint venture's property and equipment. Additionally, our audit procedures included discussions with management on the joint venture's future plans and projects.



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, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS and SEC Form 17-A for the year ended December 31, 2017 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 Those Charged with Governance 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.

Those charged with governance 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 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.



From the matters communicated with those charged with governance, 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

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. 08-001998-110-2018,
February 14, 2018, valid until February 13, 2021

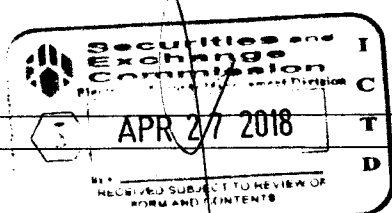
PTR No. 6621335, January 9, 2018, Makati City

April 13, 2018



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

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash (Note 4)	₱7,697,566	₱6,523,092
Receivables - net (Notes 5 and 14)	927,885,857	803,854,779
Other current assets (Note 6)	11,588,008	19,489,438
Total Current Assets	947,171,431	829,867,309
Noncurrent Assets		
Investments in an associate and a joint venture (Note 7)	81,574,301	87,985,191
Deposits (Note 8)	3,315,666	3,304,746
Investment property (Note 9)	103,284,547	104,401,990
Property and equipment (Note 10)	155,171,527	167,513,692
Deferred tax assets (Note 18)	346,316	384,809
Total Noncurrent Assets	343,692,357	363,590,428
	₱1,290,863,788	₱1,193,457,737
LIABILITIES AND EQUITY		
Current Liabilities		
Loan payable (Note 12)	₱97,000,000	₱98,000,000
Trade and other payables (Notes 11 and 14)	127,514,396	121,027,350
Income tax payable	10,423,076	5,922,377
Total Current Liabilities	234,937,472	224,949,727
Noncurrent Liability		
Net pension liability (Note 17)	1,154,385	1,282,697
Total Liabilities	236,091,857	226,232,424
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 13)	690,000,000	690,000,000
Retained earnings (Note 13)	320,898,238	256,293,618
Other reserves (Notes 1 and 17)	(298,510,656)	(298,824,195)
	712,387,582	647,469,423
Noncontrolling interests (Note 2)	342,384,349	319,755,890
Total Equity	1,054,771,931	967,225,313
	₱1,290,863,788	₱1,193,457,737



See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2017	2016	2015
REVENUE AND OTHER INCOME			
Service income (Notes 14 and 20)	₱209,627,948	₱275,783,494	₱260,447,907
Rental income (Notes 9, 14 and 20)	85,213,750	78,808,503	56,531,736
Equity in net earnings of an associate and a joint venture - net (Note 7)	522,444	1,776,994	–
Interest income (Notes 4, 8 and 14)	1,233,811	1,243,121	1,510,419
Other income	54,323	71,986	12,554
	296,652,276	357,684,098	318,502,616
EXPENSES AND OTHER CHARGES			
Cost of services (Note 15)	122,865,944	171,649,390	171,346,575
General and administrative expenses (Note 16)	40,335,589	43,859,579	30,320,265
Interest expense (Notes 12 and 20)	4,297,146	4,552,475	909,911
Equity in net losses of an associate and a joint venture - net (Note 7)	–	–	726,271
	167,498,679	220,061,444	203,303,022
INCOME BEFORE INCOME TAX	129,153,597	137,622,654	115,199,594
PROVISION FOR INCOME TAX (Note 18)	42,025,031	43,347,657	37,486,907
NET INCOME	87,128,566	94,274,997	77,712,687
OTHER COMPREHENSIVE INCOME (LOSS)			
Item not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on defined benefit obligation - net of tax (Note 17)	418,052	(141,645)	3,319
TOTAL COMPREHENSIVE INCOME	₱87,546,618	₱94,133,352	₱77,716,006
Net income attributable to:			
Equity holders of the parent	₱64,604,620	₱69,835,173	₱57,538,383
Noncontrolling interest (Note 2)	22,523,946	24,439,824	20,174,304
	₱87,128,566	₱94,274,997	₱77,712,687
Total comprehensive income attributable to:			
Equity holders of the parent	₱64,918,159	₱69,728,940	₱57,540,872
Noncontrolling interest (Note 2)	22,628,459	24,404,412	20,175,134
	₱87,546,618	₱94,133,352	₱77,716,006
BASIC/DILUTED EARNINGS PER SHARE (Note 19)	₱0.09	₱0.10	₱0.08

See accompanying Notes to Consolidated Financial Statements.



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

	Capital Stock (Note 13)	Retained Earnings- Unappropriated (Note 13)	Retained Earnings- Appropriated (Note 13)	Equity Reserve (Note 1)	Other Reserves Actuarial Losses on Defined Benefit Obligation (Note 17)	Noncontrolling Interests	Total Equity
At January 1, 2017	₱690,000,000	₱256,293,618	₱-	(₱298,498,391)	(₱325,804)	₱319,755,890	₱967,225,313
Net income	-	64,604,620	-	-	-	22,523,946	87,128,566
Other comprehensive income	-	-	-	-	313,539	104,513	418,052
Total comprehensive income	-	64,604,620	-	-	313,539	22,628,459	87,546,618
At December 31, 2017	₱690,000,000	₱320,898,238	₱-	(₱298,498,391)	(₱12,265)	₱342,384,349	₱1,054,771,931
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)
Total comprehensive income	-	69,835,173	-	-	(106,233)	24,404,412	94,133,352
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
Total comprehensive income	-	57,538,383	-	-	2,489	20,175,134	77,716,006
At December 31, 2015	₱690,000,000	₱171,655,226	₱14,803,219	(₱298,498,391)	(₱219,571)	₱295,351,478	₱873,091,961

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱129,153,597	₱137,622,654	₱115,199,594
Adjustments for:			
Depreciation and amortization (Notes 9, 10, 15 and 16)	24,419,639	20,271,954	21,449,272
Interest expense (Notes 12 and 20)	4,297,146	4,552,475	909,911
Net change in pension liability (Notes 16 and 17)	468,905	374,229	294,384
Provision for impairment (Notes 5, 6 and 16)	195,956	9,478,758	1,843,838
Interest income (Notes 4, 8 and 14)	(1,233,811)	(1,243,121)	(1,510,419)
Equity in net losses (earnings) of an associate and a joint venture - net (Note 7)	(522,444)	(1,776,994)	726,271
Operating income before changes in working capital	156,778,988	169,279,955	138,912,851
Decrease (increase) in:			
Receivables	(121,250,758)	(219,392,157)	(152,603,752)
Due from a joint venture	-	-	716,162
Other current assets	7,705,474	(2,021,497)	(956,603)
Increase (decrease) in:			
Trade and other payables	(2,907,014)	29,693,349	8,629,545
Due to related parties	-	(1,239,931)	(2,798,763)
Net cash generated from (used for) operations	40,326,690	(23,680,281)	(8,100,560)
Interest received	53,491	62,801	330,099
Income tax paid	(37,665,004)	(47,964,816)	(31,889,518)
Net cash provided by (used in) operating activities	2,715,177	(71,582,296)	(39,659,979)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Note 10)	(1,446,371)	(179,583)	(645,073)
Increase in deposits	(10,920)	(19,261)	(130,120)
Dividends received from an associate (Note 7)	5,333,334	3,066,667	1,200,000
Net cash provided by investing activities	3,876,043	2,867,823	424,807
CASH FLOWS FROM FINANCING ACTIVITIES			
(Notes 12 and 23)			
Interest paid	(4,416,746)	(4,238,875)	(609,911)
Proceeds from bank loan	-	-	100,000,000
Payment of bank loan	(1,000,000)	(2,000,000)	-
Net cash provided by (used in) financing activities	(5,416,746)	(6,238,875)	99,390,089
NET INCREASE (DECREASE) IN CASH	1,174,474	(74,953,348)	60,154,917
CASH AT BEGINNING OF YEAR	6,523,092	81,476,440	21,321,523
CASH AT END OF YEAR (Note 4)	₱7,697,566	₱6,523,092	₱81,476,440

See accompanying Notes to Consolidated Financial Statements.



IPM HOLDINGS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

IPM Holdings, Inc., (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 with a corporate life of 50 years 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 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, 2017 and 2016, the top four (4) 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

Status of Operations and Management's Plans of the Subsidiary

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

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

As of December 31, 2017, BEST is actively engaged in various stages of development for the realization of these PPP projects, which will place BEST at the forefront of the waste management industry all over the Philippines.

The accompanying consolidated financial statements of the Group were approved and authorized for issue by the Chairman on April 13, 2018, as delegated by the Board of Directors (BOD) on April 5, 2018.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

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



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

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

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

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

Assessment of control

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

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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

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



As of December 31, 2017 and 2016, NCI pertains to the 25% ownership of individuals and companies other than the Parent Company of BEST. The financial information of BEST, with material NCI, is provided below. This information is based on amounts before intercompany eliminations.

	2017	2016
Current assets	₱951,206,679	₱830,626,112
Noncurrent assets	343,692,356	363,590,428
Total assets	₱1,294,899,035	₱1,194,216,540
Current liabilities	₱234,557,720	₱224,260,748
Noncurrent liabilities	1,154,385	1,282,697
Total liabilities	₱235,712,105	₱225,543,445
	2017	2016
Revenue	₱296,811,583	₱357,843,239
Net income	90,095,784	97,759,298
Total comprehensive income	90,513,836	97,617,653
Cash flows from (used in):		
Operating activities	₱2,049,625	(₱69,480,980)
Investing activities	3,876,043	2,867,823
Financing activities	(5,416,746)	(6,238,875)
Net increase (decrease) in cash and cash equivalents	₱508,922	(₱72,852,032)
Accumulated balance of material NCI	342,384,349	319,755,890
Net income attributable to material NCI	22,523,946	24,439,824
Total comprehensive income attributable to NCI	22,628,459	24,404,413

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

Adoption of New and Amended Accounting Standards and Interpretations

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

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Adoption of these amendments did not have any impact on the Group's consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).



The Group has provided the required information in Note 23 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

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

- The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Standards and interpretation issued but not yet effective

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

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group has assessed that the adoption of these amendments will not have any impact on the 2018 consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.



The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 9, *Financial Instruments*

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

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively, with earlier application permitted.



- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- PFRS 16, *Leases*

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



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

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

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

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

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.



On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Cash

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

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability on the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition

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

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

As of December 31, 2017 and 2016, the Group's financial instruments are in the nature of loans and receivables and other financial liabilities.

Day 1 profit

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



Loans and receivables

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

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

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

Other financial liabilities

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

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

Impairment of Financial Assets

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

Loans and receivables

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



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

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

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

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

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

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

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



Financial liability

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

Offsetting of Financial Instruments

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

Fair Value Measurement

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

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

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

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

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable in the market, either directly or indirectly; and

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

Financial instruments

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

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



Nonfinancial asset

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

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

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

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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

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

Other Current Assets

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

Deposits

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

Investments in an Associate and a Joint Venture

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

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



Under the equity method, the investments in associate and joint venture are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate and joint venture, less dividends declared and impairment in value. If the Group's share of losses of an associate and joint venture equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses. The interest in an associate and a joint venture is the carrying amount of the investment in the associate and joint venture under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate and joint venture. After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to the Group's net investments in the associate and joint venture. The consolidated statements of comprehensive income reflects the Group's share in the results of operations of its associate and joint venture. This is included in the "Equity in net earnings (losses) of an associate and a joint venture" account in the consolidated statements of comprehensive income. After the Group's interest is reduced to zero, additional losses are provided to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate and joint venture.

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

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

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

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

Investment Property

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

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

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



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

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

Property and Equipment

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

Depreciation of property and equipment other than land is computed using the straight-line method over the following estimated useful lives:

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

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

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

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

Impairment of Nonfinancial Asset

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists, or when annual impairment testing for a nonfinancial asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the



last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments in an associate and a joint venture

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

Equity

Capital stock

Capital stock is measured at par value for all shares issued and outstanding. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained earnings

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

Equity reserve

Equity reserve pertains to the effect of reverse acquisitions.

Revenue Recognition

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

Service income

Service income is recognized when the related services are rendered.

Rental income

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



Interest income

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

Costs and Expenses

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

Cost of services

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

General and administrative expenses

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

Leases

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

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

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

Finance lease commitments - Group as a lessee

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

Group as a lessor

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

Retirement Cost

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



Defined retirement costs comprise the following:

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

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

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

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

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

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

Short-term Benefits

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

Taxes

Current tax

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

Deferred tax

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



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

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

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

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

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

Other Comprehensive Income

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

Operating Segment

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Disclosure of segment information is presented in Note 22.

Provisions

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

Contingencies

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



Basic/Diluted Earnings Per Share (EPS)

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

Events After the Reporting Date

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

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, 2017 and 2016, BEST holds 60% interest in Ecoedge Resources Corporation (ERC), which is accounted as investment in a joint venture. Joint control exists as decisions about the relevant activities of ERC require the unanimous consent of BEST and Lafarge Industrial Ecology



International, S.A (LIEI), which is supported by the contractual agreement of the parties to the following:

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

Assessment of significant influence

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

As of December 31, 2017 and 2016, the Group holds 16% interest in Metro Clark Waste Management Corporation (MCWM), which is accounted as investment in an associate. The Group exercises significant influence in MCWM due to the presence of BEST's representatives in the Board of Directors of MCWM. Hence, BEST effectively has a participation in the policy-making processes of MCWM.

Distinction between investment properties and owner-occupied properties

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

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

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

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 considered 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, historical collection pattern of the counterparty and the fair value of any collateral. Moreover, the Group also considers its historical experience adjusted for



current observable data 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. The allowance for impairment losses on receivables amounted to ₱1.07 million as of December 31, 2017 and 2016. The carrying amounts of receivables amounted to ₱927.89 million and ₱803.85 million as of December 31, 2017 and 2016, respectively (see Note 5).

Impairment of investments in an associate and a joint venture

In assessing impairment losses from investments in an associate and a joint venture, the Group considers the following at the minimum: (a) dividends exceeding the total comprehensive income of the investee in the period the dividend is declared; or (b) the carrying amount of the investment in the separate financial statements exceeding the carrying amount of the investee's net assets, including goodwill.

As described in the accounting policy (see Note 2), the Group calculates the amount of impairment as being the difference between the fair value less cost to sell or value-in-use, whichever is higher, and the carrying value of the investments in an associate and a joint venture and recognizes the difference in profit or loss.

As of December 31, 2017, the Group has not recognized impairment losses on its investment in an associate and a joint venture. As of December 31, 2017 and 2016, the carrying values of investments in an associate and a joint venture amounted to ₱81.57 million and ₱87.99 million, respectively (see Note 7).

Impairment of nonfinancial assets (other than investments in an associate and a joint venture)

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

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

As of December 31, 2017 and 2016, the Group did not recognize any impairment loss on its nonfinancial assets. As of December 31, 2017 and 2016, the carrying values of the Group's nonfinancial assets are as follows:

	2017	2016
Property and equipment (Note 10)	₱155,171,527	₱167,513,692
Investment property (Note 9)	103,284,547	104,401,990
Other current assets (Note 6)	11,588,008	19,489,438

Estimating retirement benefits

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.



These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates in the Philippines. Net pension liability amounted to ₱1.15 million and ₱1.28 million as of December 31, 2017 and 2016, 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 ₱0.35 million and ₱0.38 million as of December 31, 2017 and 2016, respectively. The amount of unrecognized deferred tax assets amounted to ₱2.85 million and ₱3.06 million as of December 31, 2017 and 2016, respectively (see Note 18).

4. **Cash**

	2017	2016
Cash on hand	₱71,417	₱72,210
Cash in banks	7,626,149	6,450,882
	₱7,697,566	₱6,523,092

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

Interest earned on cash in banks amounted to ₱0.04 million, ₱0.03 million and ₱0.17 million in 2017, 2016 and 2015, respectively.

5. **Receivables**

This account consists of:

	2017	2016
Trade receivables		
Related parties (Note 14)	₱850,955,968	₱731,551,650
Private entities	12,628,025	10,540,453
Local government units (LGUs)	7,494,320	8,031,983
	871,078,313	750,124,086
Loans receivable (Note 14)	31,000,000	31,000,000
Advances to officers and employees	19,613,816	19,361,494



	2017	2016
<i>(Forward)</i>		
Interest receivable (Note 14)	₱3,849,220	₱2,668,900
Dividend receivable (Note 7)	1,600,000	–
Advances to suppliers	744,508	700,299
Others	1,066,172	1,066,172
	928,952,029	804,920,951
Less allowance for impairment losses	1,066,172	1,066,172
	₱927,885,857	₱803,854,779

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

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:

	2017	2016
Balance at the beginning of the year	₱1,066,172	₱4,394,669
Provision for the year (Note 16)	–	9,244,219
Write-off	–	(12,572,716)
Balance at end of year	₱1,066,172	₱1,066,172

Allowance for impairment losses as of December 31, 2017 and 2016 pertains to long-outstanding trade and other receivables of the Group which were specifically identified as impaired. Provision for impairment losses amounted to nil and ₱9.24 million in 2017 and 2016, respectively (see Note 16). Receivables from LGUs which were identified as uncollectible amounting to ₱12.57 million were written-off in 2016.

6. Other Current Assets

	2017	2016
Input VAT	₱11,328,206	₱19,827,785
Creditable withholding taxes	3,149,275	2,451,210
Prepayments	2,289,551	2,158,772
Deferred input VAT	–	34,739
Miscellaneous deposits	15,669	15,669
	16,782,701	24,488,175
Less allowance for impairment losses	5,194,693	4,998,737
	₱11,588,008	₱19,489,438



The movement in allowance for impairment losses follows:

	2017	2016
Balance at beginning of year	₱4,998,737	₱4,764,198
Provision for the year (Note 16)	195,956	234,539
Balance at end of year	₱5,194,693	₱4,998,737

The Parent Company provided allowance for impairment on its creditable withholding taxes and input VAT amounting to ₱5.19 million and ₱5.00 million as of December 31, 2017 and 2016, respectively, due to low probability that these assets may be utilized in the future.

7. Investments in an Associate and a Joint Venture

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

	Associate		Joint Venture		Total	
	Metro Clark Waste Management Corporation (MCWM)		Ecoedge Resources Corporation (ERC)			
	2017	2016	2017	2016	2017	2016
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	19,664,063	15,604,605	(15,484,729)	(10,135,598)	4,179,334	5,469,007
Equity in net earnings (losses) of an associate and a joint venture	18,307,614	8,645,612	(14,158,407)	(5,349,131)	4,149,207	3,296,481
Other adjustments	(3,626,763)	(1,519,487)	-	-	(3,626,763)	(1,519,487)
Dividends during the year	(6,933,334)	(3,066,667)	-	-	(6,933,334)	(3,066,667)
Balance at end of year	27,411,580	19,664,063	(29,643,136)	(15,484,729)	(2,231,556)	4,179,334
	₱59,804,938	₱52,057,421	₱21,769,363	₱35,927,770	₱81,574,301	₱87,985,191

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	
	2017	2016	2017	2016
Net assets	₱373,780,860	₱299,358,277	₱32,007,272	₱55,604,617
Ownership interest	16%	16%	60%	60%
	59,804,938	47,897,324	19,204,363	33,362,770
Fair value and other adjustments	□	4,160,097	2,565,000	2,565,000
Carrying value of investment	₱59,804,938	₱52,057,421	₱21,769,363	₱35,927,770

MCWM

MCWM was incorporated on March 6, 2002 with the primary purpose of managing, supervising and operating a waste management system for the efficient, hygienic, and economical collection, segregation, recycling, composting, filling, disposing, treating and managing of commercial, industrial and other waste garbage, refuse and similar items and engaging in related activities. The registered business address of MCWM is at Clark Special Economic Zone, Clark Field Pampanga (see Note 3).



Significant financial information of the associate follows:

	2017	2016
Current assets	₱198,732,275	₱161,459,212
Noncurrent assets	339,876,211	232,259,952
Total assets	₱538,608,486	₱393,719,164
Current liabilities	₱102,075,127	₱50,298,231
Noncurrent liabilities	62,752,499	44,062,656
Total liabilities	₱164,827,626	₱94,360,887
Gross revenue	₱503,776,448	₱349,439,923
Cost and expenses - net	380,925,574	290,604,302
Net profit before income tax	122,850,874	58,835,621
Net profit	114,422,583	54,035,078
Other comprehensive income	-	-
Total comprehensive income	₱114,422,583	₱54,035,078

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 (see Note 3).

Significant financial information of the joint venture follows:

	2017	2016
Current assets (including cash amounting to ₱3.99 million and ₱1.29 million in 2017 and 2016, respectively)	₱12,385,491	₱16,702,202
Noncurrent assets	88,997,316	105,661,837
Total assets	₱101,382,807	₱122,364,039
Total liabilities	₱69,375,535	₱66,759,422
Gross revenue	₱6,860,610	₱26,323,476
Cost of sales	18,368,932	30,672,477
Administrative expenses	12,086,397	4,564,611
Loss before income tax	(23,594,719)	(8,913,612)
Income tax expense	2,626	1,606
Net loss	(23,597,345)	(8,915,218)
Other comprehensive income	-	-
Total comprehensive loss	(₱23,597,345)	(₱8,915,218)

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, 2017 and 2016, BEST has deposits to GSIS as surety bond amounting to ₱3.32 million and ₱3.30 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 ₱0.01 million, ₱0.03 million and ₱0.16 million in 2017, 2016 and 2015, respectively.

9. Investment Property

	2017		
	Land	Condominium Unit	Total
Cost	₱70,320,000	₱38,535,329	₱108,855,329
Accumulated depreciation:			
Balance at beginning of year	□	4,453,339	4,453,339
Depreciation (Note 15)	□	1,117,443	1,117,443
Balance at end of year	□	5,570,782	5,570,782
Net book value	₱70,320,000	₱32,964,547	₱103,284,547
	2016		
	Land	Condominium Unit	Total
Cost	₱70,320,000	₱38,535,329	₱108,855,329
Accumulated depreciation:			
Balance at beginning of year	□	3,335,896	3,335,896
Depreciation (Note 15)	□	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

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

Portion of BEST's condominium unit located in Pasig City is being leased out to related parties. The rental income recognized from lease agreements amounted to ₱0.05 million in 2017 and 2016. Depreciation amounting to ₱1.12 million in 2017 and 2016 is recognized in cost of services.

The land and condominium unit have fair values of ₱85.42 million and ₱40.96 million, respectively, based on an appraisal made by an independent appraiser on December 31, 2014 and December 8, 2017, respectively. The sales comparison approach was used in determining the fair value which considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. The fair value of the investment property is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation. The inputs used were asking prices of listings and offerings of similar condominium units and extent, character and utility of the property. Significant increases or decreases in asking price would result in higher or lower fair value of the asset.



10. **Property and Equipment**

	2017						Total
	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Leasehold Improvements	
Cost							
At January 1	₱44,932,700	₱37,056,324	₱123,814,371	₱3,922,134	₱104,146,099	₱-	₱313,871,628
Additions	-	-	-	338,613	10,073,285	548,133	10,960,031
At December 31	44,932,700	37,056,324	123,814,371	4,260,747	114,219,384	548,133	324,831,659
Accumulated Depreciation and Amortization							
At January 1	-	4,553,785	62,999,654	3,347,646	75,456,851	-	146,357,936
Depreciation and amortization (Notes 15 and 16)	4,137,700	1,162,963	11,413,098	403,473	6,172,830	12,132	23,302,196
At December 31	4,137,700	5,716,748	74,412,752	3,751,119	81,629,681	12,132	169,660,132
Net Book Value	₱40,795,000	₱31,339,576	₱49,401,619	₱509,628	₱32,589,703	₱536,001	₱155,171,527
	2016						
	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Leasehold Improvements	Total
Cost							
At January 1	₱44,932,700	₱36,962,660	₱123,814,371	₱3,836,215	₱104,146,099	₱-	₱313,692,045
Additions	-	93,664	-	85,919	-	-	179,583
At December 31	44,932,700	37,056,324	123,814,371	3,922,134	104,146,099	-	313,871,628
Accumulated Depreciation and Amortization							
At January 1	-	3,398,626	51,586,556	2,934,222	69,284,021	-	127,203,425
Depreciation and amortization (Notes 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

In 2017, acquisitions of property and equipment amounting to ₱9.51 million remain in trade and other payables as of December 31, 2017.



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

In 2013, the Group entered into a finance lease agreement with a local lending company for two units of transportation equipment amounting to ₱6.61 million, payable over five (5) years on a monthly basis (see Note 20).

The cost of fully-depreciated property and equipment still being used in operations amounted to ₱13.46 million and ₱11.79 million as of December 31, 2017 and 2016, respectively.

11. Trade and Other Payables

This account consists of:

	2017	2016
Trade payables		
Related parties (Note 14)	₱8,531,187	₱13,165,254
Third parties	7,470,921	4,737,871
	16,002,108	17,903,125
Payable to government agencies	110,190,667	101,306,843
Accrued expenses (Note 14)	1,321,621	1,817,382
	₱127,514,396	₱121,027,350

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

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

Accrued expenses pertain to accruals of professional fees, salaries and wages and interest on loan payable. Accrued interest on loan payable amounted to ₱0.19 million and ₱0.31 million as of December 31, 2017 and 2016, respectively (see Note 12). These are noninterest-bearing and payable within 30 days.

12. Loan Payable

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

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

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



January 25, 2018.

Interest expense on loan payable amounted to ₱4.17 million, ₱4.17 million and ₱0.62 million in 2017, 2016, and 2015 respectively. Accrued interest payable amounted to ₱0.19 million and ₱0.31 million as of December 31, 2017 and 2016, respectively (see Note 11).

13. Equity

Capital Stock

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

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

In accordance with Annex 68-D of SRC Rule 68 (As Amended) (2011), below is a summary of the Parent Company's track record of registration of securities.

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

The Parent Company's total number of shareholders is 118 as of December 31, 2017 and 2016, respectively.

Subscriptions

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

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

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

Retained Earnings

For purposes of dividend declaration, the retained earnings shall be that of the legal parent presented in the separate financial statements. As of December 31, 2017 and 2016, the Parent Company is in a deficit position, hence, no dividends were declared during the years covered.



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

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

	2017	2016
Balance at beginning of year	₱206,072,782	₱202,588,481
Net loss during the year	2,967,219	3,484,301
	₱209,040,001	₱206,072,782

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

Noncontrolling Interests

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

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:

2017

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

(Forward)



Category	Amount	Outstanding Balance	Terms	Conditions
Loans Receivable (Note 5)				
Joint venture				
ERC (e)	₱-	₱31,000,000	Interest bearing; due and demandable	Unsecured, no impairment
Interest Receivable (Note 5)				
ERC (e)	1,180,320	3,849,220	Due and demandable	Unsecured, no impairment
		₱34,849,220		
Trade payables (Note 11)				
Parent				
IPMCDC (f)	₱95,339,251	₱8,531,187	Noninterest-bearing; on demand	Unsecured
Accrued expenses				
Affiliate				
GNCA Holdings, Inc. (GNCA) (g)	180,000	□	Noninterest-bearing; on demand	Unsecured
BOD (h)	110,000	□	Noninterest-bearing; on demand	Unsecured
		₱8,531,187		

2016

Category	Amount	Outstanding Balance	Terms	Conditions
Trade receivables (Note 5)				
Parent				
IPMCDC (a) Shareholders	₱131,529,298	₱128,734,290	Noninterest-bearing; within one year	Unsecured, no impairment
IPMESI (b)	187,288,837	602,764,158	Noninterest-bearing; within one year	Unsecured, no impairment
IPMRDC (c) Joint Venture	706,661	34,687	Noninterest-bearing; within one year	Unsecured, no impairment
ERC (d)	53,571	18,515	Noninterest-bearing; on demand	Unsecured, no impairment
		₱731,551,650		
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	Noninterest-bearing; on demand	Unsecured
Accrued expenses				
Affiliate				
GNCA Holdings, Inc. (GNCA) (g)	180,000	50,400	Noninterest-bearing; on demand	Unsecured
BOD (h)	300,000	□	Noninterest-bearing; on demand	Unsecured
		₱13,215,654		



- a. BEST provides composting of waste materials services to IPMCDC and charges composting and waste processing fees based on a fixed contract price specified in the composting agreement. In 2017 and 2016, the Company charged IPMCDC for transportation and heavy equipment rental fees. In July 2015, BEST entered into a consultancy agreement with IPMCDC for the monitoring of efficiency of the latter's operation and compliance with rules and regulations on IPMCDC's contract with several local municipalities. The income payment is based on a fixed amount specified in the consultancy agreement. The Group's total revenue earned from IPMCDC amounted to ₱132.30 million, ₱132.53 million and ₱113.71 million in 2017, 2016 and 2015, respectively.
- b. BEST has an existing contract with IPMESI for the operation and maintenance of an Integrated Solid Waste Management Facility for a fixed monthly fee of ₱15.58 million. In 2017, 2016 and 2015, BEST charged IPMESI for the rental of transportation and heavy equipment. The Group's total revenue earned from IPMESI amounted to ₱109.07 million, ₱187.29 million and ₱188.97 million in 2017, 2016 and 2015, respectively. Receivables from IPMESI amounting to ₱693.75 million is secured (see Note 21).
- c. In 2017 and 2016, rental income earned on the lease of equipment to IPMRDC amounted to nil and ₱0.71 million, respectively.
- d. In January 2016, BEST entered into a contract of lease with ERC, whereby the latter, shall lease a portion of BEST's office space. Lease term commenced on January 1, 2016 and was for the period of two (2) years, renewable upon mutual agreement of the parties.
- e. In 2014, BEST granted loans to ERC amounting to ₱19.00 million with 3.8640% 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 ₱3.85 million and ₱2.67 million as of December 31, 2017 and 2016, respectively.
- f. IPMCDC charge BEST for the rental of equipment, subcontracted services, salaries and wages, fuel and oil and repairs and maintenance costs incurred in line with the operations of BEST.
- g. The Parent Company entered into an agreement with GNCA, an entity controlled by one of the Parent Company's director, for the sharing of common costs incurred on the leased office space of the Parent Company. The agreement provides that Parent Company shall pay fixed monthly utility charges of ₱15,000 in 2017, 2016 and 2015, in lieu of its proportionate share in monthly rentals on the leased premises.
- h. In 2013, the BOD of the Parent Company approved the grant of per diem to members of the BOD for every attendance in the regular meetings of the BOD. Total per diem paid to the directors amounted to ₱0.11 million, ₱0.30 million, and ₱0.32 million in 2017, 2016 and 2015, respectively (see Note 16).

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



Compensation of Key Management Personnel

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

	2017	2016	2015
Salaries and other short-term employee benefits	₱8,799,062	₱7,956,783	₱6,307,613
Long-term employee benefits	214,399	214,399	152,981
	₱9,013,461	₱8,171,182	₱6,460,594

15. Cost of Services

This account consists of:

	2017	2016	2015
Rent (Note 14)	₱49,454,476	₱91,333,946	₱89,324,115
Depreciation and amortization (Notes 9 and 10)	21,725,961	17,585,928	19,625,574
Contract costs (Note 14)	15,625,000	27,983,500	27,364,244
Salaries, wages and employee benefits	12,675,326	7,505,977	5,538,488
Repairs and maintenance (Note 14)	7,549,213	8,012,522	11,213,897
Materials and tools (Note 14)	6,832,003	9,864,570	9,516,568
Fuel and oil (Note 14)	6,286,042	7,971,605	7,242,500
Taxes and licenses	1,118,183	938,127	1,012,998
Transportation and travel	494,865	154,788	94,092
Supplies	444,129	217,585	139,713
Utilities	161,629	48,322	89,082
Others	499,117	32,520	185,304
	₱122,865,944	₱171,649,390	₱171,346,575

16. General and Administrative Expenses

This account consists of:

	2017	2016	2015
Taxes and licenses	₱14,349,342	₱12,516,242	₱10,678,881
Salaries, wages and employee benefits (Note 14)	10,719,043	10,130,792	9,308,671
Professional fees	3,103,043	1,726,219	1,448,811
Advertising and promotion	3,094,654	102,050	84,957
Depreciation and amortization (Note 10)	2,693,678	2,686,026	1,823,698
Transportation and travel	1,242,381	573,849	235,704
Utilities (Note 14)	998,049	954,481	986,727
Entertainment amusement and recreation	837,561	2,447,816	660,423
Stock exchange listing fee	640,025	693,910	397,430
Office supplies and printing costs	435,134	416,845	625,344
Pension expense (Note 17)	398,357	336,734	273,768
Rent (Note 14)	264,286	126,083	185,332

(Forward)



	2017	2016	2015
Repairs and maintenance	₱241,540	₱315,849	₱476,273
Provision for impairment losses (Notes 5 and 6)	195,956	9,478,758	1,843,838
Seminars and trainings	118,500	14,000	-
Directors' fee (Note 14)	110,000	300,000	320,000
Insurance	78,493	120,728	14,090
Others	815,547	919,197	956,318
	₱40,335,589	₱43,859,579	₱30,320,265

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, 2017.

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

	2017		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability
At January 1	₱1,636,678	(₱353,981)	₱1,282,697
<i>Benefit cost in profit or loss</i>			
Current service cost (Note 16)	398,357	-	398,357
Net interest expense (income) (Note 16)	90,017	(19,469)	70,548
<i>Remeasurements in other comprehensive income</i>			
Remeasurement loss - return on plan asset	-	14,837	14,837
Actuarial gain - changes in financial assumptions	(61,049)	-	(61,049)
Actuarial gain - changes in experience	(551,005)	-	(551,005)
At December 31	₱1,512,998	(₱358,613)	₱1,154,385



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

Net interest expense amounting to ₱0.07 million and ₱0.04 million in 2017 and 2016, respectively, is included in the “Salaries and wages” under “General and administrative expenses” (see Note 16).

Changes in remeasurement loss on defined benefit obligations are as follows:

	2017	2016
Balance at beginning of year	(₱431,506)	(₱289,861)
Actuarial gain (loss) on defined benefit plan - net of tax	418,052	(141,645)
Balance at end of year	(₱13,454)	(₱431,506)

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 ₱4,632 and ₱3,565 in 2017 and 2016, respectively.

The Group did not make any contribution in 2017 and 2016 to the defined benefit pension plan. The Group does not expect any contribution to the defined benefit pension plan in 2018.

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:

	2017	2016
Discount rate	5.94%	5.50%
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:

	Change in variable	Increase (decrease) in present value of defined benefit obligation	
		2017	2016
Discount rate	+100 bps	(₱121,427)	(₱106,336)
	-100 bps	137,376	122,399
Salary increase rate	+100 bps	125,693	114,164
	-100 bps	(113,472)	(101,325)



Changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

The Group expects to pay retirement benefits amounting to ₱0.02 million in 2018 and 2019, respectively. The weighted average duration of the defined benefit obligation is 8.6 years and 8.4 years as of December 31, 2017 and 2016, respectively.

18. Income Tax

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

	2017	2016	2015
Current	₱42,154,925	₱42,448,816	₱38,007,435
Final	10,778	12,561	66,020
Deferred	(140,672)	886,280	(586,548)
	₱42,025,031	₱43,347,657	₱37,486,907

The provision for current income tax represents regular corporate income tax of BEST in 2017, 2016 and 2015.

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

	2017	2016
NOLCO	₱8,433,028	₱9,134,793
Allowance for impairment losses	1,066,172	1,066,172
	9,499,200	10,200,965
Tax rate	30%	30%
	₱2,849,760	₱3,060,290

The Group's deferred tax assets pertaining to the Parent Company's NOLCO and allowance for impairment loss on receivables 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:

	2017	2016
Presented in profit or loss		
Net pension liability	₱340,550	₱199,878
Presented in other comprehensive income		
Actuarial losses on defined benefit obligation	5,766	184,931
Net deferred tax assets	₱346,316	₱384,809



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

	2017	2016	2015
At statutory tax rate	₱38,746,079	₱41,286,796	₱34,559,878
Add (deduct) tax effects of:			
Nondeductible expense	2,645,123	1,665,927	1,942,473
Expired NOLCO	1,006,441	2,141,140	512,366
Equity in net earnings of an associate and a joint venture	(156,733)	(533,098)	217,881
Change in unrecognized deferred tax assets	(210,530)	(1,206,828)	287,319
Interest income subjected to final tax	(5,349)	(6,280)	(33,010)
Effective income tax	₱42,025,031	₱43,347,657	₱37,486,907

The Parent Company's NOLCO as of December 31, 2017 consists of:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Date
2017	₱2,653,040	₱-	₱-	₱2,653,040	2020
2016	3,114,370	-	-	3,114,370	2019
2015	2,665,618	-	-	2,665,618	2018
2014	3,354,805	-	3,354,805	-	2017
	₱11,787,833	₱-	₱3,354,805	₱8,433,028	

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the consolidated financial statement balances as of the reporting date.

19. Basic/Diluted Earnings per Share

Basic/diluted earnings per share was computed as follows:

	2017	2016	2015
Net income attributable to equity holders of the parent company (a)	₱64,604,620	₱69,835,173	₱57,538,383
Weighted average number of outstanding common share (b)	690,000,000	690,000,000	690,000,000
Basic earnings per share (a/b)	₱0.09	₱0.10	₱0.08

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, 2017 and 2016, the Group has the following contractual commitments:

- The Group has entered into a contractual agreement with IPMCDC, the ultimate parent, to undertake the following:
 - a. Composting of waste materials from Pasig City and Pasay City that is being renewed every year. Income from composting amounted to ₱12.00 million in 2017 and 2016 (see Note 14).
 - b. Consultancy and field services in IPMCDC's Materials Recovery Facility (MRF) that is being renewed every year. In July 2015, the Group entered into new consultancy services contracts with IPMCDC for the monitoring of efficiency of the latter's operation and compliance with rules and regulations on IPMCDC's contract with several local cities. The Group recognized income amounting to ₱35.14 million and ₱41.79 million in 2017 and 2016, respectively, arising from these consultancy service contracts (see Note 14).
- The Group entered into contractual commitments with various municipalities of Rizal and Laguna for tipping and disposal of residual wastes. Each agreement is effective for one year, renewable every year under the same terms and conditions unless, otherwise, mutually agreed upon by the parties. As of and for the years ended December 31, 2017 and 2016, the amount of income recognized by the Group and outstanding balance per municipality follow:

Municipality	Rate per ton	Income (in millions)		Outstanding Balance (in millions)	
		2017	2016	2017	2016
Binangonan, Rizal	₱600	₱12.26	₱5.94	₱0.89	₱0.60
Tanay, Rizal	600	2.68	2.26	0.72	1.51
Teresa, Rizal	500	2.67	1.97	1.36	1.87
Baras, Rizal	600	1.55	1.54	0.48	0.63
Cardona, Rizal	600	0.53	0.65	0.78	0.50
Morong, Rizal	300	0.28	–	0.33	–
Jalajala, Rizal	600	0.16	0.37	0.18	0.14
Pililia	300	0.04	0.08	–	0.05
Pangil, Laguna	600	0.02	□	0.02	□
Taytay, Rizal	600	–	–	2.73	2.73
		₱20.19	₱12.81	₱7.49	₱8.03

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



Morong. The agreement took effect on September 1, 2016 and shall end on June 30, 2019 unless sooner terminated.

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

The carrying value of the transportation equipment amounted to ₱3.66 million and ₱4.36 million as of December 31, 2017 and 2016, respectively. The transportation equipment is being depreciated using straight-line method over 10 years.

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

	2017	2016
Within one year	₱844,116	₱1,447,056
After one year but not more than five years	–	844,116
	₱844,116	₱2,291,172

Interest expense incurred amounted to ₱0.13 million, ₱0.38 million and ₱0.29 million in 2017, 2016 and 2015, 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:

2017

	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Cash*	₱7,626,149	₱2,500,000	₱5,126,149	₱2,500,000
Receivables:				
Trade	871,078,313	824,186,750	177,332,658	824,186,750
Loan	31,000,000	—	31,000,000	—
Advances to officers and employees	19,613,816	—	19,613,816	—
Interest	3,849,220	—	3,849,220	—
Dividend	1,600,000	—	1,600,000	—
Deposits	3,315,666	—	3,315,666	—
	₱938,083,164	₱826,686,750	₱241,837,509	₱826,686,750

*Excluding cash on hand. The collateral pertains to the maximum deposit insurance coverage per depositor per bank.

2016

	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Cash*	₱6,450,882	₱2,500,000	₱3,950,882	₱2,500,000
Receivables:				
Trade	750,124,086	—	750,124,086	—
Loan	31,000,000	—	31,000,000	—
Advances to officers and employees	19,361,494	—	19,361,494	—
Interest	2,668,900	—	2,668,900	—
Deposits	3,304,746	—	3,304,746	—
	₱812,910,108	₱2,500,000	₱810,410,108	₱2,500,000

*Excluding cash on hand. The collateral pertains to the maximum deposit insurance coverage per depositor per bank.

In April 2018, BEST entered into a Memorandum of Agreement with IPMESI and IPMRDC wherein the latter assigned 65,000,000 shares and 35,000,000 shares, respectively, of the Parent Company to guaranty BEST's receivables from IPMESI amounting to ₱693.75 million (see Note 14). The agreement is valid, binding and in full force and effect until the secured obligations are fully paid by IPMESI. IPMESI committed to pay its total liability to BEST. The fair value of the collateral, net of costs to sell, amounted to ₱824.19 million.

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, 2017 and 2016.

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

	2017				
	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Total
	High Grade	31 to 60 Days	Over 60 days		
Financial assets:					
Loans and receivables:					
Cash	₱7,626,149	₱—	₱—	₱—	₱7,626,149
Receivables:					
Trade	33,237,288	29,420,302	808,420,723	—	871,078,313
Loans	—	—	31,000,000	—	31,000,000
Advances to officers	1,113,816	—	18,500,000	—	19,613,816

(Forward)



2017						
	Neither Past Due nor Impaired		Past Due but not Impaired		Impaired	Total
	High Grade	31 to 60 Days	Over 60 days			
	Interest	P1,180,320	P-	P2,668,900		
Dividend	1,600,000	-	-	-	1,600,000	
Others	-	-	-	1,066,172	1,066,172	
Deposits	3,315,666	-	-	-	3,315,666	
	P48,073,239	P29,420,302	P860,589,623	P1,066,172	P939,149,336	

*Excluding cash on hand.

2016						
	Neither Past Due nor Impaired		Past Due but not Impaired		Impaired	Total
	High Grade	31 to 60 Days	Over 60 days			
	Financial assets:					
Loans and receivables:						
Cash	P6,450,882	P-	P-	P-	P6,450,882	
Receivables:						
Trade	31,806,656	35,279,603	683,037,827	-	750,124,086	
Loans	-	-	31,000,000	-	31,000,000	
Advances to officers	19,361,494	-	-	-	19,361,494	
Interest	1,180,320	-	1,488,580	-	2,668,900	
Others	-	-	-	1,066,172	1,066,172	
Deposits	3,304,746	-	-	-	3,304,746	
	P62,104,098	P35,279,603	P715,526,407	P1,066,172	P813,976,280	

*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, 2017 and 2016 based on contractual undiscounted payments:

	2017				Total
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	
Financial assets					
Loans and receivables:					
Cash	₱7,697,566	₱-	₱-	₱-	₱7,697,566
Receivables:					
Trade	854,352,667	16,725,646	-	-	871,078,313
Loan	31,000,000	-	-	-	31,000,000
Advances to officers	19,613,816	-	-	-	19,613,816
Interest	3,849,220	-	-	-	3,849,220
Dividend	-	1,600,000	-	-	1,600,000
Deposits	-	-	-	3,315,666	3,315,666
	₱916,513,269	₱18,325,646	₱-	₱3,315,666	₱938,154,581
Financial liabilities					
Trade and other payables (excluding payable to government agencies)	₱-	₱17,323,729	₱-	₱-	₱17,323,729
Loan payable	-	-	97,000,000	-	97,000,000
	₱-	₱17,323,729	₱97,000,000	₱-	₱114,323,729
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	718,285,437	31,838,649	-	-	750,124,086
Loan	31,000,000	-	-	-	31,000,000
Interest	2,668,900	-	-	-	2,668,900
Deposits	-	-	-	3,304,746	3,304,746
	₱758,477,429	₱31,838,649	₱-	₱3,304,746	₱793,620,824
Financial liabilities					
Trade and other payables (excluding payable to government agencies)	₱-	₱19,720,507	₱-	₱-	₱19,720,507
Loan payable	-	-	98,000,000	-	98,000,000
	₱-	₱19,720,507	₱98,000,000	₱-	₱117,720,507

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group considers its total equity amounting to ₱1,054.77 million and ₱967.23 million as of December 31, 2017 and 2016, respectively, as capital.

Fair Value Information

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

Fair Value Hierarchy

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



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:

	2017				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income	₱-	₱295,056,735	₱295,056,735	(₱160,714)	₱294,896,021
Interest income	1,407	1,232,404	1,233,811	-	1,233,811
Equity earnings	-	522,444	522,444	-	522,444
Interest expense	-	4,297,146	4,297,146	-	4,297,146
Income (loss) before tax	(2,966,937)	132,120,534	129,153,597	-	129,153,597
Provision for income tax	281	42,024,750	42,025,031	-	42,025,031
Net income (loss)	(2,967,218)	90,095,784	87,128,566	-	87,128,566
Other Information					
Segment assets	₱486,397,072	₱1,294,899,035	₱1,781,296,107	(₱490,432,319)	₱1,290,863,788
Segment liabilities	5,437,073	235,712,105	241,149,178	(5,057,321)	236,091,857
Depreciation and amortization	-	24,419,639	24,419,639	-	24,419,639
	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	₱485,731,520	₱1,194,216,540	₱1,679,948,060	(₱486,490,323)	₱1,193,457,737
Segment liabilities	1,804,302	225,543,445	227,347,747	(1,115,323)	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	₱487,840,836	₱1,076,249,038	₱1,564,089,874	(₱485,561,974)	₱1,078,527,900
Segment liabilities	429,317	205,193,596	205,622,913	(189,674)	205,433,239
Depreciation and amortization	-	21,449,272	21,449,272	-	21,449,272

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 ₱241.38 million, ₱319.52 million and ₱304.42 million, in 2017, 2016 and 2015, respectively.

23. Notes to Consolidated Statements of Cash Flows

Rollforward of liabilities under financing activities as of December 31, 2017 follows:

	January 1, 2017	Cash flows	Non-cash change	December 31, 2017
Loan payable	₱98,000,000	(₱1,000,000)	₱-	₱97,000,000
Interest payable	313,600	(4,416,746)	4,297,146	194,000
	<u>₱98,313,600</u>	<u>(₱5,416,746)</u>	<u>₱4,297,146</u>	<u>₱97,194,000</u>

The non-cash change in interest payable pertains to interest expense amounting to ₱4.30 million in 2017 (see Notes 12 and 20).



COVER SHEET

AS095-008557

SEC Registration Number

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

(Company's Full Name)

U N I T 1 0 3 G R O U N D F L R . P R E S T I G E T O W E R C O N D O M I N I U M F . O R T I G A S J R . A V E N U E O R T I G A S C E N T E R P A S I G C I T Y

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

Atty. Ana Katigbak Contact Person

817 6791/897-5257 Company Telephone Number

1 2 3 1 Month Day Fiscal Year

SEC Form 17-Q March 31, 2018 FORM TYPE Annual Meeting

4th Wed of May Month Day

Secondary License Type, If Applicable

C F D Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

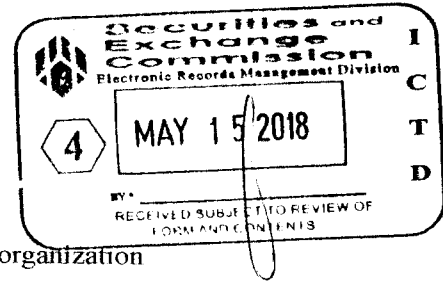
Remarks: Please use BLACK ink for scanning purposes

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

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

1. For the quarterly period ended: March 31, 2018
2. SEC Identification Number: AS095-008557
3. BIR Tax Identification Number: 004-636-077
4. **IPM HOLDINGS, INC.**
Exact name of issuer as specified in its charter
5. Pasig City, Philippines
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. Unit 103 G/F, Prestige Tower, Condominium F. Ortigas Jr., Avenue
Ortigas Center, Pasig City
Address of issuer's principal office Postal Code: 1605
8. (632) 897-5257/817-6791
Issuer's telephone number, including area code
9. **MINERALES INDUSTRIAS CORPORATION**
Former name, former address and former fiscal year, if changed since last report:
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	690,000,000 shares
11. Are any or all of Corporation's Securities Listed with the Philippine Stock Exchange?
Yes No
12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder of Section 11 of the RSA Rule 11 (a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes No
 - (b) has been subject to such filing requirements for the past ninety (90) days.
Yes No



PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

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

PLAN OF OPERATIONS

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

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

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

As of December 31, 2017, BEST is actively engaged in various stages of development for the realization of these PPP projects, which will place BEST at the forefront of the waste management industry all over the Philippines.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management’s discussion and analysis of the Company and subsidiary (the “Company”) financial position and results of operations should be read in conjunction with the consolidated financial statements of the Company and its subsidiary as of December 31, 2017 and the interim consolidated financial statements as of March 31, 2018.

First Quarter Ended March 31, 2018 Compared to First Quarter Ended March 31, 2017

Income

Total consolidated income for the quarter ending March 31, 2018 amounted to Php43.96 million, down Php50.79 million or 53.60% from the Php94.75 million posted in the same period of 2017. This was mainly due to the temporary closure of the Quezon City Sanitary Landfill. Total income consisted mainly of Php21.07 million in service income and Php22.59 million in rental income.

Expenses

Cost of services amounted to Php10.48 million, Php35.60 million or 77.25% lower than the Php46.08 million reported in the first quarter of 2017. This is attributable mainly to the decrease in manpower costs and equipment rental expenses for the maintenance and operation of the Quezon City Sanitary Landfill.

General and administrative expenses declined by Php5.97 million or 36.74%, from Php16.24 million in 2017 to Php10.27 million in 2018.

Net Income

The first three months of 2018 resulted to a net income after tax of Php15.58 million, lower by Php6.13 million or 28.24% than the Php21.71 million reported in 2017. The significant reduction in cost of services helped temper the impact of sharply lower revenue on the Company's bottomline.

Financial Position as of March 31, 2018 Compared to Financial Position as of December 31, 2017

Statements of financial position data	31-Mar-2018	31-Dec-2017	% Inc/(Dec)
Total Current Assets	971,395,373	947,171,431	2.56%
Total Assets	1,310,246,870	1,290,863,788	1.50%
Total Current Liabilities	239,625,163	234,937,472	2.00%
Total Liabilities	240,779,548	236,091,857	1.99%
Total Stockholders' Equity	1,069,467,322	1,054,771,931	1.50%

The Company's consolidated total assets slightly increased by Php19.38 million or 1.5% from Php1.29 billion as of December 31, 2017 to Php1.31 billion as of March 31, 2018.

- Cash and cash equivalents decreased by 13.25% from Php7.70 million as of December 31, 2017 to Php6.68 million as of March 31, 2018.
- Trade and other receivables slightly increased by 3.30% from Php927.88 as of December 31, 2017 to Php958.49 million as of March 31, 2018.
- Other current assets decreased by 46.28% from Php11.59 million as of December 31, 2017 to Php6.22 million as of March 31, 2018 due to the decrease in input VAT pertaining to the cost of services and general and administrative expenses.
- Noncurrent assets went down by 1.41% from Php343.69 million as of December 31, 2017 to Php338.85 million as of March 31, 2018.

Total consolidated liabilities amounted to Php240.76 million as of March 31, 2018, up slightly by Php4.67 million or 1.98% from Php236.09 million as of December 31, 2017.

Total stockholders' equity increased by Php14.71 million or 1.39%, from Ph1.054.77 million as of December 31, 2017 to Phpp1,069.48 million as of March 31, 2018.

Current ratio increased from 4.03x as of December 31, 2017 to 4.05x as of March 31, 2018; net working capital stood at Php731.79 million as of March 31, 2018 versus Php712.23 million as of December 31, 2017.

Liquidity and Capital Resources

For the quarter ended March 31, 2018, net cash provided by operations amounted to Php0.003 million including the net income before tax of Php21.11 million and the depreciation and amortization expense of Php4.64 million. Trade and other receivables rose by Php30.30 million while other current assets decreased by Php5.36 million. Trade and other payables decreased by Php1.74 million. Net cash used by financing activities amounted to Php1.02 million.

For the quarter ended March 31, 2017, net cash used in operations amounted to Php0.76 million including the net income before tax of Php31.31 million and the depreciation and amortization expense of Php5.06 million. Trade and other receivables rose by Php54.03 million while other current assets increased by Php4.63 million. Trade and other payables increased by Php21.16 million while due to related parties increased by Php2.00 million resulting from the settlement of outstanding obligations.

Key Performance Indicators

The company's key performance indicators are as follows:

KPI	Calculation	31-Mar-2018	31-Dec-2017
Current Ratio (1)	Current Assets/Current Liabilities	4.05	4.03x
Quick Ratio (2)	Current Assets-Inventory-Prepaid Expenses /Current Liabilities	4.02	3.98x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	0.22	0.22x
Book Value per share (4)	Total Assets –Total Liabilities/ Outstanding Shares	1.55	1.53
Net Income per Share (5)	Net Income/Weighted Average Number of Shares Outstanding	0.02	0.13

	<u>31-Mar-2018</u>	<u>December 31, 2017</u>
(1) Current Ratio	971,396,980/239,625,163	947,171,431/234,937,472
(2) Quick Ratio	965,170,710/239,625,163	935,583,423/234,937,472
(3) Debt to Equity	240,779,548/1,069,467,322	236,091,857/1,054,771,931
(4) Book Value/Share	1,069,467,322/690,000,000	1,054,771,931/690,000,000
(5) Income per Share	14,695,389/690,000,000	87,128,566/690,000,000

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

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

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

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

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

Other Matters

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

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

PART II – OTHER INFORMATION

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

Not Applicable


SIGNATURES

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

Issuer : IPM HOLDINGS, INC.



ISABEL P. MERCADO
Chairman and Chief Executive Officer
Date: May 11, 2018



FRANCIS NEIL P. MERCADO
Treasurer and Chief Financial Officer
Date: May 11, 2018

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

	31-Mar-2018	31-Dec-2017
	Unaudited	Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 20)	₱6,677,496	₱7,697,566
Receivables (Notes 5 and 20)	958,493,214	927,885,857
Other current assets (Note 6)	6,226,270	11,588,008
Total Current Assets	971,396,980	947,171,431
Noncurrent Assets		
Investments in an associate and a joint venture (Notes 7 and 21)	81,372,469	81,574,301
Deposits (Note 8)	3,315,666	3,315,666
Investment property (Note 9)	103,005,189	103,284,547
Property and equipment (Note 10)	150,810,250	155,171,527
Deferred tax asset	346,316	346,316
Total Noncurrent Assets	338,849,890	343,692,357
Total Assets	₱1,310,246,870	₱1,290,863,788
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11 and 20)	₱125,802,776	₱127,514,396
Loans payable (Notes 12 and 20)	97,000,000	97,000,000
Income tax payable	16,822,387	10,423,076
Total Current Liabilities	239,625,163	234,937,472
Noncurrent Liability		
Net pension liability (Note 17)	1,154,385	1,154,385
Total Liabilities	240,779,548	236,091,857
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 13)	690,000,000	690,000,000
Retained earnings (Note 13)	331,792,216	320,898,238
Other reserves (Notes 1 and 17)	(298,510,656)	(298,510,656)
Total Equity	723,281,560	712,387,582
Noncontrolling Interests		
Total Equity	1,069,467,322	1,054,771,931
Total Liabilities and Equity	₱1,310,246,870	₱1,290,863,788

See accompanying Notes to Consolidated Financial Statements

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

	Quarters Ended March 31	
	2018	2017
REVENUE AND OTHER INCOME		
Service income (Notes 14 and 20)	₱21,072,892	₱73,472,412
Rental income (Notes 9, 14 and 20)	22,589,911	18,404,688
Interest Income (Note 4)	297,612	117,190
Equity in net earnings of an associate and a joint venture (Note 7)	-	2,754,131
	43,960,415	94,748,421
EXPENSES		
Cost of services (Note 15)	11,352,959	46,087,841
General and administrative expenses (Note 16)	10,287,673	16,241,025
Interest expense (Note 12)	1,023,202	1,111,969
Equity in net losses of an associate and a joint venture (Note 7)	201,831	-
	22,865,665	63,440,835
INCOME BEFORE INCOME TAX	21,094,750	31,307,586
PROVISION FOR INCOME TAX	6,399,361	9,597,561
NET INCOME	14,695,389	21,710,025
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items not to be reclassified to profit or loss:</i>		
Actuarial losses on defined benefit obligation	-	-
TOTAL COMPREHENSIVE INCOME	₱14,695,389	₱21,710,025
Net income attributable to:		
Equity holders of the parent	₱10,893,976	₱16,111,487
Noncontrolling interest	3,801,413	5,598,538
	₱14,695,389	₱21,710,025
Total comprehensive income attributable to:		
Equity holders of the parent	₱10,893,976	₱16,111,487
Noncontrolling interest	3,801,413	5,598,538
	₱14,695,389	₱21,710,025
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 20)		
	₱0.016	₱0.023

See accompanying Notes to Consolidated Financial Statements

IPM HOLDINGS, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Retained Earnings - Unappropriated	Retained Earnings - Appropriated	Equity Reserve	Other Reserves Actuarial Losses on Defined Benefit Obligation	Noncontrolling Interests	Total Equity
At January 1, 2018	₱690,000,000	₱320,898,240	₱	(₱298,498,391)	(₱12,265)	₱342,384,349	₱1,054,771,933
Net income for the first quarter	–	10,893,976	–	–	–	3,801,413	14,695,389
At March 31, 2018	₱690,000,000	₱331,792,216	₱	(₱298,498,391)	(₱12,265)	₱346,185,762	₱1,069,467,322
At January 1, 2017	₱690,000,000	₱256,293,618	₱	(₱298,498,391)	(₱325,804)	₱319,755,890	₱967,225,313
Net income for the first quarter	–	16,111,487	–	–	–	5,598,538	21,710,025
At March 31, 2017	₱690,000,000	₱272,405,105	₱	(₱298,498,391)	(₱325,804)	₱325,354,428	₱988,935,338
At January 1, 2016	₱690,000,000	₱171,655,226	₱14,803,219	(₱298,498,391)	(₱219,571)	₱295,351,478	₱873,091,961
Net income for the first quarter	–	18,806,826	–	–	–	6,482,106	25,288,932
Reversal of appropriated retained earnings	–	14,803,219	(14,803,219)	–	–	–	–
At March 31, 2016	₱690,000,000	₱205,265,271	₱	(₱298,498,391)	₱219,571)	₱301,833,584	₱898,380,893

See accompanying Notes to Consolidated Financial Statements.

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

	Quarters Ended March 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱21,094,750	₱31,307,585
Adjustments for:		
Depreciation and amortization	4,640,639	5,063,988
Interest expense	1,023,202	1,111,969
Equity in net losses (earnings) of an associate and a joint venture (Note 7)	201,831	(2,754,131)
Interest income	(297,611)	(117,190)
Operating income before changes in working capital	26,662,811	34,612,223
Decrease (increase) in:		
Receivables	(30,297,947)	(52,028,745)
Due from a related party		
Other current assets	5,363,345	(4,625,395)
Increase (decrease) in:		
Trade and other payables	(1,727,558)	21,164,361
Due to related parties	-	
Net cash generated from (used in) operations	651	(877,555)
Interest received	2,531	117,190
Income tax paid	(49)	(67)
Net cash provided by (used in) operating activities	3,133	(760,433)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest paid	(1,023,202)	-
Net cash provided by (used in) investing activities	(1,023,202)	-
CASH FLOWS FROM FINANCING ACTIVITY		
Interest paid	-	-
(Net cash provided by (used by) financing activities	-	-
NET INCREASE (DECREASE) IN CASH	(1,020,069)	(760,433)
CASH AT BEGINNING OF PERIOD	7,697,565	6,523,092
CASH AT END OF PERIOD (Note 4)	₱6,677,496	₱5,762,659

See accompanying Notes to Consolidated Financial Statements.

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

	31-Mar-2018	31-Dec-2017
	Unaudited	Audited
ASSETS		
Current Assets		
Cash and cash equivalents	₱175,982	₱336,520
Other current assets	537,092	20,000
Total Current Assets	713,074	356,520
Noncurrent Asset		
Investment in a subsidiary	485,375,000	485,375,000
TOTAL ASSETS	₱485,088,074	₱485,731,520
LIABILITIES AND EQUITY		
Current Liabilities		
Advances from related party (Note 10)	₱5,500,000	₱1,000,000
Accrued expenses and other payables	138,340	804,302
Total Liabilities	₱5,638,340	₱1,804,302
Equity		
Capital stock	690,000,000	690,000,000
Deficit	(209,550,266)	(206,072,782)
Total Equity	480,449,734	483,927,218
TOTAL LIABILITIES AND EQUITY	₱486,088,074	₱485,731,520

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

	Quarters Ended March 31	
	2018	2017
INCOME		
Interest	₱249	₱336
EXPENSES		
Professional fees	75,000	77,529
Salaries and wages	137,000	137,000
Stock exchange listing fee	145,538	158,113
Directors' per diem		50,000
Utilities	45,000	45,000
Rent	40,179	40,179
Entertainment, amusement and recreation	10,500	17,844
Taxes and licenses	38,390	18,496
Seminar fee	-	56,000
Office supplies and printing costs	4,737	8,423
Transportation	8,160	7,814
Miscellaneous	5,962	67,997
	510,465	684,395
LOSS BEFORE INCOME TAX	510,216	684,059
PROVISION FOR INCOME TAX	50	67
NET LOSS	510,266	684,126
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE LOSS	₱510,266	₱684,126

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

	Capital Stock	Deficit	Total
At January 1, 2018	₱690,000,000	(₱209,040,000)	₱480,960,000
Net loss for the first quarter	–	(510,266)	(510,266)
At March 31, 2018	₱690,000,000	(₱209,550,266)	₱480,449,734
At January 1, 2017	₱690,000,000	(₱206,072,783)	₱483,927,217
Net loss for the first quarter	–	(684,126)	(684,126)
At March 31, 2017	₱690,000,000	(₱206,756,909)	₱483,243,091

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

	Quarters Ended March 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱510,216)	(₱684,059)
Adjustments for:		
Interest income	(248)	(336)
Operating loss before changes in working capital	(510,464)	(684,395)
Changes in operating assets and liabilities		
Increase in other current assets	(515,485)	(561,734)
Increase (decrease) in accrued expenses and other payables	(300,340)	(461,749)
Due to related party	500,000	2,000,000
Net cash used in operations	(826,289)	292,122
Interest received	248	336
Income tax paid	(49)	(67)
Net cash used in operating activities	(826,090)	292,391
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment of subscription payable (Note 6)	–	–
Net cash used in investing activities	–	–
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from issuance of shares of stock (Note 8)	–	–
NET INCREASE (DECREASE) IN CASH	(826,090)	292,391
CASH AT BEGINNING OF PERIOD	1,002,072	336,520
CASH AT END OF PERIOD	₱175,982	₱628,911

IPM HOLDINGS, INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

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

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

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

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

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

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

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

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

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

The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE) under the ticker "IPM". As of March 31, 2018, the top four beneficial shareholders of the Parent Company are the following:

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

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

Reverse acquisition

Before the Parent Company acquired 75% interest in BEST, majority of the shareholders of BEST are also the shareholders of IPMCDC, IPMESI and IPMRDC. Hence, the Parent Company's acquisition of 75% interest in BEST effectively qualifies as a reverse acquisition since BEST is the combining

entity whose owners as a group retain or receive the largest portion of the voting rights in the combined entity. Equity reserve pertains to the difference in capital structure of IPM and BEST and recognition of deficit of IPM during the date of acquisition, as the retained earnings of the consolidated financial statements represents retained earnings of BEST before acquisition adjusted by post-acquisition results of the Group.

Since the Parent Company is not a business as defined in 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%
	<u>487,721,570</u>
Cash paid by Parent Company	<u>462,500,000</u>
	<u>₱25,221,570</u>

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

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

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

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

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

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

Assessment of Control

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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

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

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

	31-Mar-2018	31-Dec-2017
Current assets	₱976,226,897	₱951,206,679
Noncurrent assets	338,849,889	343,692,356
Total assets	₱1,315,076,786	₱1,294,899,035
Current liabilities	₱239,529,813	₱234,557,720
Noncurrent liabilities	1,154,385	1,154,385
Total liabilities	₱240,684,198	₱235,712,105
Revenue	₱43,960,415	₱296,811,583
Net income	14,695,389	90,095,784

Total comprehensive income	14,695,389	90,513,836
Cash flows from (used in):		
Operating activities	₱3,133	₱2,049,625
Investing activities		3,876,043
Financing activities	(1,023,202)	(5,416,746)
Net increase (decrease) in cash and cash equivalents	₱1,020,070	₱508,922
Accumulated balance of material NCI	346,185,762	342,384,349
Net income attributable to material NCI	3,801,413	22,523,946

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

Adoption of New and Amended Accounting Standards and Interpretations

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

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

The Group has provided the required information in Note 23 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

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

Standards and interpretation issued but not yet effective

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

Effective beginning on or after January 1, 2018

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

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard

introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

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

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

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

Effective beginning on or after January 1, 2019

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

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

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

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

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

Deferred effectivity

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

Cash

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

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability on the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition

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

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

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

Day 1 profit

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

Loans and receivables

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

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

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

Other financial liabilities

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

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

Impairment of Financial Assets

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

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

Financial asset

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

- a. the right to receive cash flows from the asset has expired;
- b. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- c. the Group has transferred its right to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

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

Financial liability

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

Offsetting of Financial Instruments

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

Fair Value Measurement

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

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

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

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

Fair value hierarchy

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

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

Financial instruments

The fair values for financial instruments traded in active markets at the reporting date are based on their quoted market prices (any price between the bid and ask spread), without any deduction for

transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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

Nonfinancial asset

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

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

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

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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

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

Other Current Assets

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

Deposits

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

Investments in an Associate and a Joint Venture

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

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

Under the equity method, the investments in associate and joint venture are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate and joint venture, less dividends declared and impairment in value. If the Group's share of losses of an associate and joint venture equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses. The interest in an associate and a joint venture is the carrying amount of the investment in the associate and joint venture under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate and joint venture. After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to the Group's net investments in the associate and joint venture. The consolidated statements of comprehensive income reflects the Group's share in the results of operations of its associate and joint venture. This is included in the "Equity in net earnings (losses) of an associate and a joint venture" account in the consolidated statements of comprehensive income. After the Group's interest is reduced to zero, additional losses are provided to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate and joint venture.

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

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

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

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

Investment Property

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

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

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

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

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

Property and Equipment

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

Depreciation of property and equipment other than land is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Condominium units and improvements	35
Development costs	5 to 15
Transportation and heavy equipment	5 to 10
Office furniture and fixtures	2 to 5
Leasehold improvements	5

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

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

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

Impairment of Nonfinancial Asset

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists, or when annual impairment testing for a nonfinancial asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an

asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Investments in an associate and a joint venture

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

Equity

Capital stock

Capital stock is measured at par value for all shares issued and outstanding. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained earnings

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

Equity reserve

Equity reserve pertains to the effect of reverse acquisitions.

Revenue Recognition

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

Service income

Service income is recognized when the related services are rendered.

Rental income

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

Interest income

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

Costs and Expenses

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

Cost of services

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

General and administrative expenses

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

Leases

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

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

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

Finance lease commitments - Group as a lessee

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

Group as a lessor

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

Retirement Cost

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

Defined retirement costs comprise the following:

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

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

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

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

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

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

Short-term Benefits

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

Taxes

Current tax

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

Deferred tax

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

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

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

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

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

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

Other Comprehensive Income

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

Operating Segment

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Disclosure of segment information is presented in Note 22.

Provisions

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

Contingencies

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

assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Basic/Diluted Earnings Per Share (EPS)

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

Events After the Reporting Date

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

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 March 31, 2018 and December 31, 2017, BEST holds 60% interest in Ecoedge Resources Corporation (ERC), which is accounted as investment in a joint venture. Joint control exists as decisions about the relevant activities of ERC require the unanimous consent of BEST and Lafarge Industrial Ecology International, S.A (LIEI), which is supported by the contractual agreement of the parties to the following:

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

Assessment of significant influence

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

As of March 31, 2018 and December 31, 2017, the Group holds 16% interest in (Metro Clark Waste Management Corporation (MCWM), which is accounted as investment in an associate. The Group exercises significant influence in MCWM due to the presence of BEST's representatives in the Board of Directors of MCWM. Hence, BEST effectively has a participation in the policy-making processes of MCWM.

Distinction between investment properties and owner-occupied properties

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

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

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

As of March 31, 2018, the Group has not recognized impairment losses on its investment in an associate and a joint venture. As of March 31, 2018 and December 31, 2017, the carrying values of investments in an associate and a joint venture amounted to ₱81.37 million and ₱81.57 million, respectively (see Note 20).

Impairment of nonfinancial assets (other than investments in an associate and a joint venture)

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

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

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

	31-Mar-2018	31-Dec-2017
Property and equipment (Note 10)	₱150,810,250	₱155,171,527
Investment property (Note 9)	103,005,189	103,284,547
Other current assets (Note 6)	6,226,270	11,588,008

Estimating retirement benefits

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

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates in the Philippines. Net pension liability amounted to ₱1.15 million as of March 31, 2018 and December 31, 2017. Further details about the assumptions used are provided in Note 17.

Recognition of deferred tax assets

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

4. **Cash**

	31-Mar-2018	31-Dec-2017
Cash on hand	₱72,210	₱71,417
Cash in banks	6,605,286	7,626,149
	₱6,677,496	₱7,697,566

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

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

5. Receivables

This account consists of:

	31-Mar-2018	31-Dec-2017
Trade receivables		
Related parties (Note 14)	₱877,694,504	₱845,583,568
Private entities	5,431,502	18,000,425
Local government units (LGUs)	19,672,685	7,494,320
	902,798,691	871,078,313
Loans receivable (Note 14)	31,000,000	31,000,000
Advances to officers and employees	19,795,215	19,613,816
Interest receivable (Note 14)	4,144,300	3,849,220
Dividend receivable (Note 7)	-	1,600,000
Advances to suppliers	755,008	744,508
Others	1,066,172	1,066,172
	959,559,386	928,952,029
Less allowance for impairment losses	1,066,172	1,066,172
	₱958,493,214	₱927,885,857

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

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

6. Other Current Assets

	31-Mar-2018	31-Dec-2017
Input VAT	₱4,032,779	₱11,328,206
Creditable withholding taxes	4,678,493	3,149,275
Prepayments	2,694,022	2,289,551
Miscellaneous deposits	15,669	15,669
	11,420,963	16,782,701
Less allowance for impairment losses	5,194,693	5,194,693
	₱6,226,270	₱11,588,008

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

7. Investments in an Associate and a Joint Venture

The details of the Group's investments in an associate and a joint venture accounted for under the equity method as of March 31, 2018 and December 31, 2017 follow:

	Associate		Joint Venture		Total	
	Metro Clark Waste Management Corporation (MCWM)		Ecoedge Resources Corporation (ERC)			
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
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	27,411,580	19,664,063	(29,643,136)	(15,484,729)	(2,231,556)	4,179,334
Equity in net earnings (losses) of an associate and a joint venture	1,897,301	18,307,614	(2,099,132)	(14,158,407)	(201,831)	4,149,207
Other adjustments	-	(3,626,763)	-	-	-	(3,626,763)
Dividends during the year	-	(6,933,334)	-	-	-	(6,933,334)
Balance at end of year	29,308,881	27,411,580	(31,742,268)	(29,643,136)	(2,433,387)	(2,231,556)
	₱61,702,239	₱59,804,938	₱19,670,230	₱21,769,363	₱81,372,469	₱81,574,301

MCWM

MCWM was incorporated on March 6, 2002 with the primary purpose of managing, supervising and operating a waste management system for the efficient, hygienic, and economical collection, segregation, recycling, composting, filling, disposing, treating and managing of commercial, industrial and other waste garbage, refuse and similar items and engaging in related activities. The registered business address of MCWM is at Clark Special Economic Zone, Clark Field Pampanga (see Note 3).

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

ERC

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

As of March 31, 2018 and December 31, 2017, BEST holds 60% interest in ERC. Joint control exists as decisions about the relevant activities of ERC require the unanimous consent of both BEST and LIEI, which is supported by the contractual agreement of the parties to the following:

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

8. Deposits

As of March 31, 2018 and December 31, 2017, BEST has deposits to GSIS as surety bond amounting to ₱3.32 million. These deposits were made in favor of BEST's contracting parties, which are government offices, so that the completion of the project is guaranteed. If the Group fails to execute the services according to the specifications laid out in the respective contracts, the government offices will receive guaranteed compensation for any monetary loss up to the amount of the performance bond.

9. Investment Property

	31-Mar-2018		
	Land	Condominium Unit	Total
Cost	₱70,320,000	₱38,535,329	₱108,855,329
Accumulated depreciation:			
Balance at beginning of year	□	5,570,780	5,570,780
Depreciation (Note 15)	□	279,360	279,360
Balance at end of year	□	5,850,140	5,850,140
Net book value	₱70,320,000	₱32,685,189	₱103,005,189
	31-Dec-2017		
	Land	Condominium Unit	Total
Cost	₱70,320,000	₱38,535,329	₱108,855,329
Accumulated depreciation:			
Balance at beginning of year	□	4,453,339	4,453,339
Depreciation (Note 15)	□	1,117,443	1,117,443
Balance at end of year	□	5,570,782	5,570,782
Net book value	₱70,320,000	₱32,964,547	₱103,284,547

Portion of BEST's condominium unit located in Pasig City is being leased out to related parties. The rental income recognized from lease agreements amounted to ₱0.04 million as of March 31, 2018 and December 31, 2017. The land and condominium unit have fair values of ₱85.42 million and ₱40.96 million, respectively, based on an appraisal made by an independent appraiser on December 31, 2014 and

December 8, 2017, respectively. The sales comparison approach was used in determining the fair value which considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. The fair value of the investment property is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation. The inputs used were asking prices of similar listings and offerings. Significant increases or decreases in asking price would result in higher or lower fair value of the asset.

10. Property and Equipment

This account consists of:

	31---Mar-2018						Total
	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Leasehold Improvements	
Cost							
At January 1	₱44,932,700	₱37,056,324	₱123,814,371	₱4,260,747	₱114,219,384	₱548,133	₱324,831,659
Additions	—	—	—	143,286	229,206	171,129	543,620
At December 31	44,932,700	37,056,324	123,814,371	4,404,033	114,448,590	719,262	325,375,279
Accumulated Depreciation and Amortization							
At January 1	—	5,716,748	74,412,752	3,751,119	81,629,681	12,132	169,660,132
Depreciation and amortization (Notes 15 and 16)	4,137,700	574,797	2,492,860	96,929	1,714,916	25,395	4,904,897
At December 31	4,137,700	6,291,545	76,905,612	3,848,048	84,344,597	37,527	174,565,029
Net Book Value	₱40,795,000	₱30,764,779	₱46,908,759	₱555,985	₱31,103,993	₱681,735	₱150,810,250

	31-Dec-2017						Total
	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Leasehold Improvements	
Cost							
At January 1	₱44,932,700	₱37,056,324	₱123,814,371	₱3,922,134	₱104,146,099	₱—	₱313,871,628
Additions	—	—	—	338,613	10,073,285	548,133	10,960,031
At December 31	44,932,700	37,056,324	123,814,371	4,260,747	114,219,384	548,133	324,831,659
Accumulated Depreciation and Amortization							
At January 1	—	4,553,785	62,999,654	3,347,646	75,456,851	—	146,357,936
Depreciation and amortization (Notes 15 and 16)	4,137,700	1,162,963	11,413,098	403,473	6,172,830	12,132	23,302,196
At December 31	4,137,700	5,716,748	74,412,752	3,751,119	81,629,681	12,132	169,660,132
Net Book Value	₱40,795,000	₱31,339,576	₱49,401,619	₱509,628	₱32,589,703	₱536,001	₱155,171,527

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

11. Trade and Other Payables

This account consists of:

	31-Mar-2018	31-Dec-2017
Trade payables		
Related parties (Note 14)	₱11,061,939	₱8,531,187
Third parties	4,251,486	7,470,921
	15,313,425	16,002,108
Payable to government agencies	106,351,028	110,190,667
Accrued expenses	4,138,323	1,321,621
	₱125,802,776	₱127,514,396

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

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

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

12. Loan Payable

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

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

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

Interest expense on loan payable amounted to ₱1.02 million and ₱4.17 million as of March 31, 2018 and December 31, 2017, respectively.

13. Equity

Capital Stock

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

	31-Mar-2018	31-Dec-2017
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 March 31, 2018 and December 31, 2017, respectively.

Subscriptions

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

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

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

Retained Earnings

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

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

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

	31-Mar-2018	31-Dec-2017
Balance at beginning of year	₱209,040,001	₱206,072,782
Net loss during the year	510,265	2,967,219
	₱209,550,266	₱209,040,001

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

On March 30, 2016, the BOD of BEST approved the reversal of appropriated retained earnings of ₱14.80 million to unrestricted retained earnings.

Noncontrolling Interests

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

14. Related Party Transactions

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

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

<u>31-Mar-2018</u>				
Category	Amount	Outstanding Balance	Terms	Conditions
Trade receivables (Note 5)				
Parent				
IPMCDC (a)	₱157,157,557	₱189,278,717	Noninterest-bearing; within one year	Unsecured, no impairment
Shareholders				
IPMESI (b)	109,074,088	688,373,255	Noninterest-bearing; within one year	Unsecured, no impairment
IPMRDC (c)	–	34,687	Noninterest-bearing; within one year	Unsecured, no impairment
Joint Venture				
ERC (d)	53,571	7,845	Noninterest-bearing; on demand	Unsecured, no impairment
		₱877,694,504		

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	4,144,300	Due and demandable	Unsecured, no impairment
		₱35,144,300		
Trade payables (Note 11)				
Parent				
IPMCDC (f)	₱8,531,187	₱11,061,939	Noninterest-bearing; on demand	Unsecured
Accrued expenses				
Affiliate				
GNCA Holdings, Inc. (GNCA) (g)	180,000	□	Noninterest-bearing; on demand	Unsecured
BOD (h)	110,000	□	Noninterest-bearing; on demand	Unsecured
		₱11,061,939		

31-Dec-2017

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

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

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

- a. BEST provides composting of waste materials services to IPMCDC and charges composting and waste processing fees based on a fixed contract price specified in the composting agreement. In 2017 and 2016 the Company charged IPMCDC for transportation and heavy equipment rental fees. In July 2015, BEST entered into a consultancy agreement with IPMCDC for the monitoring of efficiency of the latter's operation and compliance with rules and regulations on IPMCDC's contract with several local municipalities. The income payment is based on a fixed amount specified in the consultancy agreement.
- b. BEST has an existing contract with IPMESI for the operation and maintenance of an Integrated Solid Waste Management Facility for a fixed monthly fee of ₱15.58 million. In 2017, 2016 and 2015, BEST charged IPMESI for the rental of transportation and heavy equipment.
- c. In 2017 and 2016, rental income earned on the lease of equipment to IPMRDC amounted to nil and ₱0.71 million, respectively.
- d. In January 2016, BEST entered into a contract of lease with ERC, whereby the latter, shall lease a portion of BEST's office space. Lease term commenced on January 1, 2016 and was for the period of two (2) years, renewable upon mutual agreement of the parties.
- e. In 2014, BEST granted loans to ERC amounting to ₱19.00 million with 3.8640% 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 ₱3.85 million and ₱2.67 million as of December 31, 2017 and 2016, respectively.
- f. IPMCDC charge BEST for the rental of equipment, subcontracted services, salaries and wages, fuel and oil and repairs and maintenance costs incurred in line with the operations of BEST.
- g. The Parent Company entered into an agreement with GNCA, an entity controlled by one of the Parent Company's director, for the sharing of common costs incurred on the leased office space of the Parent Company. The agreement provides that Parent Company shall pay fixed monthly utility charges of ₱15,000 in 2017, 2016 and 2015, in lieu of its proportionate share in monthly rentals on the leased premises.
- h. In 2013, the BOD of the Parent Company approved the grant of per diem to members of the BOD for every attendance in the regular meetings of the BOD. Total per diem paid to the directors amounted to ₱0.11 million, ₱0.30 million, and ₱0.32 million in 2017, 2016 and 2015, respectively (see Note 16).

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

15. Cost of Services

This account consists of:

	31-Mar-2018	31-Mar-2017
Rent (Note 14)	₱1,602,009	₱23,000,861
Depreciation and amortization (Notes 9 and 10)	4,593,585	4,396,482
Contract costs (Note 14)	-	6,696,429
Salaries, wages and employee benefits	2,715,694	2,360,469
Repairs and maintenance (Note 14)	248,802	2,903,049
Materials and tools (Note 14)	-	3,269,954
Fuel and oil (Note 14)	743,368	2,223,111
Taxes and licenses	275,513	1,016,183
Documentation	870,000	-
Supplies	120,286	7,176
Security and janitorial	-	139,117
Entertainment, amusement and recreation	23,000	20,000
Transportation and travel	8,495	35,051
Professional fee	11,786	-
Utilities	38,344	15,414
Others	102,076	4,545
	₱11,352,959	₱46,087,841

16. General and Administrative Expenses

This account consists of:

	31-Mar-2018	31-Mar-2017
Taxes and licenses	₱4,612,971	₱10,574,566
Salaries, wages and employee benefits (Note 14)	3,231,390	2,434,725
Professional fees	716,111	323,968
Depreciation and amortization (Note 10)	667,031	667,506
Transportation and travel	165,249	188,989
Utilities (Note 14)	201,730	228,550
Entertainment amusement and recreation	12,500	294,657
Stock exchange listing fee	145,538	158,113
Office supplies and printing costs	126,353	143,232
Security and janitorial	54,881	121,643
Bid expense	-	508,530
Membership fee	194,330	-
Rent (Note 14)	31,429	-
Repairs and maintenance	35,023	30,000
Seminars and trainings	-	56,000
Directors' fee (Note 14)	-	50,000
Vat expense	(204,113)	46,199
Insurance	13,955	-
Others	251,170	414,347
	₱10,287,673	₱16,241,025

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, 2017.

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

	2017		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability
At January 1	₱1,636,678	(₱353,981)	₱1,282,697
<i>Benefit cost in profit or loss</i>			
Current service cost (Note 16)	398,357	-	398,357
Net interest expense (income) (Note 16)	90,017	(19,469)	70,548
<i>Remeasurements in other comprehensive income</i>			
Remeasurement loss - return on plan asset	-	14,837	14,837
Actuarial gain - changes in financial assumptions	(61,049)	-	(61,049)
Actuarial gain - changes in experience	(551,005)	-	(551,005)
At December 31	₱1,512,998	(₱358,613)	₱1,154,385

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

18. Basic/Diluted Earnings per Share

Basic/diluted earnings per share was computed as follows:

	31-Mar-2018	31-Mar-2017
Net income attributable to equity holders of the parent company (a)	₱10,893,976	₱16,111,487
Weighted average number of outstanding common share (b)	690,000,000	690,000,000
Basic earnings per share (a/b)	₱0.016	₱0.023

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

19. Commitments

As of March 31, 2018 and December 31, 2017, the Group has the following contractual commitments:

- The Group has entered into a contractual agreement with IPMCDC, the ultimate parent, to undertake the following:
 - a. Composting of waste materials from Pasig City and Pasay City that is being renewed every year. Income from composting amounted to ₱12.00 million in 2017 and 2016 (see Note 14).
 - b. Consultancy and field services in IPMCDC's Materials Recovery Facility (MRF) that is being renewed every year. In July 2015, the Group entered into new consultancy services contracts with IPMCDC for the monitoring of efficiency of the latter's operation and compliance with rules and regulations on IPMCDC's contract with several local cities. The Group recognized income amounting to ₱35.14 million and ₱41.79 million in 2017 and 2016, respectively, arising from these consultancy service contracts (see Note 14).
- The Group entered into contractual commitments with various municipalities of Rizal and Laguna for tipping and disposal of residual wastes. Each agreement is effective for one year, renewable every year under the same terms and conditions unless, otherwise, mutually agreed upon by the parties.
- In 2017, the Group entered into the contract agreement for garbage disposal services for the municipalities of Baras and Cardona. Contract terms was for ten (10) months beginning March 2017 until December 31, 2017. The contract covers BEST's provision of professional services within its disposal facility and includes all programming, planning, calculation, specifications equipment and management services necessary to carry out the agreed services. Beginning February 20, 2017, the Group has renewed its contract of solid waste disposal and service of a sanitary landfill with the municipality of Binangonan. The term of the contract shall be for one year until February 20, 2018 unless sooner terminated. In August 2017, the Group entered into a new contract agreement with the municipality of Pangil, Laguna, for the disposal of residual waste. The contract was for 110 days and has ended on December 8, 2017. The contract with municipality of Teresa was entered into by the Group on August 2016. Under this agreement, the Group, through BEST, allows these municipalities to dump residual wastes to BEST's landfill in Morong. The agreement took effect on September 1, 2016 and shall end on June 30, 2019 unless sooner terminated.

20. 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:

	31-Mar-2018	31-Dec-2017
Loans and receivables:		
Cash	₱6,677,496	₱7,626,149
Receivables:		
Trade	902,798,691	871,078,313
Loan	31,000,000	31,000,000
Advances to officers and employees	19,795,215	19,613,816
Interest	4,144,300	3,849,220
Dividend	-	1,600,000
Deposits	3,315,666	3,315,666
	₱967,731,368	₱938,083,164

*excluding cash on hand

The gross maximum exposure to credit risk of the Group approximates its net maximum exposure. There were no amounts that are set-off in accordance with the requirements of PAS 32, *Financial Instruments: Disclosures and Presentations*. There were no amounts subject to an enforceable master-netting arrangement or similar agreement as of March 31, 2018 and December 31, 2017.

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

	31-Mar-2018					
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
	High Grade	31 to 60 Days	Over 60 days			
Financial assets:						
Loans and receivables:						
Cash	₱6,677,496	₱-	₱-	₱-	₱6,677,496	
Receivables:						
Trade	708,498,229	27,628,424	166,672,038	-	902,798,691	
Loans	-	-	31,000,000	-	31,000,000	
Advances to officers	1,295,215	-	18,500,000	-	19,795,215	
Interest	98,360	196,720	3,849,220	-	4,144,300	
Others	-	-	-	1,066,172	1,066,172	
Deposits	3,315,666	-	-	-	3,315,666	
	₱719,884,966	₱27,825,144	₱220,021,258	₱1,066,172	₱968,797,540	

*excluding cash on hand

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

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

	31-Mar-2018				Total
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	
Financial assets					
Loans and receivables:					
Cash	₱6,677,496	₱–	₱–	₱–	₱6,677,496
Receivables:					
Trade	708,541,220	14,489,691	13,095,741	166,672,039	902,798,691
Loan	31,000,000	–	–	–	31,000,000
Advances to officers	289,471	127,722	235,058	19,142,965	19,795,215
Interest	–	98,360	393,440	3,652,500	4,144,300
Deposits	–	–	–	3,315,666	3,315,666
	₱746,508,187	₱14,715,773	₱13,724,239	₱192,783,170	₱967,731,368

Financial liabilities					
Trade and other payables (excluding payable to government agencies)	₱-	₱19,451,748	₱-	₱-	₱19,451,748
Loan payable	-	-	97,000,000	-	97,000,000
	₱-	₱19,451,748	₱97,000,000	₱-	₱116,451,748

31-Dec-2017					
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	Total
Financial assets					
Loans and receivables:					
Cash	₱7,697,566	₱-	₱-	₱-	₱7,697,566
Receivables:					
Trade	854,352,667	16,725,646	-	-	871,078,313
Loan	31,000,000	-	-	-	31,000,000
Advances to officers	19,613,816	-	-	-	19,613,816
Interest	3,849,220	-	-	-	3,849,220
Dividend	-	1,600,000	-	-	1,600,000
Deposits	-	-	-	3,315,666	3,315,666
	₱916,513,269	₱18,325,646	₱-	₱3,315,666	₱938,154,581
Financial liabilities					
Trade and other payables (excluding payable to government agencies)	₱-	₱17,323,729	₱-	₱-	₱17,323,729
Loan payable	-	-	97,000,000	-	97,000,000
	₱-	₱17,323,729	₱97,000,000	₱-	₱114,323,729

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group considers its total equity amounting to ₱1,069.47 million and ₱1,054.77 million as of March 31, 2018 and December 31, 2017, 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 March 31, 2018 and December 31, 2017.

Fair Value Hierarchy

As of March 31, 2018 and December 31, 2017, the Group has no financial instrument carried in the books at fair value. There were no transfers between Level 1 and Level 2 financial instruments, and no transfers into or out of Level 3 fair value instrument.

21. Segment Information

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

31-Mar-2018					
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income	₱-	₱43,702,981	₱43,702,981	(₱40,179)	₱43,662,802
Interest income	249	297,363	297,612	-	297,612
Equity earnings	-	(201,831)	(201,831)	-	(201,831)
Interest expense	-	1,023,202	1,023,202	-	1,023,202
Income (loss) before tax	(510,216)	21,604,966	21,094,750	-	21,094,750

Provision for income tax	50	6,399,311	6,399,361	–	6,399,361
Net income (loss)	(510,266)	15,205,655	14,695,389	–	14,695,389
Other Information					
Segment assets	₱486,088,074	₱1,315,076,787	₱1,801,164,860	(₱490,917,991)	₱1,310,246,869
Segment liabilities	5,638,340	240,684,198	246,322,538	(5,542,991)	240,779,547
Depreciation and amortization	–	4,640,639	4,640,639	–	–

31-Dec-2017

	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income	₱–	₱295,056,735	₱295,056,735	(₱160,714)	₱294,896,021
Interest income	1,407	1,232,404	1,233,811	–	1,233,811
Equity earnings	–	522,444	522,444	–	522,444
Interest expense	–	4,297,146	4,297,146	–	4,297,146
Income (loss) before tax	(2,966,937)	132,120,534	129,153,597	–	129,153,597
Provision for income tax	281	42,024,750	42,025,031	–	42,025,031
Net income (loss)	(2,967,218)	90,095,784	87,128,566	–	87,128,566
Other Information					
Segment assets	₱486,397,072	₱1,294,899,035	₱1,781,296,107	(₱490,432,319)	₱1,290,863,788
Segment liabilities	5,437,073	235,712,105	241,149,178	(5,057,321)	236,091,857
Depreciation and amortization	–	24,419,639	24,419,639	–	24,419,639

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

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

IPM HOLDINGS, INC. AND SUBSIDIARY
FINANCIAL SOUNDNESS INDICATORS
March 31, 2018

FSI	Calculation	31-Mar-2018	31-Dec-2017
Current Ratio	Current Assets/Current Liabilities	4.05x	4.03x
Quick Ratio	Current Assets-Inventory- Prepayments/Current Liabilities	4.02x	3.98x
Debt to Equity Ratio	Liabilities/ Stockholders' Equity	0.22x	0.22x
Asset to Equity Ratio	Assets/Stockholders' Equity	1.23x	1.22x
Interest Coverage Ratio	Earnings Before Interest & Taxes/Interest Expense	21.62x	31.06
Gross Profit Margin	Gross Profit/Net Sales	0.74	58.33
Book Value per share	Total Assets –Total Liabilities/ Outstanding Shares	1.55	1.53
Net Income per Share	Net Income/Weighted Average Number of Shares Outstanding	0.02	0.13

	<u>31-Mar-2018</u>	<u>December 31, 2017</u>
Current Ratio	971,396,980/239,625,163	947,171,431/234,937,472
Quick Ratio	965,170,710/239,625,163	935,583,423/234,937,472
Debt to Equity	240,779,548/1,069,467,322	236,091,857/1,054,771,931
Asset to Equity Ratio	1,310,246,870/1,069,467,322	1,290,863,788/1,054,771,931
Interest Coverage Ratio	22,117,980/1,023,202	133,450,743/4,297,146
Gross Profit Margin	32,309,844/43,662,803	171,975,754/294,841,698
Book Value/Share	1,069,467,322/690,000,000	1,054,771,931/690,000,000
Net Income per Share	14,695,389/690,000,000	87,128,566/690,000,000

IPM HOLDINGS, INC. AND SUBSIDIARY**AGING OF RECEIVABLES****March 31, 2018**

Nature/Description	Current	1 to 30 days	31to 60 days	Over 60 days	Total
Trade Receivables:					
Income from Tipping Fee	962,430	939,317	-	5,585,929	7,487,677
Hauling Income	1,492,899	891,806	1,468,800	8,727,290	12,580,795
Composting/Waste Process	1,000,000	1,000,000	1,000,000	12,000,000	15,000,000
Consultancy/Field Services	-	-	-	693,908,969	693,908,969
Rental	11,076,922	11,601,559	8,326,941	142,815,825	173,821,248
Loans Receivable				31,000,000	31,000,000
Interest Receivable	98,360	98,360	196,720	3,750,860	4,144,300
Others	289,471	127,722	235,058	19,897,974	20,550,225
Total	14,920,083	14,658,764	11,227,519	917,686,847	958,493,214