COVER SHEET

AS095-008557
SEC Registration Number

IPM HOLDINGS INC. AND SUBSIDIARY

(Company's Full Name)

PENTHOUSE THE TAIPAN PLACE F. ORTIGAS JR. ROAD ORTIGAS CENTER PASIG CITY

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

Atty. Ana Katigbak
Contact Person

8817 6791/8897-5257
Company Telephone Number

12 31
Month Day
Fiscal Year

SEC Form 17-Q
March 31, 2022
FORM TYPE

4th Wed of May
Month Day
Annual Meeting

Secondary License Type, If Applicable

CFD
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

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARERLY 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, 2022**

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. Penthouse, The Taipan Place, F. Ortigas Jr. Road, Ortigas Center, Pasig City
   Address of issuer's principal office Postal Code: 1605

8. (632) 8897-5257/8817-6791
   Issuer's telephone number, including area code

9. Unit 103 G/F, Prestige Tower, Condominium F. Ortigas Jr., Avenue
   Ortigas Center, Pasig City
   Former name, former address and former fiscal year, if changed since last report:

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	690,000,000 shares

11. Are any or all of Corporation's Securities Listed with the Philippine Stock Exchange?

    Yes (√) No ( )

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder of Section 11 of the RSA Rule 11 (a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes[x] No [ ]

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

    Yes[x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

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

PLAN OF OPERATIONS

The Company, 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 in partnership with local government units on a Public-Private Partnership (PPP) framework, has pioneered in building, developing, and operating state-of-the-art facilities to properly address waste management needs thereby reducing pollution and preventing the further destruction of our natural resources.

On September 25, 2019, BEST entered into a Joint Venture with the City Government of Passi, Iloilo for the establishment and operation of the Passi City Integrated Waste Management Facility, the first PPP project awarded to the Company. The facility was opened in 2021.

As of March 31, 2022, the Company is actively engaged in advanced stages of development for the realization of its additional PPP projects, which will place BEST at the forefront of the waste management industry all over the Philippines.

In addition, considering the ongoing focus and drive for compliance with proper waste management in the private and commercial sectors, the Company plans to further expand its operations in private waste collection and disposal within Metro Manila and its environs.

Finally, acknowledging the need for innovative and sustainable ways to create and improve its services, BEST launched its online My Basurero App and the Trash to Cashback Program powered by bXTRA. With these new projects, BEST aims for behavior modification and sustainability, by taking traditional methods and infusing modern systems and technologies to change the way people view waste and waste management.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the financial position and results of operations of the Parent Company and its subsidiary (the "Group") should be read in conjunction with the attached interim consolidated financial statements as of March 31, 2022.

First Quarter Ended March 31, 2022 Compared to First Quarter Ended March 31, 2021

Total consolidated revenues for the quarter ending March 31, 2022 amounted to Php77.05 million, up by Php9.03 million or 13.27% from the Php68.03 million posted in the same period of 2021. The material changes are as follows:

- Service Income - Increased by Php8.45 million or 12.59% from the Php67.11 million in 2021 to Php75.55 million posted in 2022. This is mainly due to the increase in income of the Company's joint venture for the hauling and waste collection in Cagayan de Oro City; tipping fees charged to LGUs; and private hauling revenues.

- Rental Income - Increased by Php.58 million or 92.64%, from the Php0.62 million in 2021 to Php1.20 million in 2022. This is attributable mainly to the increase in rental income from equipment and trucks which are now being used for the Company's own hauling activities.

Expenses

Total consolidated expenses for the first quarter ending March 31, 2022 amounted to Php62.41 million, slightly lower by Php0.76 million or 1.20% than the Php63.17 million posted in the same period of 2021. The material changes are as follows:

- Cost of services amounted to Php55.43 million, which is Php0.80 million or 1.47% higher than the Php54.63 million in 2021.

- General and administrative expenses amounted to Php5.77 million, Php1.92 million or 24.95% lower than the Php7.69 million in 2021. This is attributable mainly to the decrease in professional fees.

Net Income

The first three months of 2022 resulted in a net income of Php11.02 million, a significant increase of Php7.94 million or 257.16% from the Php3.09 million posted in the same period of 2021. This is mainly due to the increase in income of the joint venture from hauling and waste collections in Cagayan de Oro and lower total expenses.

Liquidity and Capital Resources

For the first three months of 2022, net cash used in operating activities amounted to Php1.28 million as compared to net cash provided by operating activities amounting to Php27.25 million in the same period 2021. This is mainly due to the decrease in receivables as well as trade and other payables.

Net cash used in financing activities amounted to Php2.21 million in the first three months of 2022 as compared to Php0.85 million in the same period of 2021, the said amounts representing payment of bank loans and interest.

Financial Position as of March 31, 2022 Compared to Financial Position as of December 31, 2020

Statements of financial position data	31-Mar-2022	31-Dec-2021	% Inc/(Dec)
Total Current Assets	**980,695,314**	972,158,390	.88%
Total Assets	**1,544,256,422**	1,534,138,398	.66%
Total Current Liabilities	**229,416,357**	229,147,701	0.12%
Total Liabilities	**261,457,300**	261,688,644	(.09%)
Total Stockholders' Equity	**1,282,799,122**	1,272,449,754	0.81%

The Company's consolidated total assets slightly increased by Php10.12 million or 0.66% from Php1,534.14 million as of December 31, 2021 to Php1,544.26 million as of March 31, 2022.

- Cash and cash equivalents decreased by Php3.49 million or 49%, from Php7.09 million as of December 31, 2021 to Php3.59 million as of March 31, 2022.

- Trade and other receivables posted a slight decrease of .02% from Php952.75 million as of December 31, 2021 to Php952.97 million as of March 31, 2022.
- Other current assets increased by 95.91% from Php12.32 million as of December 31, 2021 to Php24.13 as of March 31, 2022 due to the increase in input VAT pertaining to the sub-contract cost for hauling and waste collection in Cagayan de Oro City and prepaid expenses.

- Noncurrent assets slightly increased by 0.28% from Php561.98 million as of December 31, 2021 to Php563.56 million as of March 31, 2022.

Total consolidated liabilities was practically unchanged, at Php261.69 million as of December 31, 2021 and Php261.46 million as of March 31, 2022.

Total stockholders' equity was up slightly by Php10.35 million or 0.81%, from Php1.27 billion as of December 31, 2021 to Php1.28 billion as of March 31, 2022, reflecting the income for the current quarter.

Current ratio increased from 4.24x as of December 31, 2021 to 4.27x as of March 31, 2022; net working capital increased to Php751.28 million as of March 31, 2022 versus the Php743.01 million as of December 31, 2021.

Key Performance Indicators

The company's key performance indicators are as follows:

For updating

KPI	**Calculation**	**31-Mar-2022**	31-Dec-2020
Current Ratio (1)	Current Assets/Current Liabilities	**4.27x**	4.24x
Quick Ratio (2)	Current Assets-Inventory-Prepaid Expenses /Current Liabilities	**4.17x**	4.19x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	**0.17x**	0.17x
Book Value per share (4)	Total Assets –Total Liabilities/ Outstanding Shares	**1.86**	1.84
Income per Share (5)	Net Income/Weighted Average Number of Shares Outstanding	**0.02**	0.09

		31-Mar-2022	31-Dec-2021
(1)	Current Ratio	980,695,314/229,416,357	972,158,390/229,147,701
(2)	Quick Ratio	956,560,420/229,416,357	959,839,023/229,147,701
(3)	Debt to Equity	261,457,300/1,282,799,122	261,688,644/1,272,449,754
(4)	Book Value/Share	1,282,799,122/690,000,000	1,272,449,754/690,000,000
(5)	Income per Share	11,022,542/690,000,000	59,994,783/690,000,000

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.

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

Other Matters

a) There were no known trends, demands, commitments, events or uncertainties that had or 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) There were no known events that triggered direct or contingent financial obligation that is material to the Company including any default or acceleration of an obligation.

c) There were no material off-balance sheet transaction, arrangements, obligations (including contingent obligations) and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

d) There were no material commitments for capital expenditures.

e) There were no other known trends, events, or uncertainties that have had or that are reasonably expected to have a material impact on net sales or income other than what was mentioned in the Plan of Operation, Item 2 – Management's Discussion and Analysis;

f) There were no significant elements of income or loss that did not arise from the Company's continuing operations.

g) There were no seasonal aspects that had material effect on the financial condition or results of operation except as mentioned in the Notes to Financial Statements No 5.

PART II – OTHER INFORMATION

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

Not Applicable

SIGNATURES

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

Issuer : **IPM HOLDINGS, INC.**

ISABELITA P. MERCADO
Chairman and Chief Executive Officer

GENER T. MENDOZA
President and Chief Operating Officer

FRANCIS NEIL P. MERCADO
Treasurer and Chief Financial Officer

Date: May 13, 2022

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

	31-Mar-2022	31-Dec-2021
	Unaudited	Audited
ASSETS		
Current Assets		
Cash (Note 4)	**₱3,593,998**	₱7,088,744
Current portion of receivables -net (Notes 5 and 15)	**952,966,422**	952,750,279
Other current assets (Note 6)	**24,134,894**	12,319,367
Total Current Assets	**₱980,695,314**	₱972,158,390
Noncurrent Assets		
Noncurrent portion of receivables - net (Notes 5 and 15)	**39,865,580**	39,570,500
Deposits (Note 8)	**1,988,034**	1,988,034
Investments in an associate and a joint venture (Note 7)	**165,273,210**	165,273,210
Property and equipment (Note 10)	**221,557,673**	222,313,441
Investment property (Note 9)	**102,916,533**	103,261,676
Deferred tax assets (Note 20)	**13,197,059**	11,332,892
Other noncurrent assets (Note 11)	**18,763,019**	18,240,255
Total Noncurrent Assets	**563,561,108**	561,980,008
	₱1,544,256,422	₱1,534,138,398
LIABILITIES AND EQUITY		
Current Liabilities		
Loan payable (Note 13)	**₱87,000,000**	₱88,000,000
Income tax payable	**4,962,501**	-
Trade and other payables (Note 12)	**137,453,856**	141,147,701
Total Current Liabilities	**229,416,357**	229,147,701
Noncurrent Liabilities		
Asset rehabilitation obligation (ARO-liability) (Note 22)	**29,078,634**	29,078,634
Net pension liability (Note 19)	**2,962,309**	3,462,309
Total Noncurrent Liabilities	**32,040,943**	32,540,943
Total Liabilities	**261,457,300**	261,688,644
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 14)	**690,000,000**	690,000,000
Retained earnings (Note 14)	**489,899,740**	481,878,248
Other reserves (Notes 1 and 19)	**(298,879,870)**	(298,885,591)
	881,019,870	872,992,557
Noncontrolling interests (Note 2)	**401,779,252**	399,457,197
Total Equity	**1,282,799,122**	1,272,449,754
	₱1,544,256,422	₱1,534,138,398

See accompanying Notes to Consolidated Financial Statements.

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

	Quarters Ended March 31	
	2022	**2021**
REVENUE AND OTHER INCOME		
Service income (Notes 16 and 21)	**₱75,554,573**	₱67,107,944
Rental income (Notes 9 and 21)	**1,203,505**	624,755
Interest Income (Notes 4, 8 and 13)	**295,346**	295,651
	77,053,524	68,028,350
EXPENSES		
Cost of services (Note 17)	**55,431,604**	54,627,802
General and administrative expenses (Note 18)	**5,772,973**	7,692,500
Interest expense (Notes 13 and 21)	**1,210,000**	852,500
Equity in net losses of an associate and a joint venture (Note 7)	**-**	-
	62,414,577	63,172,802
INCOME BEFORE INCOME TAX	**14,638,947**	4,855,548
PROVISION FOR INCOME TAX	**3,616,405**	1,769,401
NET INCOME	**11,022,542**	3,086,147
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss:		
Actuarial losses on defined benefit obligation	**-**	-
TOTAL COMPREHENSIVE INCOME	**₱11,022,542**	₱3,086,147
Net income attributable to:		
Equity holders of the parent	**₱8,161,248**	₱2,121,039
Noncontrolling interest	**2,861,294**	965,108
	₱11,022,542	₱3,086,147
Total comprehensive income attributable to:		
Equity holders of the parent	**₱8,161,248**	₱2,121,039
Noncontrolling interest	**2,861,294**	965,108
	₱11,022,542	₱3,086,147
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 20)	**₱0.012**	₱0.003

See accompanying Notes to Consolidated Financial Statements

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

	Equity Attributable to Equity Holders of the Parent					
			Other Reserves			
	Capital Stock (Note 14)	**Retained Earnings- Unappropriated** (Note 14)	**Equity Reserve** (Note 1)	**Actuarial Gains (Losses) on Defined Benefit Obligation** (Note 19)	**Noncontrolling Interests** (Note 2)	**Total Equity**
Balance as of January 1, 2022	₱690,000,000	₱481,878,148	(₱298,498,391)	(₱387,200)	₱399,457,197	₱1,272,449,754
Net income for the first quarter	–	8,027,313	–	–	2,322,055	10,349,368
At March 31, 2022	₱690,000,000	₱489,905,461	(₱298,498,391)	(₱387,200)	₱401,779,252	₱1,282,799,122
Balance as of January 1, 2021	₱690,000,000	₱437,766,033	(₱298,498,391)	(₱156,073)	₱383,651,572	₱1,212,763,141
Net income	–	44,112,115	–	–	15,882,668	59,994,783
Other comprehensive income	–	–	–	(231,127)	(77,043)	(308,170)
Total comprehensive income	–	44,112,115	–	(231,127)	15,805,625	59,686,613
At December 31, 2021	₱690,000,000	₱481,878,148	(₱298,498,391)	(₱387,200)	₱399,457,197	₱1,272,449,754
Balance as of January 1, 2021	₱690,000,000	₱437,766,033	(₱298,498,391)	(₱156,073)	₱383,651,572	₱1,212,763,141
Net income for the first quarter	–	2,121,039	–	–	965,108	3,086,147
At March 31, 2021	₱690,000,000	₱439,887,072	(₱298,498,391)	(₱156,073)	₱384,616,680	₱1,215,849,288

See accompanying Notes to Consolidated Financial Statements.

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

	Quarters Ended March 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱14,603,948**	₱4,855,548
Adjustments for:		
Depreciation and amortization	**578,147**	6,934,725
Interest expense	**1,210,000**	852,500
Pension expense	**500,000**	-
Interest income	**(295,651)**	(295,651)
Operating income before changes in working capital	**15,596,649**	12,347,121
Decrease (increase) in:		
Receivables	**(2,369,163)**	21,274,329
Due from a related party		
Other current assets	**(11,099,496)**	(19,178,602)
Increase (decrease) in:		
Trade and other payables	**(3,708,179)**	13,033,409
Due to related parties	**-**	-
Net cash generated from (used in) operations	**(1,580,189)**	27,476,257
Interest received	**295,446**	227,490
Income tax paid	**(5)**	(691)
Net cash provided by operating activities	**(1,284,748)**	27,249,458
CASH FLOWS FROM INVESTING ACTIVITIES		
Revaluation of pension liability		
Other noncurrent assets	**-**	(508,000)
Acquisition of property and equipment	**-**	(27,893,708)
Net cash used in investing activities	**-**	(28,401,708)
CASH FLOWS FROM FINANCING ACTIVITY		
Payment of bank loan	**(1,000,000)**	
Interest paid	**(1,210,000)**	(852,500)
Net cash used by financing activities	**(2,210,000)**	(852,500)
NET INCREASE (DECREASE) IN CASH	**(3,494,747)**	(2,004,750)
CASH AT BEGINNING OF PERIOD	**7,088,745**	37,271,124
CASH AT END OF PERIOD (Note 4)	**₱3,593,998**	₱35,266,374

See accompanying Notes to Consolidated Financial Statements.

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

	31-Mar-2022	31-Dec-2021
	Unaudited	Audited
ASSETS		
Current Assets		
Cash and cash equivalents	**₱106,028**	₱250,095
Other current assets	**469,826**	40,000
Total Current Assets	**575,854**	290,095
Noncurrent Asset		
Investment in a subsidiary	**485,375,000**	485,375,000
TOTAL ASSETS	**₱485,950,854**	₱485,665,095
LIABILITIES ANDEQUITY		
Current Liabilities		
Advances from related party (Note 10)	**₱19,000,000**	₱18,300,000
Accrued expenses and other payables	**377,205**	333,812
Total Liabilities	**₱19,377,205**	18,633,812
Equity		
Capital stock	**690,000,000**	690,000,000
Deficit	**(223,426,350)**	(222,968,717)
Total Equity	**466,573,649**	467,031,717
TOTAL LIABILITIES AND EQUITY	**₱485,950,854**	₱485,665,095

IPM HOLDINGS, INC.
UNAUDITED PARENT COMPANY STATEMENTS OF INCOME

	Quarters Ended March 31	
	2022	2021
INCOME		
Interest	**₱29**	₱120
EXPENSES		
Directors' per diem	**-**	160,000
Stock exchange listing fee	**121,613**	137,138
Salaries and wages	**146,000**	146,000
Professional fees	**80,000**	190,751
Utilities	**30,000**	45,000
Rent	**26,786**	40,179
Taxes and licenses	**22,500**	22,500
Transportation	**10,500**	10,500
Entertainment, amusement and recreation	**13,500**	13,500
Miscellaneous	**6,760**	8,814
	457,659	774,382
LOSS BEFORE INCOME TAX	**457,630**	774,262
PROVISION FOR INCOME TAX	**5**	24
NET LOSS	**457,634**	774,286
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE LOSS	**₱457,634**	₱774,286

IPM HOLDINGS, INC.

UNAUDITED PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Deficit	Total
At January 1, 2022	**₱690,000,000**	**(₱222,968,717)**	**₱467,031,283**
Net loss for the first quarter	**–**	**(457,634)**	**(457,634)**
At March 31, 2022	**₱690,000,000**	**(₱223,426,351)**	**₱466,573,649**
At January 1, 2021	₱690,000,000	(₱219,432,831)	₱470,567,169
Net loss for the first quarter	–	(774,286)	(774,286)
At March 31, 2021	₱690,000,000	(₱220,207,117)	₱469,792,883

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

	Quarters Ended March 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱457,630)**	(₱774,262)
Adjustments for:		
Interest income	**(29)**	(120)
Operating loss before changes in working capital	**(457,658)**	(774,382)
Changes in operating assets and liabilities		
Increase in other current assets	**(429,826)**	(498,150)
Decrease in accrued expenses and other payables	**43,393**	(71,403)
Net cash used in operations	**(844,091)**	(1,343,935)
Interest received	**29**	120
Income tax paid	**(5)**	(24)
Net cash used in operating activities	**(844,067)**	(1,343,839)
CASH FLOWS FROM FINANCING ACTIVITY		
Increase in advances from related party (Note 10)	**700,000**	1,000,000
Net cash used in financing activities	**700,000**	1,000,000
NET INCREASE (DECREASE) IN CASH	**(144,067)**	(343,839)
CASHAT BEGINNING OF PERIOD	**250,095**	484,323
CASH AT END OF PERIOD	**₱106,028**	₱140,484

1. Corporate Information and Status of Operations

IPM Holdings, Inc., (the Parent Company) and its subsidiary, Basic Environmental Systems and Technologies, Inc. (BEST) (collectively referred to as "the Group"), were incorporated in the Philippines on August 1, 1995 and September 15, 1999, respectively. The Parent Company's registered office address is at Penthouse, The Taipan Place, F. Ortigas Jr., Road, Ortigas Center, Pasig City.

The Parent Company is engaged in the business of investment; to own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description; and, to manage any business, joint venture, firm partnership, corporation, institution or entity or otherwise act as holding or management corporation thereof.

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

The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE) under the ticker "IPM". As of March 31, 2021 and December 31, 2020, the top four beneficial shareholders of the Parent Company are the following:

	Percentage of ownership
IPM Construction and Development Corporation (IPMCDC)	51%
IPM Environmental Services, Inc. (IPMESI)	10%
IPM Realty and Development Corporation (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

The Group, 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 in partnership with local government units on a Public-Private Partnership (PPP) framework, has pioneered in building, developing, and operating state-of-the-art facilities to properly address waste management needs thereby reducing pollution and preventing the further destruction of our natural resources.

On September 25, 2019, BEST entered into a Joint Venture with the City Government of Passi, Iloilo for the establishment and operations of the Passi City Integrated Waste Management Facility, the first PPP project awarded to BEST. The facility was opened in 2021.

As of March 31, 2022, BEST is actively engaged in advanced stages of development for the realization of its additional PPP projects, which will place BEST at the forefront of the waste management industry all over the Philippines.

In addition, considering the ongoing focus and drive for compliance with proper waste management in the private and commercial sectors, BEST plans to further expand its operations in private waste collection and disposal within Metro Manila and its environs.

Finally, acknowledging the need for innovative and sustainable ways to create and improve its services, BEST launched its online My Basurero App and the Trash to Cashback Program powered by bXTRA. With these new projects, BEST aims for behavior modification and sustainability, by taking traditional methods and infusing modern systems and technologies to change the way people view waste and waste management.

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 Philippine Peso unless otherwise indicated.

The accompanying consolidated financial statements have been prepared under the going concern assumption. While the government eases restrictions of business activities to revive economic growth, the impact of COVID-19 may continue to evolve giving inherent uncertainties on businesses.

Statement of Compliance

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

Basis of Consolidation

The 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 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 Group 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 Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of the subsidiary are included in the consolidated statements of financial position and consolidated statements of comprehensive income from the date the Group gains control at the subsidiary until the date the Group losses the control.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Group 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 subsidiary to bring its accounting policies in line with the accounting policies of the Group.
A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. When the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation adjustments recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

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.

Change in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the Group's financial statements are consistent with those of the previous financial year except for the adoption of the following new standards, amendments to standards and interpretations starting January 1, 2021.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:
  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Standards 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 financial statements. The Group intends to adopt the following pronouncements when these become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to PFRSs 2018-2020 Cycle

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

  The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

  Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2022

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, 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. 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. The Group is currently assessing the impact of the amendments.

Current versus Non-current Classification

The Group presents assets and liabilities in statement of financial position based on current or non-current classification. An asset as current when it is:

(a) Expected to be realized or intended to be sold or consumed in normal operating cycle;
(b) Held primarily for the purpose of trading;
(c) Expected to be realized within twelve months after the reporting period; or
(d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(a) It is expected to be settled in normal operating cycle;
(b) It is held primarily for the purpose of trading;
(c) It is due to be settled within twelve months after the reporting period; or
(d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Deferred tax assets and liabilities are classified as noncurrent.

Financial Instruments

Date of recognition

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

Financial assets

Initial recognition of financial instruments

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt
- instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and
- losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash, receivables and deposits.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash

flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. customer type). The calculation reflects the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate (see Note 3). The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

For receivables from related parties, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash in bank and deposits, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. To estimate the ECL, the Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables in default when contractual payment are 120 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 30 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Trade and other payables" (other than "Payable to government agencies" which is covered by other accounting standard) and "Loan Payable".

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings and other payables

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings, and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

This category generally applies to "Trade and other payables" (excluding payable to government agencies) and "Loan payable".

Derecognition

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts 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: Valuation techniques for which the lowest input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3: Valuation techniques for which lowest level input that is significant to the fair value measurement is observable.

"Day 1" loss

Where the transaction price in a non-active market is different from the fair value of 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 (a "Day 1" loss) in profit or loss unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data that 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" loss amount.

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, property and equipment, and investments in an associate and a joint venture 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.

Other assets
Other assets pertain to the expenses incurred in relation to the design, engineering, and construction of the sanitary landfill related to the project under the joint venture agreement between the Group and a local government unit. These expenses are considered as costs to fulfill a contract which are capitalizable under PFRS 15, *Revenue from Contracts with Customers.* In order for an entity to recognize an asset from the costs incurred to fulfill a contract, those costs must meet all of the following criteria: (a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify; (b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) the costs are expected to be recovered.

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.

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 and identified development cost specific to the landfill cells, 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 or over the period of lease term, whichever is shorter

The Group's land used as sanitary landfill and identified development costs specific to the landfill cells are depreciated using the unit of production method (i.e., volume of landfill utilized over the total landfill utilization capacity).

The estimated salvage value, useful lives and depreciation method are reviewed periodically to ensure that the salvage value, 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 Assets

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset (i.e., property and equipment, investment property, and investments in an associate and a joint venture) 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.

<u>Asset Rehabilitation Obligation (ARO-liability)</u>
The Group is legally required to rehabilitate the land used as landfill through performance of certain maintenance and monitoring functions at site for a minimum of ten (10) years. Although rehabilitation costs will only be incurred and paid when the last phases/cells of the landfill reach final waste elevation, the event that gives rise to the obligation is the actual development and operations conducted by the Group in the landfill.

The provision for rehabilitation is made based on historical experience and benchmarking of costs from other similar operations undertaken by companies within the same industry.

The estimated cost of Asset Rehabilitation Obligation was recognized by the Group as a property and equipment under "ARO-Asset" account. The capitalized asset is depreciated on a straight-line basis over the period of expected utilization of the landfill. The amount of related obligation is recognized and carried at amortized cost using the effective interest method. The Group regularly assesses the sufficiency of provision for ARO-liability and adjusts the related liability for changes in estimates.

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 and actuarial gains (losses) on defined benefit obligation.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in all of its revenue arrangements.

Income from tipping fee

Transaction price is determined to be the contract price stated in each contract service. Disposal of municipal residual waste and use of LGU to Morong Engineered Sanitary Landfill is considered as a single performance obligation, therefore it is not necessary to allocate the transaction price. The service is capable of being distinct from the other services and the transaction price for each service is separately identifiable. Income from tipping fee is recognized at a point in time and when the Group satisfies a performance obligation by transferring a promised service to the customer.

Composting/waste process

Transaction price is determined to be the contract price stated in each contract services. Each supply of labor, equipment, tools and expertise in transforming all the compostable waste material originated from a location into compost is considered as a single performance obligation since two or more services are significantly affected by each other. Considering that the Group would not be able to fulfill its obligation by transferring each of the services independently, it is not necessary to allocate the transaction price. Income from composting/waste process is recognized over the time the related services are rendered and upon the customer’s simultaneous receipt of the services provided by the Group.

Consultancy/field services

Transaction price is determined to be the contract price stated in each contract service. The Group’s responsibility as the contractor to manage, operate, and maintain the principal's (IPMCDC) Material Recovery Facility is considered as a single performance obligation since two or more services are significantly affected by each other. Considering that the Group would not be able to fulfill its obligation by transferring each of the services independently, it is not necessary to allocate the transaction price. Income from consultancy/field services is recognized over the time the related services are rendered and upon the customer’s simultaneous receipt of the services provided by the Group.

Hauling income
Transaction price is determined to be the price stated in each contract service or work orders. Collection of residual waste from the customer's garbage room and its disposal is considered as a single performance obligation, therefore it is not necessary to allocate the transaction price. The service is capable of being distinct from the other services and the transaction price for each service is separately identifiable. Income from hauling services is recognized at a point in time the related services are rendered and when the Group satisfies a performance obligation by transferring a promised service to the customer.

Rental income
Rental income pertains to the transportation and heavy equipment leased out by the Group and a portion of its office space leased under cancellable operating lease. Rental income is recognized when earned over the time the related services are rendered.

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 and is measured based on the actual costs and valuation of goods or services used or consumed.

General and administrative expenses
General and administrative are recognized in profit or loss in the period these are incurred and is measured based on the actual costs and valuation of goods or services used or consumed.

Leases (Effective January 1, 2019)
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee
Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Short-term leases and leases of low-value assets
As at the date of adoption, all leases of the Group are short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group applies the short-term lease recognition exemption to all its short-term leases. It also applies the leases of low-value assets recognition exemption to leases of underlying assets with a value of ₱0.25 million and below. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Group's lease agreements were short-term leases with lease term of 12 months as of March 31, 2022.

Leases (Prior to January 1, 2019)
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).

Group as a lessee
Leases where the lessor retains substantially all the risk and benefits of ownership of the asset are classified as operating leases. Lease payments for noncancellable leases are recognized as an expense in profit or loss on a straight-line basis over the lease term, while lease payments for cancellable leases are recognized as an expense based on the terms of the lease contract.

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 has 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.

Value-Added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

- When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position.
- When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

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 PFRSs. 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 24.

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. (see Note 26).

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRSs 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 principal vs agent on income from hauling services

The Group has contract with customers for the collection, hauling and disposal of municipal solid wastes including street sweeping. The Group acts as a principal and recognizes revenue at gross amount that is retained for these arrangements. Revenue is recognized at a point in time (i.e. upon receipt of the solid wastes) because this is when the customer benefits from the Group's hauling services. The following factors indicate that the Group control the services before they are being transferred to customers. Therefore, the Group determined that it is acting as a principal in these contracts.

- The Group is primarily responsible for fulfilling the promise to provide the hauling services to the customers.
- The Group is the entity primarily liable to customers in the event of default or non-performance.

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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, 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.

Accounting for PASSI Sanitary Landfill
The Group has made a judgment that the joint venture agreement on the design, construction, operation and maintenance of PASSI Sanitary Landfill (the Project) with the local government unit (LGU) is not scoped under IFRIC 12, *Service Concession Arrangements*. The Group has assessed that the agreement would be accounted for under PFRS 11, *Joint Arrangements* on the basis that joint control has been established albeit not being explicitly stated in the agreement since the key relevant activities of the Project are subject to approval of both parties. The joint venture agreement will be classified as a joint operation subject to line by line consolidation of each party.

The capitalized expenses on the construction costs of the sanitary landfill will be capitalized by the Group under Property and Equipment – Construction-in-progress (see Note 10).

Identification of contract with customers and performance obligation under PFRS 15
The Group applies PFRS 15 guidance to a portfolio of contracts with similar characteristics as the Group reasonably expects that the effects on the financial statements if applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within that portfolio. The Group viewed each contract as a single performance obligation.

Operating lease - Group as lessor (applicable before January 1, 2019)
The Group has entered into various commercial property leases on its investment property and transportation and heavy equipment. The Group has determined that it retains all the significant risks and rewards of ownership of the property as the group considered, among others, the length of the lease term as compared with the estimated life of the assets. The Group's operating lease contracts are accounted for as cancellable operating leases. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including economic consequence to the lessee.

Estimates and Assumptions

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

Allowance for expected credit losses on receivables

The Group uses a provision matrix to calculate ECLs for its receivables. The provision rates are based on days past due.

The provision matrix is initially based on the Group's historically observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates, forward-looking information, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions.

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future.

The allowance for expected credit losses on receivables amounted to ₱13.33 million as of March 31, 2022 and December 31, 2021. The carrying amounts of receivables amounted to ₱952.97 million and ₱952.751,037.76 million as of March 31, 2022 and December 31, 2021, 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. Key assumptions used to determine the fair value less cost to sell include valuation technique and methodology and obsolescence factor.

In 2022 and 2021, the Group has not recognized losses on its investment in an associate and a joint venture. As of March 31, 2022 and December 31, 2021, the carrying values of investments in an associate and a joint venture amounted to ₱165 million (see Note 7).

Estimation of Asset Rehabilitation Obligation (ARO-liability)

The Group is legally required to rehabilitate the land used as landfill through the performance of certain maintenance and monitoring functions at site. These costs are accrued based on internal estimates which include costs of certain environmental monitoring system costs (i.e. road, drainage, soil cover, greening costs and leachate management), cost for general administration (i.e. utilities and administration facilities), and security services.

Assumptions used to compute ARO-liability are reviewed and updated annually by the Group. As of March 31, 2022 and December 31, 2021, the cost of asset rehabilitation obligation is computed based on the Group's assessment on expected costs to be incurred and timing of rehabilitation procedures.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

As of March 31, 2022 and December 31, 2020, the Group's ARO-liability has a carrying value of ₱31.96 million. For the years ended December 31, 2021 and 2020, the related finance cost recognized to accrete the liability amounted to ₱2.27 million and ₱2.11 million, respectively (see Note 22).

Determining Estimated Total Capacity, Utilized Capacity and Salvage Value of Land and Development Costs Used as Landfill
The Group estimates the capacity based on actual volume and compacted volume of trash received. For the salvage value of the land used as sanitary landfill, the Group bases its estimates on the latest appraisal report. Determined utilization rate is used to depreciate the land used as sanitary landfill and the related development cost. This rate is annually assessed and reviewed based on the actual utilization during the year including the remaining capacity of the landfill.

The Group reviews annually the utilization rate and salvage value of the land and development costs and factors that include asset use, internal technical evaluation, and technological and environmental changes, and anticipated use of the assets.

As of March 31, 2022 and December 31, 2021, the carrying value of the land used as sanitary landfill, development costs and asset rehabilitation obligation - assets amounted to ₱73.38 million and ₱72.46 million, respectively (see Note 10).

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, 2022 and December 31, 2021, the Group did not recognize any impairment loss on its nonfinancial assets. As of March 31, 2022 and December 31, 2021, the carrying values of the Group's nonfinancial assets are as follows:

	31-Mar-2022	31-Dec-2021
Property and equipment (Note 10)	**₱221,557,673**	₱222,313,441
Investment property (Note 9)	**102,916,533**	103,261,676
Other current assets (Note 6)*	**24,134,894**	12,319,367
Other noncurrent assets (Note 11)	**6,763,019**	6,240,255

**Excluding deposits*

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. The present value of defined benefit obligation amounted to ₱2.83 million as of March 31, 2022 and December 31, 2021. (see Note 19).

Deferred tax assets as of March 31, 2022 and December 31, 2021, amounted ₱13.10 million. (see Note 20).

4. Cash

	31-Mar-2022	31-Dec-2021
Cash on hand	**₱97,210**	₱97,210
Cash in banks	**3,496,788**	6,991,5341
	₱3,593,998	₱7,088,744

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

Interest earned on cash in banks amounted to ₱0.01 million and ₱0.04 million as of March 31, 2022 and December 31, 2021, respectively.

5. Receivables - net

Current receivables

	31-Mar-2022	31-Dec-2021
Trade receivables		
Related parties (Note 15)	**₱903,365,215**	₱914,161,831
Local government units (LGUs) (Note 22)	**29,664,632**	24,032,385
Private entities	**28,158,088**	23,646,843
	961,187,936	961,841,059
Advances to officers and employees	**2,392,002**	2,392,562
Others	**2,709,803**	1,839,976
	966,289,740	966,073,597
Less allowance for expected credit losses	**13,323,318**	13,323,318
	₱952,966,422	₱952,750,279

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

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.

Other receivables pertain to receivables of the Parent Company, fully provided with allowance for expected credit losses.

Noncurrent receivables

	31-Mar-2022	31-Dec-2021
Loan receivables – related party (Note 15)	**₱31,000,000**	₱31,000,000
Interest receivable – related party (Note 15)	**8,865,580**	8,570,500
	₱39,865,580	₱39,570,500

In 2019, ERC provided the Group with the schedule of payment for the former's payable to the latter. The principal amount of ₱17.40 million is due within the next 12 months while the principal amount of ₱13.60 million and interest receivable amounting to ₱7.39 million are expected to be collected beyond one year.

6. Other Current Assets

	31-Mar-2021	31-Dec-2021
Input VAT	**₱7,175,869**	₱5,694,360
Creditable withholding taxes	**5,092,642**	4,532,683
Deferred input VAT	**6,874,677**	5,694,360
Prepayments	**10,693,333**	3,775,531
Deposits	**269,520**	269,520
	30,106,042	18,290,515
Less allowance for impairment losses	**5,971,148**	5,971,148
	₱24,134,894	₱12,319,367

Input VAT represents VAT paid by the Group on its purchases of goods and services from VAT registered suppliers. This is available for offset against output VAT.

Creditable withholding taxes are applied against income tax payable.

Prepayments include advanced payment to the supplier for the services to be rendered in relation to the development of a software application of the Group.

Deferred input VAT pertains to VAT of unpaid purchases as of reporting period.

The Group provided allowance for impairment on its creditable withholding taxes and input VAT due to low probability that these assets may be utilized in the future.

The movement in allowance for impairment losses follows:

	31-Mar-2022	31-Dec-2021
Balance at beginning of year	**₱5,971,148**	₱7,830,488
Provision for the year (Note 18)	**-**	(1,859,340)
Balance at end of year	**₱5,971,148**	₱5,971,148

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, 2022 and December 31, 2021 follow:

	Associate		Joint Venture			
	Metro Clark Waste Management Corporation (MCWM)		Ecoedge Resources Corporation (ERC)		Total	
	31-Mar-22	31-Dec-22	**31-Mar-22**	31-Dec-22	**31-Mar-22**	31-Dec-22
Cost	**₱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	**91,795,532**	50,888,638	**(51,406,638)**	(43,644,285)	**40,388,894**	7,244,353
Equity in net earnings (losses) of an associate and a joint venture	**53,884,320**	44,053,178	**(5,861)**	(7,760,469)	**53,878,459**	36,292,709
Other adjustments to equity in net earnings (losses) of an associate and a joint venture	**–**	53,716	**–**	(1,884)	**–**	51,832
Dividends during the year	**(12,800,000)**	(3,200,000)	**–**	–	**(12,800,000)**	(3,200,000)
Balance at end of year	**132,879,852**	91,795,532	**(51,412,499)**	(51,406,638)	**81,467,353**	40,388,894
	₱165,273,210	₱124,188,890	**₱–**	₱5,861	**₱165,273,210**	₱124,194,751

MCWM

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

As of March 31, 2022 and December 31, 2021 the Group's dividend income from investment in an associate amounted to nil, and ₱3.20 million, respectively.

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.

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 March 31, 2022 and December 31, 2021, BEST has deposits to GSIS as surety bond amounting to ₱1.99 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. Interest income from deposits amounted to ₱0.02 million and ₱0.23 million as of March 31, 2022 and December 31, 2021, respectively.

9. **Investment Property**

	31-Mar-2022		
	Land	**Condominium Unit**	**Total**
Cost			
Beginning and end of year	₱70,320,000	₱44,762,040	₱115,082,040
Accumulated depreciation:			
Balance at beginning of year	–	10,439,794	10,439,794
Depreciation (Note 17)	–	1,727,713	1,727,713
Balance at end of year	–	12,165,507	12,165,507
Net book value	₱70,320,000	₱32,596,533	₱102,916,533

	31-Dec-2021		
	Land	Condominium Unit	Total
Cost			
Beginning and end of year	₱70,320,000	₱44,762,040	₱115,082,040
Accumulated depreciation:			
Balance at beginning of year	–	10,439,794	10,439,794
Depreciation (Note 17)	–	1,380,570	1,380,570
Balance at end of year	–	11,820,364	11,820,364
Net book value	₱70,320,000	₱32,941,676	₱103,261,676

Land pertains to a property located in Taytay, Rizal with currently undetermined use as of March 31, 2022 and December 31, 2021.

BEST leased out portions of the other unit to its joint venture and to another private company. The rental income recognized from lease agreements amounted to ₱0.21 million, ₱0.80 million and ₱1.98 million in 2021, 2020 and 2019, respectively. Direct costs for investment property pertain to depreciation amounting to ₱1.38 million in 2021, 2020 and 2019 is recognized in cost of services.

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10. Property and Equipment

	2021								
	Land	**Condominium Unit and Improvements**	**Transportation and Heavy Equipment**	**Office Furniture and Fixtures**	**Development Costs**	**Leasehold Improvements**	**ARO-Asset** (Note 22)	**Construction in Progress** (Note 11)	**Total**
Cost									
At January 1	**₱114,360,660**	**₱30,829,613**	**₱123,814,371**	**₱4,515,238**	**₱153,204,376**	**₱793,187**	**₱14,202,829**	**₱31,894,934**	**₱473,615,208**
Additions	**19,053,500**	**–**	**410,000**	**3,818,643**	**–**	**–**	**–**	**49,224,834**	**72,506,977**
Reclassifications					**77,739,561**	**–**	**–**	**(77,739,561)**	**–**
Other adjustments	**–**	**–**	**–**	**–**	**–**	**–**	**(2,879,522)**	**–**	**(2,879,522)**
At December 31	**133,414,160**	**30,829,613**	**124,224,371**	**8,333,881**	**230,943,937**	**793,187**	**11,323,307**	**3,380,207**	**543,242,663**
Accumulated Depreciation and Amortization									
At January 1	**15,411,954**	**7,973,011**	**108,180,488**	**4,515,058**	**143,802,799**	**476,070**	**13,492,687**	**–**	**293,852,067**
Depreciation and amortization (Notes 17 and 18)	**–**	**899,855**	**11,600,548**	**1,916,717**	**15,411,821**	**158,637**	**710,142**	**–**	**30,719,720**
Other adjustments	**(7,275)**	**–**	**–**	**–**	**–**	**–**	**(2,879,522)**	**–**	**(2,886,797)**
At December 31	**15,404,679**	**8,872,866**	**119,781,036**	**6,431,775**	**159,214,620**	**634,707**	**11,323,307**	**–**	**321,684,990**
Net Book Value	**₱118,009,481**	**₱21,956,747**	**₱4,443,335**	**₱1,902,106**	**₱71,729,317**	**₱158,480**	**₱–**	**₱3,380,207**	**₱221,557,673**

	2021								
	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Leasehold Improvements	ARO-Asset (Note 22)	Construction in Progress (Note 11)	Total
Cost									
At January 1	₱114,360,660	₱30,829,613	₱123,814,371	₱4,515,238	₱153,204,376	₱793,187	₱14,202,829	₱31,894,934	₱473,615,208
Additions	19,053,500	–	410,000	3,818,643	–	–	–	49,224,834	72,506,977
Reclassifications					77,739,561	–	–	(77,739,561)	–
Other adjustments	–	–	–	–	–	–	(2,879,522)	–	(2,879,522)
At December 31	133,414,160	30,829,613	124,224,371	8,333,881	230,943,937	793,187	11,323,307	3,380,207	543,242,663
Accumulated Depreciation and Amortization									
At January 1	15,411,954	7,973,011	108,180,488	4,515,058	143,802,799	476,070	13,492,687	–	293,852,067
Depreciation and amortization (Notes 17 and 18)	–	899,855	11,600,548	1,916,717	14,678,053	158,637	710,142	–	29,963,952
Other adjustments	(7,275)	–	–	–	–	–	(2,879,522)	–	(2,886,797)
At December 31	15,404,679	8,872,866	119,781,036	6,431,775	158,480,852	634,707	11,323,307	–	320,929,222
Net Book Value	₱118,009,481	₱21,956,747	₱4,443,335	₱1,902,106	₱72,463,085	₱158,480	₱–	₱3,380,207	₱222,313,441

The Group's property and equipment have no restrictions nor pledged as security for any liability.

Joint Operation
On September 25, 2019, the Group entered into an agreement with the City of Passi, Iloilo, a local government unit and a political subdivision of the Government of the Republic of the Philippines. The Project shall comprise of the planning, preparation, development, financing, engineering, construction, procurement, and installation of the Passi City Integrated Waste Management Facility, as well as its management, operation, maintenance, and physical closure, thereafter, including the transfer of the sanitary landfill upon termination date of the agreement. The Project shall be utilized as the final disposal site for solid waste generated by the members of the Passi City Cluster of LGUs (CLGU). The Project site comprises of a parcel of land in Passi City, Iloilo, owned by the CLGU. The Group shall undertake the financing, design, engineering, construction and installation of the sanitary landfill, as well as its operation and maintenance, and conduct its physical closure and turn over to the CLGU at the termination of the agreement. In consideration of the services to be provided by the Group, the CLGU shall pay the Group, on a monthly basis, a tipping fee per metric ton of solid waste disposed to the sanitary landfill. The parties shall have the following pro-rata participation interest of 82:18 (BEST:CLGU) based on the annual net income after tax of the Project. The agreement shall become effective upon signing date and will expire on the date when the sanitary landfill has been utilized up to its maximum capacity.

In 2019, the Group has started the design and engineering of the sanitary landfill and has capitalized expenses amounting to ₱45.84 million and ₱31.89 million as part of Development Cost in 2021 and 2020, respectively. The Passi City Integrated Waste Management Facility opened in 2021.

The Group classified its joint arrangement with the CLGU as "Joint Operation" since the joint arrangement's legal form does not confer separation between the parties and separate vehicle, the parties have the rights to the assets and obligations for the liabilities in proportion to the interests agreed by parties and there is an indication that the parties have no rights to the net assets of the Joint Operation.

11. **Other Noncurrent Assets**

	31-Mar-2022	31-Dec-2021
Advances to landowners	**₱12,000,000**	₱12,000,000
Intangible assets	**6,763,019**	6,240,255
Total	**₱18,763,019**	₱18,240,255

Advances to landowners pertain to downpayment on purchase of land with a total purchase price of ₱69.55 million. The remaining balance will be payable in three (3) equal tranches subject to the following conditions:

a. 1st tranche, upon lapse of 3 months from the date of downpayment and upon submission to the Group of the certified true copy of the transfer certificate of title;
b. 2nd tranche, upon lapse of 3 months from the date of 1st tranche and upon submission to the Group of the supporting documents for processing of title transfer; and
c. 3rd tranche, upon lapse of 3 months from the date of 2nd tranche and upon execution of the deed of absolute sale.

Intangible assets pertain to My Basurero App which was completed towards the end of 2021 and partnered to bXTRA wherein the customers earn cashback for every waste disposal.

12. **Trade and Other Payables**

	31-Mar-2022	31-Dec-2021
Trade payables		
Related parties (Note 15)	**₱9,706,833**	₱15,505,053
Third parties	**2,759,285**	10,333,101
	12,466,118	25,838,154
Deferred output VAT	**103,038,542**	103,098,822
Payable to government agencies	**15,626,689**	10,674,391
Accrued expenses	**6,322,507**	1,536,334
	₱137,453,856	₱141,147,701

Trade payables comprise of payables in the contracting and consulting operations of BEST to provide waste disposal services. These are noninterest-bearing and are due and demandable.

Payable to government agencies pertain to 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 professional services which are normally settled within 12 months.

13. **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 and the principal was rolled over prior to its maturity.

On April 30, 2019, May 24, 2019 and October 29, 2019, BEST paid ₱2.00 million each for the principal amount of the loan. The remaining ₱90.00 million was renewed in 2020 and 2021 and will mature in September 2022.

Principal amount renewed bears interest payable monthly in arrears. Interest from November 21, 2019 to December 20, 2019 (29 days) shall be at 7.00% per annum. Payment of interest shall commence on November 21, 2019 and every month, thereafter until fully paid at prevailing rate. Interest expense on loan payable amounted to ₱5.19 million, ₱5.82 million, and ₱6.54 million and in 2021, 2020 and 2019, respectively.

As of March 31, 2022 and December 31, 2021, the outstanding balance of loan payable amounted to ₱88.00 million and ₱90.00 million, respectively. Interest rate is at 5.50% per annum.

The Group paid a portion of the outstanding principal amounting to ₱2.00 million and the remaining balance of ₱88.00 million was extended until September 2022.

14. **Equity**

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

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	31-Mar-20212	31-Dec-2020
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-K of Revised SRC Rule 68, below is a summary of the Parent Company's track record of registration of securities.

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

The Parent Company's total number of shareholders is 116 as of March 31, 2021 and December 31, 2020.

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

Retained Earnings
For purposes of dividend declaration, the retained earnings shall be that of the Parent Company presented in the separate financial statements. As of March 31, 2022 and December 31, 2021, the Parent Company is in a deficit position, hence, no dividends were declared during the years covered.

As of March 31, 2022 and December 31, 2021, the portion of retained earnings corresponding to the undistributed equity in net earnings of the associate amounting to ₱91.80 million is not available for distribution as dividends until declared by the associate. The investment in a joint venture has an accumulated share in net losses as of March 31, 2022 and December 31, 2021.

As of March 31, 2022 and December 31, 2020, the portion of retained earnings corresponding to the undistributed equity in net earnings of the associate amounting to ₱91.80 million is not available for distribution as dividends until declared by the associate. The investment in a joint venture has an accumulated share in net losses as of March 31, 2021 and December 31, 2020.

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

	31-Mar-2022	31-Dec-2022
Balance at beginning of year	**₱222,968,716**	₱219,432,831
Net loss during the year	**422,635**	3,535,885
	₱223,391,351	₱222,968,716

15. **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 coverage of the Group's Material Related Party Transactions (RPT) are any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on the latest audited financial statement. Transactions amounting to ten percent (10%) or more of the total consolidated assets that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required in the Group's policy.

The Group has a Related Party Transaction Committee tasked with reviewing all Material RPTs which should be composed of at least three non-executive directors, two of whom should be independent, including the Chairman. After the review and evaluation of the Material RPTs, the committee shall endorse the same to the Board of Directors for approval.

All individual Material RPTs shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with at least a majority of the independent directors voting to approve the Material RPT. In case that a majority of the independent directors' vote is not secured, the Material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

For aggregate RPT transactions within a twelve (12)-month period that breaches the materiality threshold of ten percent (10%) of the Group's total consolidated assets, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

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:

31-Mar-2022

Category	Amount	Outstanding Balance	Terms	Conditions
Trade receivables (Note 5)				
Shareholders				
IPMCDC (a)	**₱159927**	**₱215,100,150**	Noninterest-bearing; within one year	Secured, no impairment
IPMESI (b)	**8,373,254**	**600,000,000**	Noninterest-bearing; on demand	Secured, no impairment
IPMRDC (c)		**34,687**	Noninterest-bearing; on demand	Unsecured, no impairment
Affiliate	–			
JV BEST Inc. & IPMCDC (a)	**2,276,786**	**88,155,210**	Noninterest-bearing; on demand	Unsecured, no impairment
Joint Venture				
ERC (d)	**-**	**17,847-**	Noninterest-bearing; on demand	Unsecured, no impairment

Category	Amount	Outstanding Balance	Terms	Conditions
		₱903,307,894		
Loans receivable (Note 5)				
Joint venture				
ERC (e)	**₱–**	**₱31,000,000**	Interest-bearing; within five years	Unsecured, no impairment
Interest receivable (Note 5)				
ERC (e)	**295,080**	**8,865,580**	Within five years	Unsecured, no impairment
		₱31,865,580		
Trade payables (Note 12)				
Shareholder				
IPMCDC (f)	**₱**	**₱15,519,383**	Noninterest-bearing; on demand	Unsecured
Accrued expenses				
Affiliate				
GNCA Holdings, Inc. (GNCA) (g)	**45,000**	–	Noninterest-bearing; on demand	Unsecured
BOD (h)	**160,000**	–	Noninterest-bearing; on demand	Unsecured
		₱15,519,383		

2021

Category	Amount	Outstanding Balance	Terms	Conditions
Trade receivables (Note 5)				
Shareholders				
IPMCDC (a)	₱1,165,179	₱214,485,217	Noninterest-bearing; within one year	Secured, no impairment
IPMESI (c)	30,000,000	613,745,655	Noninterest-bearing; on demand	Secured, no impairment
IPMRDC (d)	–	34,687	Noninterest-bearing; on demand	Unsecured, no impairment
Affiliate				
JV BEST Inc. & IPMCDC (b)	144,642,857	85,892,755	Noninterest-bearing; on demand	Unsecured, no impairment
Joint Venture				
ERC (e)	53,571	17,847	Noninterest-bearing; on demand	Unsecured, no impairment
		₱914,176,161		
Loans receivable (Note 5)				
Joint venture				
ERC (e)	₱–	₱31,000,000	Interest-bearing; within five years	Unsecured, with impairment
Interest receivable (Note 5)				
ERC (f)	1,180,320	8,570,500	Within five years	Unsecured, no impairment
		₱39,570,500		
Trade payables (Note 12)				
Shareholder				
IPMCDC (g)	₱140,416,644	₱15,519,383	Noninterest-bearing; on demand	Unsecured
			Noninterest-bearing; on demand	Unsecured
Accrued expenses				
Affiliate				
GNCA Holdings, Inc. (GNCA) (h)	180,000	–	Noninterest-bearing; on demand	Unsecured
BOD (i)	540,000	–	Noninterest-bearing; on demand	Unsecured

₱15,519,383

a. In 2019, BEST agreed with IPMCDC that receivables will be payable upon demand. Further, on December 27, 2019, BEST entered into a memorandum of agreement (MOA) wherein IPMCDC assigned 54,200,000 shares of the Parent Company (IPMHI) to guarantee BEST's receivables from IPMCDC amounting to ₱314.45 million. On March 31, 2022, management executed a supplement to the original MOA for the extension of the guarantee and restructuring of the receivables from IPMCDC due to be paid in installment until 2023.

   In accordance with the MOA, as a consequence of default and upon 30 working days, after prior written notice to IPMCDC, the pledged shares will be disposed through private or public sale (BEST is also eligible to purchase in the foreclosure sale), IPMCDC shall have the right to redeem the pledged shares from BEST by paying the entire amount equivalent to the secured obligation.

b. On August 28, 2020, IPMCDC and BEST's JV has entered into a service agreement with BEST for hauling services in Cagayan de Oro City (CDO) from February 1, 2020 to January 31, 2021 at a price not to exceed ₱13.50 million (VAT inclusive) per month. The service agreement has been renewed from February 1, 2021 to January 31, 2022. As of and for the year ended December 31, 2021 and 2020, BEST reported an income from hauling and waste collection in CDO amounting to ₱144.64 million and ₱132.59 million, respectively. Receivable from joint venture amounted to ₱85.88 million and ₱54.15 million in 2021 and 2020, respectively (see Note 22).

c. In prior years, IPMESI has contracted BEST for the operation and maintenance of an Integrated Solid Waste Management Facility for a fixed monthly fee of ₱15.58 million. The contract was terminated in August 2017 and was not renewed in 2018 (see Note 22). On April 26, 2018, BEST entered into a MOA with IPMESI and IPMRDC wherein the latter assigned 65,000,000 shares and 35,000,000 shares, respectively, of the Parent Company to guarantee BEST's receivables from IPMESI amounting to ₱693.75 million. On March 31, 2022, management executed a supplement to the original MOA for the extension of the guarantee and restructuring of the receivables from IPMESI due to be paid in installment until 2026.

   In accordance with the MOA, as a consequence of default and upon 30 working days, after prior written notice to IPMESI and IPMRDC, the pledged shares will be disposed through private or public sale (BEST is also eligible to purchase in the foreclosure sale), IPMESI and IPMRDC shall have the right to redeem the pledged shares from BEST by paying the entire amount equivalent to the secured obligation.

   In 2021 and 2020, BEST collected ₱30.00 million and ₱50.00 million from IPMESI, respectively.

d. In 2021 and 2020, IPMRDC has not renewed its lease agreement with BEST.

e. In January 2017, BEST entered into a contract of lease with ERC, whereby the latter, shall lease a portion of BEST's office space. The lease term is until December 31, 2018, renewable upon mutual agreement by the parties. The lease agreement has been renewed in 2021 until December 31, 2022.

f. In 2014, BEST granted loans to ERC amounting to ₱19.00 million with 3.864% interest rate per annum and ₱12.00 million with 3.718% interest rate per annum which are due and demandable.

16. **Revenues from Contracts with Customers**

	31-Mar-2022	31-Mar-2021
Income from waste collection	**₱36,160,714**	₱36,160,714
Income from tipping fee	**28,419,939**	24,333,668
Hauling income	**8,450,080**	6,613,561
Composting/waste process (Note 15)	**-**	-
Rental	**2,138,925**	664,934
	₱75,169,658	₱67,772,878

Income from tipping fee are the fees charged by the Group to customers, usually LGUs, for the given quantity of residual wastes received at the landfill facility.

Hauling income pertains to the house to house collection of garbage and delivery to the sanitary landfill of the waste collected. On August 28, 2020, IPMCDC and BEST's JV has entered into a service agreement with BEST for hauling services in CDO from February 1, 2020 to January 31, 2021 at a price not to exceed ₱13.50 million (VAT inclusive) per month. In 2020, BEST reported an income from this agreement which amounted to ₱132.59 million. On January 11, 2021, the service agreement between IPMCDC and BEST's JV and BEST has been renewed to twelve months, starting January 2021 at a price not to exceed ₱13.50 million (VAT inclusive) per month. (see Note 22).

Consultancy/field services pertains to the Group's revenue from maintaining IPMCDC and Passi's landfill facilities. During the year, the Group's income from consultancy services resulted from the operation and maintenance of Passi Integrated Waste Management Facility (see Note 15).

Composting/waste process pertains to services for composting of biodegradable organic waste such as food waste, manure, leaves, grass trimmings, paper, wood, feathers, crop residue and others which turns it into a valuable organic fertilizer.

17. **Cost of Services**

This account consists of:

	31-Mar-2022	**31-Mar-2021**
Subcontracting costs (Note 15)s	**₱35,621,068**	₱33,482,143
Depreciation and amortization (Notes 9 and 10)	**5,529,677**	6,364,424
Rent (Note 14)	**4,372,857**	4,372,857
Taxes and licenses	**528,903**	2,618,623
Salaries, wages and employee benefits	**--**	2,177,793
Commission	**--**	1,447,676
Supplies	**130,659**	998,506
Fuel and oil (Note 14)	**1,185,686**	514,434
Repairs and maintenance (Note 14)	**566,108**	53,498
Security & Janitorial	**289,326**	
Transportation and travel		14,340
Utilities	**92,659**	54,463
Others	**2,754, 604**	529,045

	31-Mar-2022	31-Mar-2021
	55,431,604	54,627,802

Others include professional fees, management fees, bid expenses and documentation fees.

18. General and Administrative Expenses

This account consists of:

	31-Mar-2021	31-Mar-2021
Salaries, wages and employee benefits (Note 14)	**₱2,747,895**	₱2,745,868
Taxes and licenses	**791,128**	2,381,213
Professional fees	**325,714**	591,465
Depreciation and amortization (Note 10)	**570,101**	570,301
Entertainment amusement and recreation	**369,323**	277,799
Repairs and maintenance	**110,108**	242,973
Directors' fee (Note 14)	**-**	160,000
Office supplies and printing costs	**88,679**	140,650
Stock exchange listing fee	**121,612**	137,138
Utilities (Note 14)	**91,568**	112,393
Fuel and oil	**81,136**	83,473
Rent (Note 14)	**45,538**	45,536
Transportation and travel	**24,527**	37,352
Insurance	**-**	26,400
Others	**405,644**	139,939
	75,169,658	7,692,500

19. Pension Plan

The Group has a funded, 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, 2020.

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:

	31-Mar-2022		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net pension liability**
At January 1	**₱2,834,500**	**(₱383,976)**	**₱2,450,524**
Benefit cost in profit or loss			
Current service cost	-	–	-
	2,834,500	**(383,976)**	**2,450,524**
Remeasurements in other comprehensive income			
Remeasurement loss	–	–	–
	–	–	–
At March 31	**₱2,834,500**	**(₱383,976)**	**₱2,450,524**

	31-Dec-2021		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability
At January 1	₱2,436,152	(₱378,318)	₱2,057,834
Benefit cost in profit or loss			
Current service cost (Note 18)	452,028	–	452,028
Net interest expense (income) (Note 18)	115,961	(18,008)	97,953
	567,989	(18,008)	549,981
	3,004,141	(396,326)	2,607,815
Remeasurements in other comprehensive income			
Remeasurement loss - return on plan asset	–	12,350	12,350
Actuarial loss - changes in financial assumptions	215,128	–	215,128
Actuarial loss - changes in experience	115,231	–	115,231
	330,359	12,350	342,709
Benefits paid directly by the Group	(500,000)	–	(500,000)
At December 31	₱2,834,500	(₱383,976)	₱2,450,524

20. Basic/Diluted Earnings per Share

Basic/diluted earnings per share was computed as follows:

	31-Mar-2022	31-Mar-2021
Net income attributable to equity holders of the parent company (a)	**₱2,322,055**	**₱2,121,039**
Weighted average number of outstanding common share (b)	**690,000,000**	**690,000,000**
Basic earnings per share (a/b)	**₱0.003**	**₱0.003**

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

On April 26, 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 of the Parent Company, respectively, to guarantee BEST's receivables from IPMESI amounting to ₱693.74 million (see Notes 5 and 15). On March 31, 2022, management executed a supplement to the original MOA for the extension of the guarantee and restructuring of the receivables from IPMESI due to be paid in installment until 2026. 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.

In March 2020, BEST entered into a Memorandum of Agreement with IPMCDC wherein the latter assigned 54,200,000 shares of the Parent Company, to guarantee BEST's receivables from IPMCDC amounting to ₱314.45 million. On March 31, 2022, management executed a supplement to the original MOA for the extension of the guarantee and restructuring of the receivables from IPMCDC due to be paid in installment until 2023.

The fair value of the collateral pertaining to the shares of IPMHI, net of costs to sell, as December 31, 2021 and 2020 amounted to ₱1,077.38 million and ₱1,214.92 million, respectively.

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, 2021 and 2020.

Credit Quality. The financial assets of the Group are grouped according to stage whose description is explained as follows:

Stage 1 - Those that are considered current and up to 120 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 120 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - Those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

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.

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 ₱1,270.40 million and ₱1,212.76 million as of December 31, 2021 and 2020, respectively, as capital.

Fair Value Information
Due to the short-term nature of the Group's financial instruments except for noncurrent loan receivables, their fair values approximate their carrying amounts as of December 31, 2021 and 2020. The fair value of the noncurrent loan receivables as of December 31, 2021 and 2020 amounted to ₱28.31 million and ₱12.42 million, respectively, discounted using the Bloomberg Valuation (BVAL) rates. The carrying amount of the noncurrent loan receivables as of December 31, 2021 and 2020 amounted to ₱31.00 million and ₱13.60 million, respectively

Fair Value Hierarchy
As of December 31, 2021 and 2020, 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:

	2021					
	Investment Holding	**Service**	**Combined**	**Eliminations**	**Consolidated**	
Revenue and other income						
Revenue from external customers	**₱–**	**₱75,554,572**	**₱75,554,572**	**₱–**	**₱75,554,572**	
Intersegment revenue	–	**160,714**	**160,714**	**(160,714)**	–	
Interest income	**29**	**295,417**		–	**295,446**	**----29**
Equity earnings	–	-	-	–	-	
Interest expense	–	**5,188,437**	**5,188,437**	–	**5,188,437**	
Income (loss) before tax	**(422,630)**	**68,268,829**	**64,733,009**	–	**64,733,009**	
Provision for income tax	**5**	**4,738,161**	**4,738,226**	–		
Net income (loss)	**(422,635)**	**63,530,668**	**59,994,783**	–		
Segment assets	**485,950,854**	**1,557,430,570**	**2,043,381,424**	**(499,125,000)**	**1,544,256,434**	
Segment liabilities	**19,377,205**	**261,080,089**	**261,457,299**	**(18,300,000)**	**261,688,644**	
Depreciation and amortization	–	**6,099,779**	**6,099,779**	–	**6,099,779**	

	2020				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income					
Revenue from external customers	₱–	₱275,342,201	₱275,342,201	₱–	₱258,647,657
Intersegment revenue	–	160,714	160,714	(160,714)	–
Interest income	327	1,192,245	1,192,572	–	1,224,609
Equity earnings	–	53,884,320	53,884,320	–	36,344,541
Interest expense	–	5,188,437	5,188,437	–	8,091,402
Income (loss) before tax	(3,535,820)	68,268,829	64,733,009	–	52,316,262
Provision for income tax	65	4,738,161	4,738,226	–	8,168,581
Net income (loss)	(3,535,885)	63,530,668	59,994,783	–	44,147,681
Segment assets	485,665,094	1,546,898,304	2,032,563,398	(495,125,000)	1,505,558,742
Segment liabilities	18,633,810	261,354,834	279,988,644	(15,000,000)	292,795,601
Depreciation and amortization	–	28,128,753	28,128,753	–	39,596,410

IPM HOLDINGS, INC. AND SUBSIDIARY

Financial Soundness Indicators
March 31, 2022

FSI	Calculation	31-Mar-2022	31-Dec-2021
Current Ratio	Current Assets/Current Liabilities	**4.21x**	4.21x
Quick Ratio	Cash + Marketable Securities + Receivables/Current Liabilities	**4.16x**	4.16x
Solvency Ratio	Total Assets/Total Liabilities	**5.83x**	5.83x
Debt Ratio	Total Debts/Total Assets	**0.17x**	0.17x
Debt to Equity Ratio	Liabilities/ Stockholders' Equity	**0.21x**	0.21x
Interest Coverage Ratio	Earnings Before Interest & Taxes/ Interest Expense	**13.10x**	13.48x
Asset to Equity Ratio	Assets/Stockholders' Equity	**1.21x**	1.21x
Gross Profit Margin	Gross Profit/Net Sales	**0.18**	0.18
Net Profit Margin	Net Income/Revenues	**0.22**	0.22
Return on Assets	Net Income/Total Assets	**0.04**	0.04
Return on Equity	Net Income/Total Stockholders' Equity	**0.05**	0.05
Book Value per share	Total Assets –Total Liabilities/ Outstanding Shares	**1.84**	1.84
Net Income per Share	Net Income/Outstanding Shares	**0.09**	0.09
Net Income per Share-Parent	Net Income/Outstanding Shares	**0.05**	0.05

	31-Mar-2022	31-Dec-2021
Current Ratio	980,695,314/229,416,357	972,158,390/229,147,701
Quick Ratio	956,560,420/229,416,357	959,839,023/229,147,701
Solvency ratio	1,544,256,422/261,457,300	1,534,138,398/261,688,644
Debt Ratio	261,457,300/1,544,256,422	261,688,644/1,534,138,398
Debt-to-Equity Ratio	261,457,300/1,282,799,122	261,688,644/1,272,449,754
Interest Coverage Ratio	15,848,947/1,210,000	69,921,446/5,188,437
Asset to Equity Ratio	1,544,256,422/1,282,799,252	1,534,138,398/1,272,449,754
Gross Profit Margin	21,326,474/76,758,078	49,534,099/275,342,201
Net Profit Margin	11,022,542//76758078	59,994,783/275,342,201
Return on Asset	11,022,542/1,544,256,422	59,994,783/1,534,138,398
Return on Equity	11,022,542/1,282,799,122	59,994,783/1,272,449,754
Book Value/Share	1,282,799,122/690,000,000	1,272,449,754/690,000,000
Net Income per Share	11,022,542/690,000,000	59,994,783/690,000,000
Net Income per Share-Parent	8,161,248/690,000,000	44,112,115/690,000,000

IPM HOLDINGS, INC. AND SUBSIDIARY

AGING OF RECEIVABLES
March 31, 2022

Nature/Description	Current	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Income from Tipping Fee	9,969,432	4,657,299	1,511,656	334,612	11,685,088	28,158,088
Hauling Income	2,662,420	1,928,254	3,569,340	943,049	6,903,754	16,006,818
Waste Collection	13,258,929	13,258,929	13,258,929	13,258,929	25,981,116	79,016,830
Consultancy/Field Services	798,532	798,532	798,532	-	604,667,287	607,062,883
Rental	412,499	384,245	545,905	277,259	216,000,090	217,619,999
Loans Receivable		-	-		31,000,000	31,000,000
Interest Receivable	98,360	98,360	98,360	196,720	8,373,780	8,865,580
Others	1,812,213	182,324	432,681	112,027	2,562,559	5,101,804
Total	**29,012,385**	**21,307,943**	**20,215,403**	**15,122,596**	**907,173,675**	**992,832,002**