

## COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

Atty. Ana Katigbak

Contact Person

8817 6791/8897-5257

Company Telephone Number

1	2	3	1
Month		Day	
Fiscal Year			

SEC Form 17-Q  
**March 31, 2020**

FORM TYPE  
Annual Meeting

4<sup>th</sup> Wed of May

Month          Day

Secondary License Type, If Applicable

C   F   D

Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU \_\_\_\_\_

Document ID

Cashier \_\_\_\_\_

STAMPS

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

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

1. For the quarterly period ended: March 31, 2020
2. SEC Identification Number: AS095-008557
3. BIR Tax Identification Number: 004-636-077
4. **IPM HOLDINGS, INC.**  
Exact name of issuer as specified in its charter
5. Pasig City, Philippines  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. Unit 103 G/F, Prestige Tower, Condominium F. Ortigas Jr., Avenue  
Ortigas Center, Pasig City  
Address of issuer's principal office                      Postal Code: 1605
8. (632) 8897-5257/8817-6791  
Issuer's telephone number, including area code
9. MINERALES INDUSTRIAS CORPORATION  
Former name, former address and former fiscal year, if changed since last report:
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

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

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

Yes (√)                      No ( )

12. Indicate by check mark whether the registrant:

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

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

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

With the technical competency and available solutions, BEST, on a Public-Private Partnership (PPP) framework, shall build, develop and operate state-of-the-art facilities to properly address the waste management needs of local government units (LGUs) and raise the standards of waste management solutions, thereby reducing pollution and preventing the further destruction of the country’s natural resources.

As of March 31, 2020, the Company is actively engaged in the advanced stages of development for the realization of these PPP projects, which will place BEST at the forefront of the waste management industry all over the Philippines.

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

#### **MANAGEMENT’S DISCUSSION AND ANALYSIS**

Management’s discussion and analysis of the Company and subsidiary (the “Company”) financial position and results of operations should be read in conjunction with the interim consolidated financial statements as of March 31, 2020.

#### **First Quarter Ended March 31, 2020 Compared to First Quarter Ended March 31, 2019**

##### Income

Total consolidated income for the quarter ending March 31, 2020 amounted to Php60.89 million for a slight increase of Php0.72 million or 1.20% over the Php60.17 million posted in the same period of 2019.

##### Expenses

Total consolidated expenses for the quarter ending March 31, 2020 amounted to Php58.23 million, up by Php32.39 million or 125.35% from the Php25.84 million posted in the same period of 2019. The material changes are as follows:

- Cost of Services - At Php46.63 million, higher by Php33.63 million or 258.65% than the Php13.00 million reported in the same quarter of 2019. This is attributable mainly to the increase in contract

costs for hauling and waste collection in Cagayan de Oro City amounting to Php22.32 million, and depreciation of land and development costs of the Morong Engineered Sanitary Landfill (MESLF) amounting to Php5.37 million.

- General and Administrative Expenses – Lower by Php1.66 million or 16%, from Php10.34 million to Php8.68 million in 2020. This is attributable mainly to the decrease in professional fees.
- Interest Expense – Higher by Php0.50 million or 45%, from Php1.11 million in 2019 to Php1.61 million posted in the same period of 2019. This was mainly due to the increase in bank loan interest.

#### Net Income

The first three months of 2020 resulted to a net income of Php1.46 million, which significantly decreased by Php22.44 million or 94.89%, from the Php23.90 million reported in the same period of 2019. This was mainly due to the increase in contract costs for the hauling and waste collection fees in Cagayan de Oro.

#### **Financial Position as of March 31, 2020 Compared to Financial Position as of December 31, 2019**

<b>Statements of financial position data</b>	<b>31-Mar-2020</b>	<b>31-Dec-2019</b>	<b>% Inc/(Dec)</b>
Total Current Assets	1,124,676,969	1,084,735,522	3.68%
Total Assets	1,479,359,995	1,446,413,531	2.28%
Total Current Liabilities	277,295,558	245,813,573	12.81%
Total Liabilities	309,040,160	277,558,175	11.34%
Total Stockholders' Equity	1,170,319,835	1,168,855,356	0.13%

The Company's consolidated total assets slightly increased by Php32.95 million or 2.28% from Php1,446.41 million as of December 31, 2019 to Php1,479.36 million as of March 31, 2020.

- Cash and cash equivalents increased by Php47.65 million or 438.33%, from Php10.87 million as of December 31, 2019 to Php58.52 million as of March 31, 2020. The increase was mainly due to the collection of receivables from IPMESI amounting to Php50.00 million.
- Trade and other receivables marginally decreased by Php8.03 million or 0.75%, from Php1,060.68 million as of December 31, 2019 to Php1,052.65 million as of March 31, 2020.
- Other current assets showed a minimal increase of 2.41% from Php13.19 million as of December 31, 2019 to Php13.50 million as of March 31, 2020.
- Noncurrent assets decreased by Php6.99 million or 1.93%, from Php361.68 million as of December 31, 2019 to Php354.68 million as of March 31, 2020.

Total consolidated liabilities amounted to Php309.04 million as of March 31, 2020, up by Php31.48 million or 11.34% from Php277.56 million as of December 31, 2019. This is attributable mainly to the increase in trade payables.

Total stockholders' equity increased by Php1.46 million or 0.13%, corresponding to the net income recognized for the period.

Current ratio decreased from 4.41x as of December 31, 2019 to 4.06x as of March 31, 2020; net working capital stood at Php847.38 million as of March 31, 2020 versus Php838.92 million as of December 31, 2019.

## Liquidity and Capital Resources

For the quarter ended March 31, 2020, net cash provided by operating activities amounted to Php48.37 million, up by 37.41 million, as compared to the Php10.96 million in the same period of 2019. This is mainly due to the increase in trade and other payables.

Net cash used in investing activities amounted to Php1.11 million in the first quarter of 2020 as compared to Php1.22 million in the same period of 2019. This was mainly due to the acquisition of property and equipment and increase in other noncurrent assets.

Net cash used in financing activities amounted to Php0.39 million in the first quarter of 2020 as compared to Php1.11 million in 2019, the said amounts representing payment of bank loans and interest.

## Key Performance Indicators

The company's key performance indicators are as follows:

<b>KPI</b>	<b>Calculation</b>	<b>31-Mar-2020</b>	<b>31-Dec-2019</b>
Current Ratio (1)	Current Assets/Current Liabilities	<b>4.06x</b>	4.41x
Quick Ratio (2)	Current Assets-Inventory-Prepaid Expenses /Current Liabilities	<b>4.01x</b>	4.36x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	<b>0.26x</b>	0.24x
Book Value per share (4)	Total Assets –Total Liabilities/ Outstanding Shares	<b>1.70</b>	1.70
Income per Share (5)	Net Income/Weighted Average Number of Shares Outstanding	<b>0.002</b>	0.12

	<u>31-Mar-2020</u>	<u>December 31, 2019</u>
(1) Current Ratio	1,124,676,969/277,295,558	1,084,735,522/245,813,573
(2) Quick Ratio	1,111,173,973/277,295,558	1,071,550,459/245,813,573
(3) Debt to Equity	309,040,160/1,170,319,837	277,558,175/1,168,855,356
(4) Book Value/Share	1,170,319,835/690,000,000	1,168,855,356/690,000,000
(5) Income per Share	1,464,479/690,000,000	81,407,363/690,000,000

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

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

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

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

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

### Other Matters

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

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

### **PART II – OTHER INFORMATION**

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

Not Applicable

## SIGNATURES

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

**Issuer : IPM HOLDINGS, INC.**

  
**ISABELITA B. MERCADO**  
Chairman and Chief Executive Officer

Date: July 28, 2020

  
**FRANCIS NEIL B. MERCADO**  
Treasurer and Chief Financial Officer

Date: July 28, 2020

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

	31-Mar-2020	31-Dec-2019
	Unaudited	Audited
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 4)	₱58,521,021	₱10,870,908
Current portion of Receivables - net (Notes 5 and 15)	1,052,652,952	1,060,679,551
Other current assets (Note 6)	13,502,996	13,185,063
<b>Total Current Assets</b>	<b>1,124,676,969</b>	<b>1,084,735,522</b>
<b>Noncurrent Assets</b>		
Noncurrent portion of Receivables – net (Notes 5 and 15)	31,209,860	31,209,860
Deposits (Note 8)	1,988,034	1,988,034
Investments in an associate and a joint venture (Note 7)	89,753,082	91,050,210
Property and equipment (Note 10)	107,698,163	113,190,603
Investment property (Note 9)	105,677,673	106,022,816
Deferred tax assets (Note 20)	11,250,898	11,250,898
Other current assets (Note 11)	7,105,316	6,965,588
<b>Total Noncurrent Assets</b>	<b>354,683,026</b>	<b>361,678,009</b>
	<b>₱1,479,359,995</b>	<b>₱1,446,413,531</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 12)	₱180,601,012	₱150,320,877
Loan payable (Note 13)	90,000,000	90,000,000
Income tax payable	6,694,546	5,492,696
<b>Total Current Liabilities</b>	<b>277,295,558</b>	<b>245,813,573</b>
<b>Noncurrent Liabilities</b>		
Asset Rehabilitation Obligation (ARO-liability) (Note 21)	29,686,768	29,686,768
Net pension liability (Note 19)	2,057,834	2,057,834
<b>Total Noncurrent Liabilities</b>	<b>31,744,602</b>	<b>31,744,602</b>
<b>Total Liabilities</b>	<b>309,040,160</b>	<b>277,558,175</b>
<b>Equity</b>		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 14)	690,000,000	690,000,000
Retained earnings (Note 14)	406,348,915	405,449,268
Other reserves (Notes 1 and 19)	(298,474,542)	(298,474,542)
	797,874,373	796,974,726
Noncontrolling interests	372,445,462	371,880,630
<b>Total Equity</b>	<b>1,170,319,835</b>	<b>1,168,855,356</b>
	<b>₱1,479,359,995</b>	<b>₱1,446,413,531</b>

*See accompanying Notes to Consolidated Financial Statements.*



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

	Quarters Ended March 31	
	2020	2019
<b>REVENUE AND OTHER INCOME</b>		
Service income (Notes 16 and 21)	<b>₱55,945,897</b>	₱41,106,104
Rental income (Notes 9 and 21)	<b>4,631,541</b>	18,549,732
Interest Income (Notes 4, 8 and 13)	<b>314,354</b>	511,883
	<b>60,891,792</b>	60,167,719
<b>EXPENSES</b>		
Cost of services (Note 17)	<b>46,634,150</b>	13,002,840
General and administrative expenses (Note 18)	<b>8,684,094</b>	10,339,873
Interest expense (Notes 13 and 21)	<b>1,610,000</b>	1,109,653
Equity in net losses of an associate and a joint venture (Note 7)	<b>1,297,129</b>	1,385,793
	<b>58,225,373</b>	25,838,159
<b>INCOME BEFORE INCOME TAX</b>	<b>2,666,419</b>	34,329,560
<b>PROVISION FOR INCOME TAX</b>	<b>1,201,940</b>	10,428,867
<b>NET INCOME</b>	<b>1,464,479</b>	23,900,693
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Items not to be reclassified to profit or loss:</i>		
Actuarial losses on defined benefit obligation	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱1,464,479</b>	₱23,900,693
Net income attributable to:		
Equity holders of the parent	<b>₱899,647</b>	₱17,742,217
Noncontrolling interest	<b>564,832</b>	6,158,476
	<b>₱1,464,479</b>	₱23,900,693
Total comprehensive income attributable to:		
Equity holders of the parent	<b>₱899,647</b>	₱17,742,217
Noncontrolling interest	<b>564,832</b>	6,158,476
	<b>₱1,464,479</b>	₱23,900,693
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 20)</b>	<b>₱0.001</b>	₱0.026

*See accompanying Notes to Consolidated Financial Statements*

**IPM HOLDINGS, INC. AND SUBSIDIARY**

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock	Retained Earnings - Unappropriated	Retained Earnings - Appropriated	Other Reserves Equity Reserve	Actuarial Losses on Defined Benefit Obligation	Noncontrolling Interests	Total Equity
At January 1, 2020	<b>P690,000,000</b>	<b>P405,449,268</b>	P	<b>(P298,498,391)</b>	<b>P23,849</b>	<b>P371,880,630</b>	<b>P1,168,855,356</b>
Net income for the first quarter	–	<b>899,647</b>	–	–	–	<b>564,832</b>	<b>1,464,479</b>
At March 31, 2020	<b>P690,000,000</b>	<b>P406,348,915</b>	<b>P</b>	<b>(P298,498,391)</b>	<b>P23,849</b>	<b>P372,445,462</b>	<b>P1,170,319,835</b>
At January 1, 2019	P690,000,000	P345,375,958	P	(P298,498,391)	P183,575	P350,599,821	P1,087,660,963
Net income for the first quarter	–	17,742,217	–	–	–	6,158,476	23,900,693
At March 31, 2019	P690,000,000	P363,118,175	P	(P298,498,391)	P183,575	P356,758,297	P1,111,561,656
At January 1, 2018	P690,000,000	P320,898,240	P	(P298,498,391)	(P12,265)	P342,384,349	P1,054,771,933
Net income for the first quarter	–	10,893,976	–	–	–	3,801,413	14,695,389
At March 31, 2018	P690,000,000	P331,792,216	P	(P298,498,391)	(P12,265)	P346,185,762	P1,069,467,322

*See accompanying Notes to Consolidated Financial Statements.*

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

	Quarters Ended March 31	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱2,666,413</b>	₱34,329,560
Adjustments for:		
Depreciation and amortization	<b>6,812,584</b>	3,270,709
Interest expense	<b>1,610,000</b>	1,109,653
Equity in net losses (earnings) of an associate and a joint venture (Note 7)	<b>1,297,129</b>	3,785,793
Interest income	<b>(314,354)</b>	(511,883)
Operating income before changes in working capital	<b>12,071,772</b>	41,983,832
Decrease (increase) in:		
Receivables	<b>8,033,456</b>	(42,646,275)
Due from a related party		
Other current assets	<b>(323,930)</b>	(1,190,752)
Increase (decrease) in:		
Trade and other payables	<b>30,907,085</b>	12,297,287
Due to related parties	-	-
Net cash generated from (used in) operations	<b>50,688,383</b>	10,444,092
Interest received	<b>(313,452)</b>	511,883
Income tax paid	<b>(90)</b>	(34)
Net cash provided by operating activities	<b>50,374,841</b>	10,955,941
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Revaluation of pension liability		
Other noncurrent assets	<b>(139,728)</b>	-
Acquisition of property and equipment	<b>(975,000)</b>	(2,560,528)
Increase in deposits	-	1,345,365
Net cash used in investing activities	<b>(1,114,728)</b>	(1,215,163)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Interest paid	<b>(1,610,000)</b>	(1,109,653)
Net cash used by financing activities	<b>(1,610,000)</b>	(1,109,653)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>47,650,113</b>	8,631,125
<b>CASH AT BEGINNING OF PERIOD</b>	<b>10,870,908</b>	6,936,678
<b>CASH AT END OF PERIOD (Note 4)</b>	<b>₱58,521,021</b>	₱15,567,803

*See accompanying Notes to Consolidated Financial Statements.*

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

	<b>31-Mar-2020</b>	31-Dec-2019
	<b>Unaudited</b>	Audited
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	<b>₱1,165,665</b>	₱622,789
Other current assets	<b>453,455</b>	20,000
<b>Total Current Assets</b>	<b>1,619,120</b>	642,789
<b>Noncurrent Asset</b>		
Investment in a subsidiary	<b>485,375,000</b>	485,375,000
<b>TOTAL ASSETS</b>	<b>₱486,994,120</b>	₱486,017,789
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Advances from related party (Note 10)	<b>₱13,500,000</b>	₱11,500,000
Accrued expenses and other payables	<b>545,823</b>	774,638
<b>Total Liabilities</b>	<b>₱14,045,824</b>	₱12,274,638
<b>Equity</b>		
Capital stock	<b>690,000,000</b>	690,000,000
Deficit	<b>(217,051,704)</b>	(216,256,849)
<b>Total Equity</b>	<b>472,948,296</b>	473,743,151
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱486,994,120</b>	₱486,017,789

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

	<b>Quarters Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
<b>INCOME</b>		
Interest	<b>₱451</b>	<b>₱172</b>
<b>EXPENSES</b>		
Directors' per diem	<b>240,000</b>	180,000
Stock exchange listing fee	<b>138,320</b>	142,450
Salaries and wages	<b>137,000</b>	137,000
Professional fees	<b>100,000</b>	99,386
Utilities	<b>45,000</b>	45,000
Rent	<b>40,179</b>	40,179
Membership fee	<b>25,000</b>	25,000
Taxes and licenses	<b>22,500</b>	18,086
Transportation	<b>7,500</b>	12,094
Entertainment, amusement and recreation	<b>31,379</b>	10,920
Office supplies and printing costs	<b>1,416</b>	6,468
Miscellaneous	<b>6,921</b>	16,774
	<b>795,215</b>	733,357
<b>LOSS BEFORE INCOME TAX</b>	<b>794,764</b>	733,185
<b>PROVISION FOR INCOME TAX</b>	<b>90</b>	34
<b>NET LOSS</b>	<b>794,854</b>	733,219
<b>OTHER COMPREHENSIVE INCOME</b>	-	-
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>₱794,854</b>	<b>₱733,219</b>

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

	<b>Capital Stock</b>	<b>Deficit</b>	<b>Total</b>
At January 1, 2020	<b>₱690,000,000</b>	<b>(₱216,256,849)</b>	<b>₱473,743,151</b>
Net loss for the first quarter	–	<b>(794,855)</b>	<b>(794,855)</b>
<b>At March 31, 2020</b>	<b>₱690,000,000</b>	<b>(₱217,051,704)</b>	<b>₱472,948,296</b>
At January 1, 2019	₱690,000,000	(₱212,328,003)	₱477,671,997
Net loss for the first quarter	–	(733,219)	(733,219)
At March 31, 2019	₱690,000,000	(₱213,061,222)	₱476,938,778

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

	<b>Quarters Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	<b>(P794,764)</b>	(P733,184)
Adjustments for:		
Interest income	<b>(451)</b>	(172)
Operating loss before changes in working capital	<b>(795,215)</b>	(733,356)
Changes in operating assets and liabilities		
Increase in other current assets	<b>(433,456)</b>	(532,987)
Decrease in accrued expenses and other payables	<b>(228,814)</b>	(248,258)
Net cash used in operations	<b>(1,457,485)</b>	(1,514,601)
Interest received	<b>451</b>	172
Income tax paid	<b>(90)</b>	(34)
Net cash used in operating activities	<b>(1,457,124)</b>	(1,514,463)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Increase in advances from related party (Note 10)	<b>2,000,000</b>	1,600,000
Net cash used in financing activities	<b>2,000,000</b>	1,600,000
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>542,876</b>	85,537
<b>CASH AT BEGINNING OF PERIOD</b>	<b>622,789</b>	153,908
<b>CASH AT END OF PERIOD</b>	<b>P1,165,665</b>	P239,445

## IPM HOLDINGS, INC. AND SUBSIDIARY

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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#### 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 with a corporate life of 50 years on August 1, 1995 and September 15, 1999, respectively. The Parent Company’s registered office address is at Unit 103, Ground Floor, Prestige Tower Condominium, F. Ortigas Jr. Avenue, Ortigas Center, Pasig City.

The Parent Company 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, 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%
	<hr/>
	487,721,570
Cash paid by Parent Company	462,500,000
	<hr/>
	₱25,221,570
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## 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.

### 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 loses 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.

As of March 31, 2020 and December 31, 2019, NCI pertains to the 25% ownership of individuals and companies other than the Parent Company of BEST. The financial information of BEST, with material NCI, is provided below. This information is based on amounts before intercompany eliminations.

*Statements of Financial Position*

	<b>31-Mar-2020</b>	31-Dec-2019
Current assets	<b>₱1,129,057,848</b>	₱1,088,092,736
Noncurrent assets	<b>356,933,026</b>	363,928,010
<b>Total assets</b>	<b>₱1,485,990,874</b>	₱1,452,020,746
Current liabilities	<b>₱276,749,734</b>	₱245,038,935
Noncurrent liabilities	<b>31,744,602</b>	31,744,602
<b>Total liabilities</b>	<b>₱308,494,336</b>	₱276,783,537

*Statements of Comprehensive Income*

	<b>31-Mar-2020</b>	31-Dec-2019
Revenue	<b>₱60,931,519</b>	₱253,677,639
Net income	<b>2,259,327</b>	85,336,210
<b>Total comprehensive income</b>	<b>2,259,327</b>	85,123,240

*Statements of Cash Flows*

	<b>31-Mar-2020</b>	31-Dec-2019
Cash flows from (used in):		
Operating activities	<b>₱49,831,965</b>	₱31,144,688
Investing activities	<b>(1,114,728)</b>	(15,139,076)
Financing activities	<b>(1,610,000)</b>	(12,540,263)
<b>Net increase in cash and cash equivalents</b>	<b>47,107,237</b>	<b>₱3,465,349</b>
Accumulated balance of material NCI	<b>₱372,445,462</b>	₱371,880,630
Net income attributable to material NCI	<b>564,832</b>	21,334,053
Total comprehensive income attributable to NCI	<b>564,832</b>	21,280,809

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, 2019.

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

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 did not have an impact on leases where the Group is the lessor. Further, the Group applied short-term lease exemptions to leases with lease term that ends within 12 months at the date of initial application.

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

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

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

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

The Philippine interpretation did not have a material impact on the consolidated financial statements of the Group.

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the consolidated financial statements of the Group.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

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

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

- *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments are currently not applicable to the Group but may apply to future transactions.

- *Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

These amendments had no impact on the consolidated financial statements of the Group as any dividends to be declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*  
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

#### Future Changes in Accounting Policies

The following are the standards amendments and improvements to PFRSs that were issued but are not effective as at December 31, 2019. Unless otherwise indicated, the Group does not expect that the future adoption of these pronouncements will have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Definition of a Business*  
The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2021, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*  
The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

The Company will apply those amendments prospectively for annual reporting periods beginning on or after January 1, 2021, with earlier application permitted, as applicable.

These amendments are not expected to have a significant impact on the consolidated financial statements of the Group.

#### *Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contract*  
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance

contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

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

#### *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 adopting the amendments to PFRS 10 and PAS 28.

#### 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 is 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 amortised 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 analysed. 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 one year 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 the consolidated statement of income. 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 the statement of 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 expires. 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 the statement of 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 Company recognizes the difference between the transaction price and fair value (a “Day 1” loss) in the statement of income 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 the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company 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, 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.

#### Investments in an Associate and a Joint Venture

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

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

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

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

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

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

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

#### Investment Property

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

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

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

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

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

#### Property and Equipment

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

Depreciation of property and equipment, other than land 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.

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

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

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

#### Impairment of Nonfinancial Assets

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

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

#### *Investments in an associate and a joint venture*

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

#### Asset Rehabilitation Obligation (ARO-liability)

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.

#### 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 arrangement.

##### *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

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

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

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

*Finance lease commitments - Group as a lessee*

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

*Group as a lessor*

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

Retirement Cost

The Group 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 Group 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.

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### **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 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, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, 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.

*Assessment of accounting for Passi Sanitary Landfill*

The Group has made a judgment that the expenses incurred in relation to the design and construction of Passi Sanitary Landfill will not qualify under IFRIC 12, *Service Concession Arrangements* on the basis that the Group acts only as an agent to the City of Passi responsible for the construction and operations of the Sanitary Landfill.

The management further assessed that the agreement would not be accounted for under PFRS 11, *Joint Arrangements* on the basis that the agreement does not explicitly provide for the governing body of the Project composed of representatives from both parties who will unanimously agree on matters concerning the relevant activities of the Project. However, the management will provide for an addendum to the agreement for a governing body consisting of both members from both the Group and the City of Passi who will unanimously agree on the decisions related to the relevant activities of the Project.

The investment in PASSI will be accounted for as Other Asset under PFRS 15, *Revenue from Contracts with Customers* and will later be reclassified to Investment after the Addendum to the contract has been executed by the Parties and will be accounted for under PFRS 11, *Joint Arrangements*.

#### *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.

#### *Distinction between investment properties and owner-occupied properties*

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

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

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

#### *Operating lease - Company as lessor*

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

#### Estimates and Assumptions

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

*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 ₱10.42 million as of March 31, 2020 and December 31, 2019. The carrying amounts of receivables amounted to ₱1,083.86 million and ₱1,091.89 million as of March 31, 2020 and December 31, 2019, 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.

As of March 31, 2020 and December 31, 2019, the carrying values of investments in an associate and a joint venture amounted to ₱89.75 million and ₱91.05 million, respectively (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, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, the Group's ARO-liability has a carrying value of ₱29.69 million. (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 on factors that include asset use, internal technical evaluation, and technological and environmental changes, and anticipated use of the assets.

As of March 31, 2020 and December 31, 2019, the carrying value of the land, development costs and asset rehabilitation obligation asset amounted to ₱58.49 million and ₱61.83 million, respectively.

*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, 2020 and December 31, 2019, the Group did not recognize any impairment loss on its nonfinancial assets. As of March 31, 2020 and December 31, 2019, the carrying values of the Group's nonfinancial assets are as follows:

	<b>31-Mar-2020</b>	31-Dec-2019
Property and equipment (Note 10)	<b>₱107,698,163</b>	₱113,190,603
Investment property (Note 9)	<b>105,677,673</b>	106,022,816
Other current assets (Note 6)	<b>13,502,996</b>	13,185,064
Other noncurrent assets (Note 11)	<b>7,105,316</b>	6,965,588

*Estimating retirement benefits*

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

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with



estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates in the Philippines. Net pension liability amounted to ₱2.06 million as of March 31, 2020 and December 31, 2019.

*Recognition of deferred tax assets*

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

Deferred tax assets as of March 31, 2020 and December 31, 2019 amounted to ₱11.25 million.

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4. **Cash**

	<b>31-Mar-2020</b>	31-Dec-2019
Cash on hand	<b>₱72,210</b>	₱72,210
Cash in banks	<b>58,448,811</b>	10,798,698
	<b>₱58,521,021</b>	₱10,870,908

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

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5. **Receivables - net**

Current receivables

	<b>31-Mar-2020</b>	31-Dec-2019
Trade receivables		
Related parties (Note 15)	<b>₱985,871,583</b>	₱1,008,261,176
Private entities	<b>25,645,557</b>	34,072,939
Local government units (LGUs) (Note 22)	<b>40,178,030</b>	18,891,643
	<b>1,051,695,170</b>	1,061,225,758
Loans receivable	<b>6,000,000</b>	6,000,000
Advances to officers and employees	<b>3,006,159</b>	2,027,975
Interest receivable (Note 15)	<b>295,080</b>	-
Advances to suppliers	<b>1,012,144</b>	781,419
Others	<b>1,066,172</b>	1,066,172
	<b>1,063,074,725</b>	1,071,101,324
Less allowance for expected credit losses	<b>10,421,773</b>	10,421,773
	<b>₱1,052,652,952</b>	₱1,060,679,551

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

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

Noncurrent receivables

	<b>31-Mar-2020</b>	31-Dec-2019
Loan receivables – related party (Note 19)	<b>₱25,000,000</b>	₱25,000,000
Interest receivable – related party (Note 19)	<b>6,209,860</b>	6,209,860
	<b>₱31,209,860</b>	₱31,209,860

In 2019, ERC provided the Company with the schedule of payment for the former’s payable to the latter. The principal amount of ₱6.00 million is due within the next 12 months while the principal amount of ₱25.00 million and interest receivable amounting to ₱6.21 million are expected to be collected more than one year.

In 2018, IPMCDC provided the Company with the schedule of payment for the former’s payable to the latter. Non-interest bearing trade receivables amounting to ₱19.08 million are expected to be collected in the first quarter of 2020. These trade receivables have been discounted and the corresponding ‘day 1’ loss amounting to ₱1.51 million is charged to profit and loss in 2018 (Notes 15 and 18).

The rollforward analysis of the Group’s allowance for expected credit losses follows:

	<b>31-Mar-2020</b>	31-Dec-2019
Balance at the beginning of the year	<b>₱10,421,773</b>	₱9,189,300
Provision for the year (Note 18)	-	1,232,473
Balance at end of year	<b>₱10,421,773</b>	₱10,421,773

Allowance for expected credit losses as of March 31, 2020 and December 31, 2019 pertains to long-outstanding trade and other receivables of the Group which were determined to be credit impaired and expected credit losses assessed by the management

**6. Other Current Assets**

	<b>31-Mar-2020</b>	31-Dec-2019
Input VAT	<b>₱11,400,177</b>	₱11,769,314
Creditable withholding taxes	<b>7,231,360</b>	6,087,124
Prepayments	<b>370,680</b>	545,000
Deferred input VAT	<b>102,769</b>	385,615
Deposits	<b>15,669</b>	15,669
	<b>19,120,655</b>	18,802,722
Less allowance for impairment losses	<b>5,617,659</b>	5,617,659
	<b>₱13,502,996</b>	₱13,185,063

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.

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

The Parent Company 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:

	<b>31-Mar-2020</b>	31-Dec-2019
Balance at beginning of year	<b>₱5,617,659</b>	₱5,381,604
Provision for the year (Note 17)	-	236,055
<b>Balance at end of year</b>	<b>₱5,617,659</b>	<b>₱5,617,659</b>

## 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, 2020 and December 31, 2019 follow:

	<b>Associate</b>		<b>Joint Venture</b>		<b>Total</b>	
	<b>Metro Clark Waste Management Corporation (MCWM)</b>		<b>Ecoedge Resources Corporation (ERC)</b>			
	<b>31-Mar-2020</b>	31-Dec-2019	<b>31-Mar-2020</b>	31-Dec-2019	<b>31-Mar-2020</b>	31-Dec-2019
Cost	<b>₱32,393,358</b>	₱32,393,358	<b>₱51,412,499</b>	₱51,412,499	<b>₱83,805,857</b>	₱83,805,857
Accumulated share in net earnings (losses):						
Balance at beginning of year	<b>50,888,638</b>	38,442,682	<b>(43,644,285)</b>	(39,719,496)	<b>7,244,354</b>	(1,276,814)
Equity in net earnings (losses) of an associate and a joint venture	-	30,070,077	<b>(1,297,129)</b>	(3,924,789)	<b>(1,297,129)</b>	26,145,288
Other adjustments to equity in net earnings (losses) of an associate and a joint venture	-	(24,121)	-	-	-	(24,121)
Dividends during the year	-	(17,600,000)	-	-	-	(17,600,000)
<b>Balance at end of year</b>	<b>50,888,638</b>	50,888,638	<b>(44,941,414)</b>	(43,644,285)	<b>5,947,225</b>	7,244,353
	<b>₱83,281,996</b>	₱83,281,996	<b>₱6,471,085</b>	₱7,768,214	<b>₱89,753,082</b>	₱91,050,210

### 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, 2020 and December 31, 2019, the Group's dividend income from investment in an associate amounted to nil and ₱17.60 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.

In 2018, goodwill in investments in ERC amounting to ₱2.56 million has been impaired, decreasing the investment and retained earnings, beginning and 2017 net income by the same amount. 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, 2020 and December 31, 2019, 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.

## 9. Investment Property

	31-Mar-2020		
	Land	Condominium Unit	Total
<b>Cost</b>			
Beginning	₱70,320,000	₱44,762,040	₱115,082,040
Balance at end of year	70,320,000	44,762,040	115,082,040
<b>Accumulated depreciation:</b>			
Balance at beginning of year	–	9,059,224	9,059,224
Depreciation (Note 16)	–	345,143	345,143
Balance at end of year	–	9,404,367	9,404,367
<b>Net book value</b>	<b>₱70,320,000</b>	<b>₱35,357,674</b>	<b>₱105,677,673</b>
	31-Dec-2019		
	Land	Condominium Unit	Total
<b>Cost</b>			
Beginning	₱70,320,000	₱44,762,040	₱115,082,040
Balance at end of year	70,320,000	44,762,040	115,082,040
<b>Accumulated depreciation:</b>			
Balance at beginning of year	–	7,678,657	7,678,657
Depreciation (Note 16)	–	1,380,567	1,380,567
Balance at end of year	–	9,059,224	9,059,224
<b>Net book value</b>	<b>₱70,320,000</b>	<b>₱35,702,816</b>	<b>₱106,022,816</b>

Land pertains to a property located in Taytay, Rizal with currently undetermined use as of March 31, 2020 and December 31, 2019.

BEST leased out portions of the other unit to its joint venture and to another private company. In 2018, the Group reclassified the portions of the condominium unit with allocated cost and accumulated depreciation amounting to ₱6.23 million and ₱0.99 million, respectively, due to a lease agreement entered into in 2018. The rental income recognized from lease agreements amounted to ₱1.98 million, ₱0.38 million and ₱0.05 million in 2019, 2018 and 2017, respectively. Depreciation amounting to ₱1.38 million, ₱2.11 million and ₱1.12 million in 2019, 2018 and 2017 is recognized in cost of services.

10. Property and Equipment

31-Mar-2020									
	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Leasehold Improvements	ARO-Asset (Note 22)	Software Devt. Costs	Total
<b>Cost</b>									
At January 1	₱56,757,700	₱30,829,613	₱123,814,371	₱4,515,238	₱137,913,893	₱793,187	₱14,202,829	₱975,000	₱357,976,831
Additions	-	-	-	-	4,317,875	-	-	-	16,142,875
At December 31	56,757,700	30,829,613	123,814,371	4,515,238	142,231,768	793,187	14,202,829	975,000	374,119,706
<b>Accumulated Depreciation and Amortization</b>									
At January 1	15,131,043	7,073,174	96,767,390	4,428,223	122,923,841	317,432	8,995,125	-	255,636,228
Depreciation and amortization (Notes 16 and 17)	1,358,371	224,959	2,853,274	15,963	5,642,126	39,659	650,963	-	10,785,315
At December 31	16,489,414	7,298,133	99,620,664	4,444,186	128,566,967	357,091	9,646,088	-	266,421,543
<b>Net Book Value</b>	<b>₱40,268,286</b>	<b>₱23,531,480</b>	<b>₱24,193,707</b>	<b>₱71,052</b>	<b>₱13,665,801</b>	<b>₱436,096</b>	<b>₱4,556,741</b>	<b>₱975,000</b>	<b>₱107,698,163</b>

31-Dec-2019									
	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Leasehold Improvements	ARO-Asset (Note 22)		Total
<b>Cost</b>									
At January 1	₱44,932,700	₱30,829,613	₱123,814,371	₱4,480,390	₱122,654,889	₱793,187	₱14,202,829		₱341,707,979
Additions	11,825,000	-	-	34,848	15,259,004	-	-		27,118,852
At December 31	56,757,700	30,829,613	123,814,371	4,515,238	137,913,893	793,187	14,202,829		368,826,831
<b>Accumulated Depreciation and Amortization</b>									
At January 1	11,557,350	6,173,337	85,541,793	4,273,255	98,981,444	158,795	6,391,272		213,077,246
Depreciation and amortization (Notes 16 and 17)	3,573,693	899,837	11,225,597	154,968	23,942,397	158,637	2,603,853		42,558,982
At December 31	15,131,043	7,073,174	96,767,390	4,428,223	122,923,841	317,432	8,995,125		255,636,228
<b>Net Book Value</b>	<b>₱41,626,657</b>	<b>₱23,756,439</b>	<b>₱27,046,981</b>	<b>₱87,015</b>	<b>₱14,990,052</b>	<b>₱475,755</b>	<b>₱5,207,704</b>		<b>₱113,190,603</b>

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

As of March 31, 2020 and December 31, 2019, the Group has no outstanding payables arising from acquisitions of property and equipment.

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## 11. Other Assets

On September 25, 2019, the Company 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 generate by the members of the Passi City Cluster of LGUs.

In 2019, the Company has started the design, engineering, and construction of the sanitary landfill. As of March 31, 2020 and December 31, 2019, The Company has incurred and capitalized expenses amounting to ₱7.11 million and ₱6.97 million, respectively in relation to the sanitary landfill.

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## 12. Trade and Other Payables

	31-Mar-2020	31-Dec-2019
Trade payables		
Related parties (Note 15)	<b>₱50,297,560</b>	₱19,233,948
Third parties	<b>3,511,647</b>	3,545,276
	<b>53,809,207</b>	22,779,224
Payable to government agencies	<b>9,947,578</b>	12,819,806
Deferred output VAT	<b>111,820,714</b>	112,746,577
Accrued expenses	<b>5,023,513</b>	1,975,270
	<b>₱180,601,012</b>	₱150,320,877

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

Accrued expenses pertain to accruals of professional fees, salaries and wages and interest on loan payable and are normally settled within 12 months.

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### 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 December 29, 2016, the Company paid only ₱2.00 million of the total amount and renewed the remaining ₱98.00 million for a period of 352 days maturing on December 15, 2017.

On December 15, 2017, the Company paid ₱1.00 million of the principal amount of the loan. The remaining ₱97.00 million was renewed for the period of 360 days and has matured on December 15, 2018. Interest from December 15, 2017 to January 16, 2018 was at the rate of 4.50% per annum and every month thereafter shall be at the prevailing interest rate. Interest payment commenced on January 25, 2018.

On December 13, 2018, the remaining loan balance of ₱96.00 million was renewed for a period of 57 days and has matured on February 8, 2019. Principal amount renewed bears interest payable monthly in arrears. Interest from December 13, 2018 to January 11, 2019 (29 days) shall be at 7.25% per annum. Payment of interest shall commence on January 11, 2019 and every month, thereafter until fully paid at prevailing rate. The remaining principal amount was rolled over by the Company prior to its maturity.

On April 30, 2019, May 24, 2019 and October 29, 2019 the Company paid ₱2.00 million each for the principal amount of the loan. The remaining ₱90.00 million was renewed and will mature on April 17, 2020. 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 ₱6.54 million and ₱5.14 million in 2019 and 2018, respectively.

As of March 31, 2020 and December 31, 2019, the outstanding balance of loan payable amounted to ₱90.00 million.

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### 14. Equity

#### Capital Stock

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

	<b>31-Mar-2020</b>	31-Dec-2019
<b>Authorized number of shares:</b>		
At the beginning and end of the year	<b>740,000,000</b>	740,000,000
<b>Number of shares issued and outstanding:</b>		
At the beginning and end of the year	<b>690,000,000</b>	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, 2020 and December 31, 2019.

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, 2020 and December 31, 2019, the Parent Company is in a deficit position, hence, no dividends were declared during the years covered.

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

	31-Mar-2020	31-Dec-2019
Balance at beginning of year	<b>₱216,256,849</b>	₱212,328,003
Net loss during the year	<b>794,855</b>	3,928,846
	<b>₱217,051,704</b>	₱216,256,849

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

Category	31-Mar-2020		Terms	Conditions
	Amount	Outstanding Balance		
<b>Trade receivables (Note 5)</b>				
<b>Parent</b>				
IPMCDC (a)	<b>₱6,561,633</b>	<b>₱320,927,716</b>	Noninterest-bearing; within one year	Unsecured, no impairment
<b>Shareholders</b>				
IPMESI (b)	–	<b>638,373,254</b>	Noninterest-bearing; on demand	Secured, no impairment
IPMRDC (c)	–	<b>34,687</b>	Noninterest-bearing; on demand	Unsecured, no impairment



<b>Joint Venture</b>				
IPMCDC		26,517,857	Noninterest-bearing; on demand	Unsecured, no impairment
ERC (d)	14,330	18,069	Noninterest-bearing; on demand	Unsecured, no impairment
		<b>₱985,871,583</b>		
<b>Loans receivable (Note 5)</b>				
<b>Joint venture</b>				
ERC (e)	₱–	₱25,000,000	Interest-bearing; within five years	Unsecured, no impairment
	–	6,000,000	Interest-bearing; within one year	Unsecured, no impairment
<b>Interest receivable (Note 5)</b>				
ERC (e)	1,180,320	6,209,860	Within five years	Unsecured, no impairment
		<b>₱37,209,860</b>		
<b>Trade payables (Note 12)</b>				
<b>Parent</b>				
IPMCDC (f)	₱31,063,612	₱50,297,560	Noninterest-bearing; on demand	Unsecured
<b>Accrued expenses</b>				
<b>Affiliate</b>				
GNCA Holdings, Inc. (GNCA) (g)	45,000	–	Noninterest-bearing; on demand	Unsecured
<b>BOD (h)</b>	<b>600,000</b>	<b>–</b>	Noninterest-bearing; on demand	Unsecured
		<b>₱50,297,560</b>		

31-Dec-2019

Category	Amount	Outstanding Balance	Terms	Conditions
<b>Trade receivables (Note 5)</b>				
<b>Parent</b>				
IPMCDC (a) Shareholders	₱99,243,795	₱314,453,212	Noninterest-bearing; within one year	Unsecured, no impairment
IPMESI (b)	–	693,745,655	Noninterest-bearing; on demand	Secured, no impairment
IPMRDC (c) Joint Venture	–	34,687	Noninterest-bearing; on demand	Unsecured, no impairment
ERC (d)	53,571	27,623	Noninterest-bearing; on demand	Unsecured, no impairment
		<b>₱1,008,261,177</b>		
<b>Loans receivable (Note 5)</b>				
<b>Joint venture</b>				
ERC (e)	₱–	₱31,000,000	Interest-bearing; within five years	Unsecured, no impairment
<b>Interest receivable (Note 5)</b>				
ERC (e)	1,180,320	6,209,860	Within five years	Unsecured, no impairment
		<b>₱37,209,860</b>		

Trade payables (Note 11)  
Parent

IPMCDC (f) Accrued expenses Affiliate	₱43,372,163	₱19,233,948	Noninterest-bearing; on demand	Unsecured
GNCA Holdings, Inc. (GNCA) (g)	180,000	–	Noninterest-bearing; on demand	Unsecured
BOD (h)	600,000	–	Noninterest-bearing; on demand	Unsecured
		<b>₱19,233,948</b>		

- a. BEST provides composting of waste materials services to IPMCDC and charges composting and waste processing fees based on a fixed contract price specified in the composting agreement. As of March 31, 2020 and December 31, 2019, the Company charged IPMCDC for transportation and heavy equipment rental fees.

In July 2015, BEST entered into a consultancy agreement with IPMCDC for the monitoring of efficiency of the latter's operation and compliance with rules and regulations on IPMCDC's contract with several local municipalities. The income payment is based on a fixed amount specified in the consultancy agreement.

The Group's revenue from IPMCDC for the first quarters of 2020 and 2019 is composed of the following:

	<u>31-Mar-2020</u>	<u>31-Mar-2019</u>
Consultancy	<b>₱-</b>	₱8,785,714
Equipment rental	<b>3,819,286</b>	18,589,911
Composting	<b>2,250,000</b>	3,000,000
	<b>₱6,069,286</b>	₱30,375,625

In 2019, BEST agreed with IPMCDC that receivables will be payable upon demand. Further, in March 12, 2020, BEST entered into an agreement wherein IPMCDC assigned 54,200,000 shares of the Parent Company (IPMHI) to guaranty the BEST's receivables from IPMCDC amounting to ₱314.45 million.

- b. 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). In 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, respectively, of the Parent Company to guaranty BEST's receivables from IPMESI amounting to ₱693.75 million.
- c. In 2019 and 2018, IPMRDC has not renewed its lease agreement with BEST.
- d. 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 which was renewed during 2019 upon mutual agreement of the parties.
- e. 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. In 2018, BEST agreed with ERC the fixing of date of collection of the former's receivables to the latter. Receivables pertaining to interest receivables amounting to ₱3.00 million are collectible within (1) one year. The principal amount to ₱31.00 million and interest receivable amounting to ₱0.02 million are collectible within five (5)

years and were reclassified as noncurrent receivables.

For the years ended 2019, 2018 and 2017, interest income earned from the loans amounted to ₱1.18 million each year. Accrued interest receivable amounted to ₱6.50 million and ₱6.21 million as of March 31, 2020 and December 31, 2019, respectively.

- f. IPMCDC charges BEST for the rental of equipment, subcontracted services, salaries and wages, fuel and oil and repairs and maintenance costs incurred in line with the operations of BEST.
- g. The Parent Company entered into an agreement with GNCA, an entity controlled by one of the Parent Company's director, for the sharing of common costs incurred on the leased office space of the Parent Company. The agreement provides that Parent Company shall pay fixed monthly utility charges of ₱15,000 in 2020 and 2019, in lieu of its proportionate share in monthly rentals on the leased premises.
- h. In 2013, the BOD of the Parent Company approved the grant of per diem to members of the BOD for every attendance in the regular meetings of the BOD. On June 27, 2018, the BOD approved the 100% increase in the *per diem* of each director. Total per diem paid to the directors amounted to ₱0.24 million, ₱0.18 million as of March 31, 2020 and December 31, 2019, respectively (see Note 18).

Transactions with related parties are based on terms agreed to by the parties. Outstanding balances as of reporting date are to be settled in cash, unless otherwise stated. Based on management's assessment, no provision for impairment of receivables for related parties is necessary. This assessment is done on a regular basis.

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## 16. Revenues from Contracts with Customers

	<b>31-Mar-2020</b>	31-Mar-2019
Income from tipping fee	<b>₱23,224,142</b>	₱17,203,797
Composting/waste process	<b>2,250,000</b>	3,000,000
Consultancy/field services	-	8,785,714
Hauling income	<b>6,364,612</b>	12,116,593
Income from waste collection	<b>24,107,143</b>	-
	<b>₱55,945,897</b>	₱41,106,104

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.

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.

Consultancy/field services pertains to the Group's revenue from maintaining IPMCDC's landfill facilities.

Hauling income pertains to the house to house collection of garbage and delivery to the sanitary landfill of the waste collected.

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**17. Cost of Services**

This account consists of:

	<b>31-Mar-2020</b>	31-Mar-2019
Contract costs	<b>22,321,429</b>	
Depreciation and amortization (Notes 9 and 10)	<b>10,544,394</b>	5,171,307
Rent (Note 14)	<b>₱4,511,689</b>	₱3,064,821
Bidding expense	<b>2,238,717</b>	-
Salaries, wages and employee benefits	<b>2,160,431</b>	1,914,552
Professional fee	<b>1,606,467</b>	-
Fuel and oil (Note 14)	<b>1,185,624</b>	1,080,553
Repairs and maintenance (Note 14)	<b>500,816</b>	76,139
Taxes and licenses	<b>498,692</b>	313,163
Transportation and travel	<b>147,601</b>	4,072
Supplies	<b>61,757</b>	45,165
Utilities	<b>43,949</b>	103,572
Entertainment, amusement and recreation	-	445,080
Others	<b>812,584</b>	784,416
	<b>46,634,150</b>	₱13,002,840

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**18. General and Administrative Expenses**

This account consists of:

	<b>31-Mar-2020</b>	31-Mar-2019
Salaries, wages and employee benefits (Note 14)	<b>₱3,009,804</b>	₱2,913,908
Professional fees	<b>510,000</b>	2,446,885
Depreciation and amortization (Note 10)	<b>586,065</b>	659,930
Taxes and licenses	<b>2,918,235</b>	424,482
Transportation and travel	<b>42,147</b>	374,750
Entertainment amusement and recreation	<b>303,952</b>	302,395
Directors' fee (Note 14)	<b>240,000</b>	180,000
Stock exchange listing fee	<b>138,320</b>	142,450
Advertising and promotion	-	132,613
Utilities (Note 14)	<b>73,140</b>	131,106
Repairs and maintenance	<b>52,523</b>	113,722
Security and janitorial	<b>40,935</b>	71,183
Fuel and oil	<b>47,042</b>	62,496
Office supplies and printing costs	<b>194,348</b>	62,404
Membership fee	-	25,000
Rent (Note 14)	<b>41,161</b>	32,411
Insurance	-	13,927
Others	<b>486,422</b>	2,250,211
	<b>8,684,094</b>	10,339,873

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## 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, 2019. 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:

<b>31-Mar-2020</b>			
	<b>Present value of defined benefit obligation</b>	<b>Fair value of plan assets</b>	<b>Net pension liability</b>
At January 1	<b>₱2,436,152</b>	<b>(₱378,318)</b>	<b>₱2,057,834</b>
<i>Benefit cost in profit or loss</i>			
Current service cost (Note 17)	-	-	-
Net interest expense (income) (Note 17)	-	-	-
<i>Remeasurements in other comprehensive income</i>			
Remeasurement loss - return on plan asset	-	-	-
Actuarial loss - changes in financial assumptions	-	-	-
Actuarial gain - changes in experience	-	-	-
At March 31	<b>₱2,436,152</b>	<b>(₱378,318)</b>	<b>₱2,057,834</b>
<b>31-Dec-2019</b>			
	<b>Present value of defined benefit obligation</b>	<b>Fair value of plan assets</b>	<b>Net pension liability</b>
At January 1	₱1,639,101	(₱365,395)	₱1,273,706
<i>Benefit cost in profit or loss</i>			
Current service cost (Note 17)	389,070	-	389,070
Net interest expense (income) (Note 17)	116,868	(26,053)	90,815
<i>Remeasurements in other comprehensive income</i>			
Remeasurement loss - return on plan asset	-	13,130	13,130
Actuarial gain - changes in financial assumptions	338,850	-	338,850
Actuarial gain - changes in experience	(47,737)	-	(47,737)
At December 31	₱2,436,152	(₱378,318)	₱2,057,834

Remeasurement gain on defined benefit obligations, presented in OCI are as follows:

	<b>2019</b>	2018
Actuarial gain	<b>(₱304,243)</b>	(₱304,243)
Less tax effect	<b>91,273</b>	91,273
Actuarial gain recorded in OCI	<b>(₱212,970)</b>	(₱212,970)

The Group's plan assets are invested mainly in cash and cash equivalents. The carrying value of the Group's plan assets approximates the fair value due to its short-term nature. The plan assets do not have any concentration risk. The actual return on plan assets amounted to ₱12,923 and ₱6,782 in 2019 and 2018, respectively.

The Group did not make any contribution in 2019 and 2018 to the defined benefit pension plan. The Group does not expect any contribution to the defined benefit pension plan in 2019.

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

The Group expects to pay retirement benefits amounting to ₱0.02 million in 2019 and 2020 each year. The weighted average duration of the defined benefit obligation is 6.8 years and 7.0 years as of December 31, 2019 and 2018, respectively.

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## 20. Basic/Diluted Earnings per Share

Basic/diluted earnings per share was computed as follows:

	<b>31-Mar-2020</b>	31-Mar-2019
Net income attributable to equity holders of the parent company (a)	<b>₱899,647</b>	₱17,742,217
Weighted average number of outstanding common share (b)	<b>690,000,000</b>	690,000,000
<b>Basic earnings per share (a/b)</b>	<b>₱0.001</b>	₱0.026

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

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## 21. Commitments

As of March 31, 2020 and December 31, 2019, the Group has the following contractual commitments:

- The Group has entered into a contractual agreement with IPMCDC, the ultimate parent, to undertake the following:
  - a. Composting of waste materials from Pasig City and Pasay City that is being renewed every year. Income from composting amounted to ₱12.00 million in 2019 and 2018 (see Note 15).
  - b. Consultancy and field services in IPMCDC's Materials Recovery Facility (MRF) that is being renewed every year. In July 2015, the Group entered into new consultancy services contracts with IPMCDC for the monitoring of efficiency of the latter's operation and compliance with rules and regulations on IPMCDC's contract with several local cities. The Group recognized income amounting to ₱35.14 million in 2019 and 2018, respectively, arising from these consultancy service contracts (see Note 15).

- In prior years, the Group entered into a contractual commitment with IPMESI, a stockholder, to undertake the Operation and Maintenance of Integrated Solid Waste Management Facility for a fixed monthly fee of ₱15.58 million. This agreement has been terminated in August 2017 (Note 15).
- On June 19, 2019, the Company entered into a contract of lease with Megaxcess IT Solutions for a period of two (2) years beginning July 1, 2019 until June 30, 2021 whereby the latter shall lease a portion of the Company's office space. The rent income recognized during 2019 from this agreement amounted to ₱1.63 million.
- The Group entered into contractual commitments with various municipalities of Rizal for tipping and disposal of residual wastes. Each agreement is effective for one year, renewable every year under the same terms and conditions unless, otherwise, mutually agreed upon by the parties.

In 2018, the Company entered into the contract agreement for garbage disposal services for the municipality of Baras and Cardona. Contract terms was for ten (10) months beginning March 2018 until December 31, 2018. These contracts were renewed in 2019 with the same terms in 2018. The contract covers the Company's provision of professional services within its disposal facility and includes all programming, planning, calculation, specifications equipment and management services necessary to carry out the agreed services.

Beginning March 22, 2018, the Company has renewed its contract of solid waste disposal and service of a sanitary landfill with the municipality of Binangonan. The term of the contract shall be for one year until December 31, 2018 unless sooner terminated. After expiration of the contract, the Company continued to extend its services after bidding on January 2019 and an extension of contract was awarded. The contract with municipality of Teresa was entered into by the Company in August 2017. Under this agreement, the Company allows these municipalities to dump residual wastes to its landfill in Morong. The agreement took effect on September 1, 2017 and shall end on June 30, 2019 unless sooner terminated. The Company renewed its contract with Teresa during 2019.

In 2019 and 2018, the amount of income recognized by the Company from these contractual commitments amounted to ₱75.66 million and ₱42.43 million, respectively. As of December 31, 2019 and 2018, outstanding balance of receivables from LGUs amounted to ₱34.07 million and ₱13.19 million, respectively.

- Under Republic Act 9003, the Ecological Solid Waste Management Act of 2000, the Group through BEST, being the owner and operator of the Morong Engineered Sanitary Landfill ("Facility") is responsible for the proper physical closure of the Facility after it has been fully utilized up to its maximum capacity.

The Group shall prepare, carry out and complete a Closure Action Plan, which shall be approved by the Department of Environment and Natural Resources – Environmental Management Bureau (DENR-EMB). The implementation of the approved Closure Action Plan shall include the following:

- a. Stabilization of critical slopes or reformation of shape/slope;
- b. Provision of waste storage bank, suitable retaining wall or embankment structures;
- c. Installation of final soil cover and suitable vegetation;
- d. Provision of proper drainage systems to channel rainwater from the disposal site to the discharge drains; and
- e. Provision of adequate facilities for the management of the landfill gas and leachate.

In addition, the Group shall be responsible and shall provide for the post-closure management and post-closure land use of the Facility, including maintenance and rehabilitation activities after the physical closure of the sanitary landfill. The Group shall also continuously monitor the implementation of the Closure Action Plan of the landfill for a period of ten (10) years. As of March 31, 2020 and December 31, 2019, the Company's ARO-liability has a carrying value of ₱29.69 million. For the period ended December 31, 2019, 2018 and 2017, the related finance cost recognized to accrete the liability amounted to ₱2.11 million, ₱1.96 million and ₱1.82 million, respectively. In 2019 and 2018, nondeductible amortization expenses has resulted to recognition of deferred tax asset and decrease in provision for deferred taxes amounting to ₱0.63 million and ₱0.54 million, respectively. The corresponding ARO-Asset amounted to ₱14.20 million with accumulated amortization amounting to ₱9.60 million and ₱9.00 million as of March 31, 2020 and December 31, 2019, respectively (Note 10).

## 22. Financial Risk Management Objectives and Policies

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

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

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

### Credit risk

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

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

### 31-Mar-2020

	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Financial assets at amortized cost				
Cash*	₱58,448,811	₱3,000,000	₱55,448,811	₱3,000,000
Receivables:				
Trade	1,051,695,170	764,099,550	–	764,099,550
Loan	31,000,000	–	31,000,000	–
Interest	6,209,860	–	6,209,860	–
Deposits	1,988,034	–	1,988,034	–
	<b>₱1,149,341,875</b>	<b>₱767,099,550</b>	<b>₱94,646,705</b>	<b>₱767,099,550</b>

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



## 31-Dec-2019

	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Financial assets at amortized cost				
Cash*	₱10,798,698	₱3,000,000	₱7,798,698	₱3,000,000
Receivables:				
Trade	1,061,225,758	1,069,740,025	–	1,061,225,758
Loan	31,000,000	–	31,000,000	–
Interest	6,209,860	–	6,209,860	–
Deposits	1,988,034	–	1,988,034	–
	<b>₱1,111,222,350</b>	<b>₱1,072,740,025</b>	<b>₱46,996,592</b>	<b>₱1,064,225,758</b>

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

In 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 guaranty BEST's receivables from IPMESI amounting to ₱693.74 million (see Notes 5 and 15). 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 IPMCDL wherein the latter assigned 54,200,000 shares of the Parent Company, to guaranty BEST's receivables from IPMCDL amounting to ₱314.45 million.

The fair value of the collateral, net of costs to sell, as March 31, 2020 and December 31, 2019 amounted to ₱764.100 million ₱1,069.74 million, respectively.

The gross maximum exposure to credit risk of the Group approximates its net maximum exposure. There were no amounts that are set-off in accordance with the requirements of PAS 32, *Financial Instruments: Disclosures and Presentations*. There were no amounts subject to an enforceable master-netting arrangement or similar agreement as of March 31, 2020 and December 31, 2019.

*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 30 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.

The table below shows determination of ECL stage of the Group's financial assets:

	31-Mar-2020			
	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL
<b>Financial Assets at Amortized Cost</b>				
Cash*	<b>₱58,448,811</b>	<b>₱58,448,811</b>	<b>₱–</b>	<b>₱–</b>
Receivables				
Trade	1,051,695,170	30,483,288	1,012,246,271	8,965,611
Loans	31,000,000	–	31,000,000	–
Interest	6,209,860	–	6,209,860	–
Deposits	1,988,034	1,988,034	–	–
	<b>₱1,149,341,875</b>	<b>₱90,920,133</b>	<b>₱1,049,456,131</b>	<b>₱8,965,611</b>

\*excluding cash on hand

	31-Dec-2019			
	Total	Stage 1	Stage 2	Stage 3
		12-month ECL	Lifetime ECL	Lifetime ECL
Financial Assets at Amortized Cost				
Cash*	₱10,798,698	₱10,798,698	₱–	₱–
Receivables				
Trade	1,061,225,758	40,013,876	1,012,246,271	8,965,611
Loans	31,000,000	–	31,000,000	–
Interest	6,209,860	–	6,209,860	–
Others	1,988,034	1,988,034	–	–
Deposits	₱1,111,222,350	₱52,800,608	₱1,049,456,131	₱8,965,611

\*excluding cash on hand

The credit quality of financial assets is managed by using internal credit ratings, as shown below:

- A - For counterparty that is not expected by the Group to default in settling its obligations, thus, credit risk exposure is minimal. This counterparty normally includes financial institutions, certain related parties and customers who pay on or before due date.
- B - For counterparty with tolerable delays in settling its obligations to the Group, normally. The delays may be due to cut-off differences and/or clarifications on billings and special arrangements.
- C - For counterparty who consistently defaults in settling its obligations.

#### Liquidity risk

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

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

The table below summarizes the maturity profile of the Group's nonderivative financial assets and liabilities as of March 31, 2020 and December 31, 2019, based on contractual undiscounted payments:

	31-Mar-2020				Total
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	
<b>Financial assets</b>					
At amortized cost					
Cash	₱58,521,021	₱–	–	₱–	₱58,521,021
Receivables:					
Trade	1,051,695,170	–	–	–	1,051,695,170
Loan	–	–	6,000,000	25,000,000	31,000,000
Interest	–	–	295,080	6,209,860	6,504,940
Deposits	–	–	–	1,988,034	1,988,034
	₱1,110,216,191	₱–	₱6,295,080	₱33,197,894	₱1,149,709,165

	31-Mar-2020				
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	Total
<b>Financial liabilities</b>					
Trade and other payables (excluding payable to government agencies)	P-	58,832,719	P-	P-	58,832,719
Loan payable	-	-	90,000,000	-	90,000,000
	<b>P-</b>	<b>₱58,832,719</b>	<b>₱90,000,000</b>	<b>P-</b>	<b>₱148,842,719</b>
	31-Dec-2019				
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	Total
<b>Financial Assets</b>					
At amortized cost					
Cash	₱10,870,908	P-	-	P-	₱10,870,908
Receivables:					
Trade	1,061,225,758	-	-	-	1,061,225,758
Loan	-	-	6,000,000	25,000,000	31,000,000
Interest	-	-	-	6,209,860	6,209,860
Deposits	-	-	-	1,988,034	1,988,034
	<b>₱1,072,096,666</b>	<b>P-</b>	<b>₱6,000,000</b>	<b>₱33,197,894</b>	<b>₱1,111,294,560</b>
<b>Financial liabilities</b>					
Trade and other payables (excluding payable to government agencies)	P-	₱24,754,494	P-	P-	₱24,754,494
Loan payable	-	-	90,000,000	-	90,000,000
	<b>P-</b>	<b>₱24,754,494</b>	<b>₱90,000,000</b>	<b>P-</b>	<b>₱114,754,494</b>

### 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 ₱1,170.32 million and ₱1,168.86 million as of March 31, 2020 and December 31, 2019, respectively, as capital.

### Fair Value Information

Due to the short-term nature of the Group's financial instruments, their fair values approximate their carrying amounts as of March 31, 2020 and December 31, 2019.

### Fair Value Hierarchy

As of March 31, 2020 and December 31, 2019, 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.

## 23. Segment Information

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

31-Mar-2020					
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income					
Revenue from external customers	P-	P60,577,437	P60,577,437	P-	P60,577,437
Intersegment revenue	-	40,179	40,179	(40,179)	-
Interest income	451	313,903	314,354	-	314,354
Equity earnings	-			-	-
Interest expense	-	1,610,000	1,610,000	-	1,610,000
Income (loss) before tax	(794,764)	3,461,177	2,666,413	-	2,666,413
Provision for income tax	90	1,201,850	1,201,940	-	1,201,940
Net income (loss)	(794,855)	2,259,334	1,464,479	-	1,464,479
Segment assets	486,994,120	1,485,990,875	1,972,984,995	(493,625,000)	1,479,359,995
Segment liabilities	14,045,824	308,494,336	322,540,160	(13,500,000)	309,040,160
Depreciation and amortization	-	11,130,459	11,130,459	-	11,130,459
31-Dec-2019					
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income					
Revenue from external customers	P-	P225,966,076	P225,966,076	P-	P225,966,076
Intersegment revenue	-	160,714	160,714	(160,714)	-
Interest income	934	1,429,681	1,430,615	-	1,430,615
Equity earnings	-	(4,376,547)	(4,376,547)	-	(4,376,547)
Interest expense	-	8,650,216	8,650,216	-	8,650,216
Income (loss) before tax	(3,928,660)	84,595,363	80,666,703	-	80,666,703
Provision for income tax	187	29,756,868	29,757,055	-	29,757,055
Net income (loss)	(3,928,847)	54,838,495	50,909,648	-	50,909,648
Segment assets	486,017,788	1,421,523,028	1,907,540,816	(491,625,000)	1,415,915,816
Segment liabilities	12,274,638	276,783,537	289,058,175	(11,500,000)	277,558,175
Depreciation and amortization	-	43,939,552	43,939,552	-	43,939,552

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

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

**IPM HOLDINGS, INC. AND SUBSIDIARY**  
**FINANCIAL SOUNDNESS INDICATORS**  
**March 31, 2020**

FSI	Calculation	31-Mar-2020	31-Dec-2019
Current Ratio	Current Assets/Current Liabilities	4.06	4.41
Quick Ratio	Cash + Receivables/Current Liabilities	4.01	4.36
Solvency Ratio	Total Assets/Total Liabilities	4.79	5.21
Debt to Equity Ratio	Liabilities/ Stockholders' Equity	0.26	0.24
Asset to Equity Ratio	Assets/Stockholders' Equity	1.26	1.24
Interest Coverage Ratio	Earnings Before Interest & Taxes/ Interest Expense	2.66	13.85
Return on Equity	Net Income/Total Stockholders' Equity	0.001	0.07
Return on Assets	Net Income/Total Assets	0.001	0.06
Net Profit Margin	Net Income/Revenues	0.02	0.36
Gross Profit Margin	Gross Profit/Net Sales	0.23	0.5965
Book Value per share	Total Assets – Total Liabilities/ Outstanding Shares	1.70	1.69
Net Income per Share	Net Income/Outstanding Shares	0.002	0.12

	<u>31-Mar-2020</u>	<u>31-Dec-2019</u>
Current Ratio	1,124,676,969/277,295,558	1,084,735,522/245,813,573
Quick Ratio	1,111,173,973/277,295,558	1,071,550,459/245,813,573
Solvency ratio	1,479,359,995/309,040,160	1,446,413,531/277,558,175
Debt-to-Equity Ratio	309,040,160/1,170,319,837	277,558,175/1,168,855,356
Asset to Equity Ratio	1,479,359,995/1,170,319,837	1,446,413,531/1,168,855,356
Interest Coverage Ratio	4,276,419/1,610,000	119,814,634/8,650,216
Return on Equity	1,464,479/1,170,319,837	81,407,363/1,168,855,356
Return on Asset	1,464,479/1,479,359,995	81,407,363/1,446,413,531
Net Profit Margin	1,464,479/60,577,438	81,407,363/225,966,076
Gross Profit Margin	13,943,288/60,577,438	134,784,091/225,966,076
Book Value/Share	1,170,319,835/690,000,000	1,168,855,356/690,000,000
Net Income per Share	1,464,479/690,000,000	81,407,363/690,000,000

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

March 31, 2020

<b>Nature/Description</b>	<b>Current</b>	<b>1 to 30 days</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>Over 90 days</b>	<b>Total</b>
Income from Tipping Fee	7,117,170	7,095,231	4,088,955	18,322,735	-	36,624,091
Hauling Income	2,012,855	248,603	2,848,205	1,304,576	18,692,612	25,106,851
Composting/Waste Process	750,000	750,000	750,000	3,000,000	4,000,000	9,250,000
Consultancy/Field Services	-	-	-	-	683,642,397	683,642,397
Waste Collection	13,258,929	13,258,929	1,372,657	-	-	26,517,857
Rental	1,470,772	1,243,203	-	1,070,893	254,974,675	260,132,200
Loans Receivable	-	-	-	-	6,000,000	6,000,000
Interest Receivable	98,360	98,360	98,360	-	-	295,080
Others	-	-	-	-	5,084,476	5,084,476
<b>Total</b>	<b>24,708,086</b>	<b>22,694,326</b>	<b>9,158,177</b>	<b>23,698,204</b>	<b>972,394,159</b>	<b>1,052,652,952</b>