AS095008557

IPM HOLDINGS, INC. AND SUBSIDIARY

(Company's Full Name)

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

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

Atty. Ana Maria A. Katigbak

(Contact Person)

817-6791/897-5257

(Company Telephone Number)

12 **31**

Month *Day*

(Fiscal Year)

17-A

(Form Type)

4th Wed of May

(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

CRMD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

118

Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

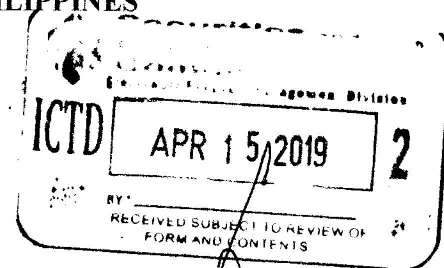
STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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



1. For the calendar year ended: **December 31, 2018**

2. SEC Identification Number: AS095-008557

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

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

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

6. (SEC Use Only) Industry Classification Code

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

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

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

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

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

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

Yes [x] No [ ]

The Philippine Stock Exchange Common Stock

12. Check whether the issuer:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 2018:

Assumptions:

(a) Total number of shares held by non-affiliates as of December 31, 2018	217,850,200
(b) Closing price of the Registrant's share on the exchange as of December 28, 2018	8.20
Aggregate market price of (a) as of December 31, 2018	**1,786,371,640**

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

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

Yes [x] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

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

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

OVERVIEW

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

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

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

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

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

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

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

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

On November 20, 2012, the Board of Directors approved the subscription of the IPM group of companies to a total of 500.00 million shares out of the Php500.00 million increase n the authorized capital stock of the Company previously approved by the stockholders, at a total subscription price of Php500.00 million, payable in cash. Also, the Board of Directors authorized the acquisition of 615.00 million shares in Basic Environmental Systems & Technologies, Inc. (BEST) at par value of Php1.00 per share, which will constitute 75% of the resulting outstanding capital of BEST. BEST is a corporation engaged in contracting and consulting business for waste management, public cleansing, sanitation and general hygiene to provide comprehensive waste disposal services.

On February 8, 2013, the stockholders of the Parent Company representing at least two thirds of the outstanding capital stock approved the subscription by the following within the IPM group of companies or any of their designees/nominees to a total of 500.00 million shares out of the Php500.00 million increase in the authorized capital stock of the Parent Company previously approved by the shareholders, at a total subscription price of Php500.00 million, payable in cash: (a) IPM Construction and Development Corporation, Php350.00 million; (b) IPM Environmental Services, Inc., Php100.00 million; and (b) IPM Realty and Development Corporation, Php50.00 million. On the same date, the stockholders approved the amendment of the primary purpose of the Parent Company to enable the Company to revert to being a holding company and give it more flexibility in looking for suitable investments.

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

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

On July 18, 2013, the Board of Directors approved the increase in the authorized capital stock of the Parent Company from Php740.00 million divided into 740.00 million shares with a par value of Php1 per share to Php5.00 billion divided into 5.00 billion shares with a par value of Php1 per share. On the same date, the BOD approved the transfer of the principal address of the Parent Company from Room 322, 3rd Floor, LRI Design Plaza, 210 Nicanor Garcia Street, Barangay Sta. Cruz, Makati City to its current principal address, Unit 103, Ground Floor, Prestige Tower Condominium, F Ortigas Jr. Avenue Ortigas Center, Pasig City. These were subsequently approved by the shareholders on September 19, 2013. The SEC approved the amended articles of incorporation indicating the change of address on October 18, 2013.

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

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

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

BUSINESS DESCRIPTION

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

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

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

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

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

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

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

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

INDUSTRY TRENDS/COMPETITION

BEST is one of the few players in the solid waste management contracting industry which owns and operates its own sanitary landfill facility, having established the Morong Sanitary Landfill in 2008 to cater to the waste disposal needs of the cluster towns of Morong, Teresa, Baras and Cardona. Moreover, it has a large fleet of dump trucks and other hauling/materials handling equipment that it uses for its waste collection and management contracts.

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

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

BEST is also in partnership with Lafarge Industrial Ecology International, SA ("LIEI") another RDF facility under Ecoedge Resources Corporation ("Ecoedge"). Ecoedge is 60% owned by BEST and 40% owned by LIEI.

In the next several years, the Company intends to focus on growing BEST through the expansion of its municipal solid waste contracting business and establishment of additional facilities for the production of RDF. BEST is thus envisioned to provide significant income growth for the Company and its shareholders, particularly in light of the growing demand for renewable energy sources amid the burgeoning waste production of the rapidly growing urban population in the country, and BEST's unique position as a pioneer in RDF technology and its ready access to RDF feedstock.

SOURCES OF RAW MATERIALS AND NAMES OF PRINCIPAL SUPPLIERS

Not Applicable.

DEPENDENCE ON SINGLE CUSTOMER

Not Applicable.

TRANSACTION WITH AND/OR DEPENDENCE ON RELATED PARTIES

Except as disclosed in Note 14 of the audited consolidated financial statements for 2018 and 2017, there were no other transactions entered into with related parties.

PATENTS, TRADEMARKS, ETC.

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

GOVERNMENT APPROVALS AND REGULATION

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

RESEARCH AND DEVELOPMENT

Not Applicable.

ENVIRONMENTAL LAWS

Not Applicable.

HUMAN RESOURCES

The Company has 57 employees as of December 31, 2018 of whom fourteen (14) are rank and file, thirty-three (33) are in operations and ten (10) are key officers. The employees were not subject to any Collective Bargaining Agreement (CBA).

Item 2. Properties

The consolidated property, plant and equipment for the year 2018, is as follows: land Php33.38 million, building and improvements Php24.66 million, transportation equipment Php38.27 million, office furniture and fixtures Php0.21 million and development cost of Php23.67 million, leasehold improvements Php0.63 million and ARO-assets Php7.81 million, totaled of Php128.63 million.

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

Item 3. Legal Proceedings

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

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

Except for the matters taken up during the Annual and Special Stockholders' Meeting held on June 27, 2018, there were no other matters submitted to a vote of the security holders in 2018.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

(1) MARKET INFORMATION

The shares of the Parent Company are listed and traded in the Philippine Stock Exchange. The high and low closing prices of the Parent Company's shares for each quarter within the last two (2) years and the first quarter of 2019 are as follows:

Year	Quarter	High(in Php)	Low(in Php)
2017	First	9.09	8.90
	Second	9.04	8.51
	Third	8.80	8.00
	Fourth	9.00	8.00

2018	First	8.35	8:00
	Second	8.30	7.56
	Third	8.10	7.51
	Fourth	8.20	7.05
2019	First	8.20	7.00

The closing price of the Parent Company's shares on April 11, 2019 was Php7.09 per share.

(2) HOLDERS

The Parent Company has only common stock, with Php1.00 par value. As of December 31, 2018, the number of common shares issued and outstanding was 690,000,000 shares, held by a total of 118 stockholders. The top twenty (20) stockholders of the Parent Company as of December 31, 2018 were as follows:

Name	No. of Shares	Percentage to Total
1. IPM Construction and Development Corp.	350,000,000	50.725%
2. PCD Nominee Corporation (Filipino)	206,531,769	29.932%
3. IPM Environmental Services, Inc.	65,000,000	9.420%
4. IPM Realty and Development Corporation	50,000,000	7.246%
5. PCD Nominee Corporation (Non-Filipino)	12,460,002	1.806%
6. William D. Ty	2,000,000	0.29%
7. Jocelyn Y. Lao	1,800,000	0.261%
8. Isabelita P. Mercado	1,000,000	0.145%
9. Candice Choa Cocuaco	200,000	0.029%
10. S.J. Roxas& Co., Inc.	100,000	0.014%
11. Violeta L. Lim	74,000	0.011%
12. Ma. Teresita T. De Leon	61,000	0.009%
Hanson G. So &/or LarcyMarichi Y. So	61,000	0.009%
13. Pei Zhi Lin	60,000	0.009%
14. PCCI Securities Brokers Corporation	50,000	0.007%
15. Romeo G. See	37,000	0.005%
16. Roberto L. Uy	32,000	0.005%
17. Edmund Lee	29,000	0.004%
18. Lucena B. Enriquez	20,000	0.003%
George G. Precilla	20,000	0.003%
Mimi Perez	20,000	0.003%
Alberto Soon	20,000	0.003%
Johnny T. Yu	20,000	0.003%
Kim Sing Yu	20,000	0.003%
19. Elizabeth Ong	18,000	0.003%
20. Gregorio O. Yu Jr.	15,500	0.002%
21. Others	350,729	0.051%
TOTAL	**690,000,000**	**100.000%**

(3) DIVIDENDS

No dividends, either in cash or stock, were declared on the shares for the last three (3) years, i.e., 2018, 2017 and 2016, since the Parent Company is in a deficit position. There are no restrictions that limit the ability to pay dividends on common equity but the Company, as a general rule, shall only declare from surplus profit as determined by the Board of Directors so long as such declaration will not impair the capital of the Company.

(4) RECENT SALES OF UNREGISTERED SECURITIES

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

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

PLAN OF OPERATIONS

The 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 local government units' (LGUs') waste management needs and raise the standards of waste management solutions, thereby reducing pollution and preventing the further destruction of the country's natural resources.

As of December 31, 2018, BEST is actively engaged in 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 Parent Company and its subsidiary (the "Group") financial position and results of operations should be read in conjunction with the attached audited consolidated financial statements of the Group.

2018

Income

Consolidated revenues for 2018 amounted to Php213.71 million, down by Php82.42 million or 27.83% from the Php296.13 million posted in 2017. The significant decline is due to the temporary closure of the Quezon City Sanitary Landfill in August 2017. Revenues for 2018 consisted mainly of service income of Php122.74 million, rental income of Php86.24 million, interest income of Php1.21million and equity in net earnings of an associate and a joint venture of Php3.52 million.

Expenses

Cost of services for the year declined by Php51.34 million or 41.54% from the Php123.58 million posted in 2017 to Php72.24 million in 2018. The significant decrease is due to the non-incurrence of the contract costs which is attributable to the closure of Quezon City Sanitary Landfill in 2017 and to the decrease in equipment rental and outsides services contracted by the Company.

General and administrative expenses increased by Php12.06 million or 29.89%, from Php40.34 million in 2017 to Php52.39 million in 2018. The significant increase is due to Company's plan of expanding its operations, incurring such expenses as for obtaining topographic surveys for potential sanitary landfill sites, and consultancy fees for the various projects under development by the Company.

Net Income

The twelve month operation of the Group resulted in a net income of Php52.54 million for 2018. This is lower by Php30.34 million or 36.61% than the net income of Php82.88 million posted in 2017.

Financial Condition

Statements of financial position data	December 31, 2018	December 31, 2017	% Inc/(Dec)
Total Current Assets	960,289,364	939,438,293	2.22%
Total Assets	1,342,023,548	1,296,566,463	3.51%
Total Current Liabilities	225,512,064	234,937,472	(4.01%)
Total Liabilities	254,362,585	261,708,682	(2.81%)
Total Equity	1,087,660,963	1,034,857,781	5.10%

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

Consolidated total assets slightly increased by Php0.045 billion or 3.47% to Php1.342 billion in 2018 from Php1.297 billion in 2017.

- Cash and cash equivalents decreased by 9.87% from Php7.70 million in 2017 to Php6.94 million in 2018. The decrease was mainly due to the settlement of long term liabilities.

- Trade and other receivables slightly increased by 2.42% from Php920.15 million in 2017 to Php942.43 million in 2018 due to the increase in current billings uncollected from a related party.

- Other current assets decreased by 5.69% from Php11.59 million in 2017 to Php10.93 million in 2018 due to the decrease in input VAT pertaining to the cost of services.

- Noncurrent assets increased by 6.89% from Php357.13 million in 2017 to Php381.73 million in 2018.

Total consolidated liabilities amounted to Php254.36 million in 2018, a slight increase of Php7.35 million or 2.81% from Php261.71 million in 2017.

Total stockholders' equity increased by Php52.80 million or 5.12%, from Php1.035 billion in 2017 to Php1.088 billion in 2018, reflecting the income for the current year.

Current ratio improved from 4.00x in 2017 to 4.26x in 2018; net working capital stood at Php734.78 million in 2018 versus the Php704.50 million in 2017.

Liquidity and Capital Resource

For the year ended December 31, 2018, net cash provided by operating activities amounted to Php24.03 million as compared to the Php2.72 million in 2017.

Net cash used in investing activities amounted to Php18.43 million in 2018 as compared to net cash provided by investing activities amounting to Php3.88 million in 2017. This reversal is mainly due to the acquisitions of property and equipment.

Net cash used in financing activities amounted to Php6.36 million in 2018 as compared to Php5.42 million in 2017, representing payments of bank loan and interest.

2017

Income

Consolidated revenues for 2017 amounted to Php296.13 million, down by Php61.55 million or 17.21% from the Php357.68 million posted in 2016. This was mainly due to the temporary closure of the Quezon City Sanitary Landfill in August 2017. Revenues for 2017 consisted mainly of service income of Php209.63 million, rental income of Php85.21 million, interest income and other income of Php1.29 million.

Expenses

Cost of services for the year decreased by Php48.78 million or 28.30% from the Php172.36 million posted in 2016 to Php123.58 million in 2017. This is attributable mainly to the decrease in manpower costs and equipment rental expenses for the maintenance and operation of the Quezon City Sanitary Landfill which was temporarily closed in August 2017.

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

Net Income

The twelve month operation of the Group resulted in a net income of Php82.88 million for 2017. This is lower by Php9.95 million or 10.72% than the net income of Php92.83 million posted in 2016.

Financial Condition

Statements of financial position data	December 31, 2017	December 31, 2016	% Inc/(Dec)
Total Current Assets	939,438,293	822,134,171	14.27%
Total Assets	1,296,566,463	1,201,584,965	7.90%
Total Current Liabilities	234,937,472	224,949,727	4.44%
Total Liabilities	261,708,682	250,028,563	4.67%
Total Equity	1,034,857,781	951,556,402	8.75%

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

Consolidated total assets increased by Php0.095 billion or 7.90% to Php1.297 billion in 2017 from Php1.202 billion in 2016.

- Cash and cash equivalents increased by 18.09% from Php6.52 million in 2016 to Php7.70 million in 2017. The decrease was mainly due to the settlement of long term liabilities.

- Trade and other receivables increased by 15.58% from Php796.12 million in 2016 to Php920.15 million in 2017. This was largely due to the increase in services rendered to IPMESI to undertake the operation and maintenance of the Integrated Solid Waste Management Facility in Quezon City for a fixed monthly fee of Php15.58 million up to July 2017.

- Other current assets decreased by 40.53% from Php19.49 million in 2016 to Php11.59 million in 2017 due to the decrease in input VAT pertaining to the cost of services and general and administrative expenses.

- Noncurrent assets went down by 5.88% from Php379.45 million in 2016 to Php357.13 million in 2017. This is due mainly to adjustments in the carrying value of investments in affiliates Metro Clark Waste Management Corporation (MCWM) and Ecoedge Resources Corporation (ERC).

Total consolidated liabilities amounted to Php261.71 million in 2017, a slight increase of Php11.68 million or 4.67% from Php250.03 million in 2016.

Total stockholders' equity increased by Php83.27 million or 8.75%, from Php951.56 million in 2016 to Php1.035 billion in 2017, reflecting the income for the current year.

Current ratio increased from 3.65x in 2016 to 4.00x in 2017; net working capital stood at Php704.50 million in 2017 versus the Php597.18 million in 2016.

Liquidity and Capital Resource

For the year ended December 31, 2017, net cash provided by operating activities amounted to Php2.72 million as compared to the net cash used in operating activities of Php71.28 million in 2016. This is mainly due to the decreases in receivables from related parties, other current assets and trade and other payables.

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

Net cash used in financing activities amounted to Php5.42 million in 2017 as compared to Php6.54 million in 2016.

2016

Income

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

Expenses

Cost of services was essentially flat at Php172.36 million, from the Php171.35 million posted in 2015.

General and administrative expenses for 2016 rose by Php13.54 million or 44.66%, from Php30.32 million in 2015 to Php43.86 million in 2016. This was mainly due to the provision for impairment losses amounting to Php9.24 million pertaining to the write-off of long outstanding receivables from local government units.

Net Income

The twelve month operation of the Group resulted in a net income of Php92.83 million for 2016. This is higher by Php15.12 million or 19.45%, than the net income of Php77.71 million posted in 2015.

Financial Condition

Statements of financial position data	December 31, 2016	December 31, 2015	% Inc/(Dec)
Total Current Assets	822,134,171	692,749,113	18.68%
Total Assets	1,201,584,965	1,078,527,900	11.41%
Total Current Liabilities	224,949,727	204,729,820	9.88%
Total Liabilities	250,028,563	205,435,939	21.71%
Total Equity	951,556,402	873,091,961	8.99%

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

Consolidated total assets increased by Php0.123 million or 11.41% to Php1.201 billion in 2016 from Php1.078 billion in 2015.

- Cash and cash equivalents declined 92% from Php81.48 million in 2015 to Php6.52 million in 2016. The decrease was mainly due to the settlement of long term liabilities.
- Trade and other receivables increased by 34.12% from Php593.57 million in 2015 to Php796.12 million in 2016. This was largely due to the increase in services rendered to IPMESI to undertake the operation and maintenance of the Integrated Solid Waste Management Facility in Quezon City for a fixed monthly fee of Php15.58 million.
- Noncurrent assets went down by 1.64% from Php385.78 million in 2015 to Php379.45 million in 2016 due mainly to depreciation charges on property, plant and equipment.

Total consolidated liabilities amounted to Php250.03 million in 2016, increased by Php44.60 million or 21.71%, from Php205.43 million in 2015, due to the increase in deferred output tax.

Total stockholders' equity increased by Php78.46 million or 8.99%, from Php873.09 million in 2015 to Php951.56 million in 2016, reflecting the income for the current year.

Current ratio increased from 3.38x in 2015 to 3.65x in 2016; net working capital stood at Php597.18 million in 2016 versus the Php488.02 million in 2015.

Liquidity and Capital Resource

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

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

Net cash used in financing activities amounted to Php6.54 million in 2016 as compared to the net cash provided by financing activities of Php99.39 million in 2015, the difference being the availment of a Php100 million loan in 2015.

Key Performance Indicators

The Company's key performance indicators are as follows:

KPI	Calculation	December 31, 2018	December 31, 2017	December 31, 2016
Current Ratio(1)	Current Assets/Current Liabilities	4.26x	4.00x	3.65x
Quick Ratio (2)	Cash + Marketable Securities + Receivables /Current Liabilities	4.21x	3.95x	3.57x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	0.23x	0.25x	0.26x
Book Value per share (4)	Total Assets –Total Liabilities/ Outstanding Shares	1.58	1.50	1.38
Net Income per Share (5)	Net Income/Weighted Average Number of Shares Outstanding	0.08	0.12	0.13

		December 31, 2018	December 31, 2017	December 31, 2016
(1)	Current Ratio	960,289,364/225,512,064	939,438,293/234,937,472	822,134,171/224,949,727
(2)	Quick Ratio	949,364,215/225,512,064	927,850,285/234,937,472	802,644,733/224,949,727
(3)	Debt to Equity	254,362,585/1,087,660,963	261,708,682/1,034,857,781	250,028,563/951,556,402
(4)	Book Value/Share	1,087,660,963/690,000,000	1,034,857,781/690,000,000	951,231,072/690,000,000
(5)	Net Income per Share	52,542,062/690,000,000	82,883,327/690,000,000	92,831,147/690,000,000

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

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

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

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

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

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

Item 7. Financial Statements

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

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

Audit and Audit-Related Fees

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

Year	Audit Fees	Tax Fees	All Other Fees
2018	Php203,300.00	-	-
2017	Php184,800.00	-	-

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

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

a. Incumbent Directors and Executive Officers.

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

Name	Position	Age	Citizenship
Isabelita P. Mercado	Chairman	68	Filipino
Rhodora G. Uy	Director	68	Filipino
Alfredo P. Javellana II	Independent Director	73	Filipino
Gener T. Mendoza	Director	61	Filipino
Antonio Victoriano F. Gregorio III	Director	45	Filipino
Francis Neil P. Mercado	Director	39	Filipino
David L. Kho	Independent Director	71	Filipino

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

Name	Position	Age	Citizenship
Isabelita P. Mercado	Chairman/Chief Executive Officer	68	Filipino
Rhodora G. Uy	President/Chief Operating Officer	68	Filipino
Francis Neil P. Mercado	Treasurer	39	Filipino
Ana Maria A. Katigbak	Corporate Secretary	50	Filipino

b. Term of office.

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

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

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

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

ISABELITA P. MERCADO, 68 years old, for the past five years has been the chair and chief executive officer of IPM Construction and Development Corporation (1991 to present), IPM Environment Services Inc. (2003 to present), IPM Realty & Development Corporation (1991 to present), IPM Trading and Development Corporation (1989 to present) and TRX Global Corporation (2008 to present). She also serves as president of Lee Gardens Property and Development Corporation (1997 to present) and director of several other companies within the IPM Group.

RHODORA G. UY, 68 years old, graduated as Summa Cum Laude with a Bachelor of Science in Commerce Major in Accounting degree and as Magna Cum Laude with a Bachelor of Arts degree in the University of Sto. Tomas. She also completed the Get on Board Governance Education Program, Advanced Level at the Canadian Board Diversity Council; the Executive MBA at the National University of Singapore; and the Global Professional Master of Laws at the University of Toronto. Being a seasoned investment and corporate professional, she has worked as the Senior Finance Officer, Manila Regional Office of the International Finance Corporation (IFC), World Bank Group and was the Country Head for Philippines and the Investment Director for Asia Group of Commonwealth Development Corporation, CDC Capital Partners. She was also the Managing Director of Newcrest Trading Limited, a special purpose vehicle owned by foreign shareholders in the British Virgin Islands. Currently, she sits as director of THR Hospitality Group LLC (California); Bumble Bee Preschool and Day Care Center Inc. (Philippines); JRL Go Children's Memorial Library (Philippines); and several asset/property holding companies, including Irvine Avenue LLC (U.S.), Providence Group LLC (U.S.), Fordham Properties Corporation (Philippines), and Newcrest Properties Corporation (Philippines)

ALFREDO P. JAVELLANA II, 73 years old, is an independent director of USB Securities Phil. Inc. Mr. Javellana earned his Bachelor of Science in Commerce Major in Accounting and Bachelor of Laws from the University of San Agustin, Iloilo City. He was an independent director of UBS Securities Philippines, Inc. from December 16, 2009 to February 10, 2010. For the past five years he was a director of Philippine Savings Bank and Toyota Motor Philippines. Previously, he was the Chief Finance Officer of the Metropolitan Bank & Trust Company, Inc. likewise held several other positions in the same bank prior to his appointment as CFO.

GENER T. MENDOZA, 61 years old, is co-founder and president of GNCA Holdings, Inc. For several years now, he has served as rehabilitation receiver or assignee-in insolvency for various companies. Previously, he was a principal at SyCip Gorres & Co. (1983 to 1991), vice president for corporate finance of Kuok Phil. Properties Inc. (1994 to 1996) and executive vice president of Crown Equities Inc. (1996). Mr. Mendoza earned his MBA from the Harvard Business School and his bachelor of science in management engineering (summa cum laude) from the Ateneo de Manila University.

ANTONIO VICTORIANO F. GREGORIO III, 45 years old**,** Mr. Gregorio graduated with a Juris Doctor from the Ateneo de Manila University Second Honors in 1998 and passed the bar examinations in 1999. He also has a Bachelor of Science Major in Management Engineering and a Bachelor of Arts, Major in Economics-Honors, both from the Ateneo de Manila University, with a standing of magna cum laude. He was valedictorian of his high school class in the Ateneo. Atty. Gregorio is a Partner at Gregorio Law Offices and sits as director and officer of various public and private companies, including Lodestar Investments Holdings Corporation (Corporate Secretary and Assistant Corporate Information Officer, 2008 to present), Abacus Consolidated Resources and Holdings, Inc., AGP Industrial Corporation (Chairman), Active Earnings, Inc. (Corporate Secretary, 2003 to present), Tajima Yakiniku, Inc. (Corporate Secretary, 2005 to present), Tanba Yakiniku, Inc. (Corporate Secretary and Treasurer), Big Herald Link International Corporation (Corporate Secretary and Treasurer, 2004 to present), Pride Development Bank Corporation, among other companies.

FRANCIS-NEIL P. MERCADO, 39 years old, graduated with a Bachelor of Science degree in Economics and Finance from Southern New Hampshire University, Manchester, and New England, USA in 2003. He also completed his Bachelor of Science in Economics from Nottingham University, United Kingdom in 2001 and Foundation Levels from Bellerby's College, Cambridge, United Kingdom. He sits as director and/or officer of various companies' including Metro luxury Mining Corp. (2009 to present), Zinith Mines Inc. (2009-present), IPM Construction and Development Corp. (2007-present), IPM Realty and Development Corp. (2007-present) and IPM Trading and Development Corp. (2007-present).

DAVID Y. KHO, 71 years old, has been a legal and business practitioner since graduating from college. He finished his Business Administration degree, major in Banking and Finance, at the University of the Philippines-Diliman. He later earned his Bachelor of Laws degree also from U.P. Atty. Kho was a member of the 15th Congress of the Philippines where he served as Vice chairman of two committees and member of ten others. He ended his term with a perfect attendance. David is an incumbent Trustee of the Kapihan sa Klub Filipino, past president of the Rotary club of Sto. Domingo, Quezon City, former Vice-President and Director of the Quezon City Sports Club, Inc., past Director and legal counsel of the Philippine Chamber of Commerce & Industry, Quezon City chapter, Lifetime member of U.P. Pan Xenia Fraternity, U.P. Law Alumni Assn., Integrated Bar, Charter President of the U.P. Junior Finance Assn. He is an author and publisher as well as a topnotcher of the Real Estate Brokers Exam.

ANA MARIA A. KATIGBAK, 50 years old, is a member of the Integrated Bar of the Philippines and a graduate of Bachelor of Laws at the University of the Philippines. She is a Partner at the Castillo Laman Tan Pantaleon& San Jose Law Offices. For the past five years, she has served as assistant corporate secretary in certain publicly-listed companies such as: Marcventures Holdings, Inc., Boulevard Holdings, Inc., Premiere Entertainment Philippines, Inc., Mabuhay Holdings Corp., Paxys, Inc., Energy Development Corp., and Solid Group, Inc.

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

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

(2) SIGNIFICANT EMPLOYEES

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

(3) FAMILY RELATIONSHIP

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

(4) RESIGNATION/RE-ELECTION

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

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

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

Item 10. Executive Compensation

(1) COMPENSATION TABLE

The following is a summary of the aggregate compensation paid or accrued during the two fiscal years, 2018 and 2017, to the Company's Chairman and Chief Executive Officer and other most highly compensated executive officers who are individually named, and to all other officers and directors of the Company as a group:

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Isabelita P. Mercado *Chairman and Chief Executive Officer*	2018-Jan to Dec 31 2017-Jan to Dec 31	NIL	NIL	NIL
Rhodora G. Uy *President and Chief Operating Officer*	2018-Jan to Dec 31 2017-May to Dec 31	NIL	NIL	NIL
Alfredo P. Javellana II *Independent Director*	2018-Jan to Dec 31 2017-Jan to Dec 31	NIL	NIL	NIL
Gener T. Mendoza *Director*	2018-Jan to Dec 31 2017-Jan to Dec 31	NIL	NIL	NIL
Francis Neil P. Mercado *Director and Treasurer*	2018-Jan to Dec 31 2017-Jan to Dec 31	NIL	NIL	NIL
Antonio Victoriano F. Gregorio III *Director*	2018-Jan to Dec 31 2017-Jan to Dec 31	NIL	NIL	NIL
David L. Kho *Independent Director*	2018-Jan to Dec 31 2017-May to Dec 31	NIL	NIL	NIL
Ana Maria A. Katigbak *Corporate Secretary*	2018-Jan to Dec 31 2017-Jan to Dec 31	NIL	NIL	NIL
TOTAL OF THE GROUP	**2018** **2017**	**NIL**	**NIL**	**NIL**

In May 23, 2012, the Board of Directors approved the grant of per diem to members of the Board of Directors, for every attendance at regular meetings of the board. The *per diem* are as follows: (i) Chairman of the Board Php20,000.00, (ii) Regular Directors Php10,000.00, and (iii) Independent Directors Php10,000.00. In June 27, 2018, the Board of Directors approved a 100% increase in the per diem of each director.

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

(2) COMPENSATION OF DIRECTORS

a. Standard Arrangements

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

b. Other Arrangements

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

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

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

The following table sets forth as of December 31, 2018, the record and/or beneficial owners of more than 5% of the outstanding common shares of the Corporation and the amount of such record and/or beneficial ownership.

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	IPM Construction and Development Corporation* Unit 804 Ortigas Building, Ortigas Avenue, Pasig City Relationship: Majority Stockholder	All the shares of IPM Construction and Development Corporation are directly owned by its shareholders.	Filipino	350,000,000	50.725%
Common	PCD Nominee Corporation Relationship: Stockholder	The beneficial owners of such shares are Philippine Depository & Trust Corporation (PDTC) participants who hold the shares on their behalf or on behalf of their clients	Filipino	206,531,769	29.932%
Common	IPM Environmental Services, Inc. Unit 804 Ortigas Building, Ortigas Avenue, Pasig City Relationship: Stockholder	All the shares of IPM Environmental Services, Inc. are directly owned by its shareholders.	Filipino	65,000,000	9.42%
Common	IPM Realty and Development Corporation Northfields Executive Vill., Mc. Arthur Hi-way, Longos, Malolos, Bulacan Relationship: Stockholder	All the shares of IPM Realty and Development Corporation are directly owned by its shareholders.	Filipino	50,000,000	7.246%

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

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Citizenship	Number of Shares Held	Percent of Class
Common	Meridian Securities, Inc. Suite 2702 B&C Tektite Tower 1 Ortigas Centre, Pasig City	Filipino	135,963,000	19.70%

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

As of December 31, 2018, the foreign ownership level of IPM is 12,530,504 shares or equivalent to 1.8160%.

(2) Security Ownership of Management

The table sets forth as of December 31, 2018 the record or beneficial stock ownership of each Director of the Corporation and all Officers and Directors as a group.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Isabelita P. Mercado *Chairman and Chief Executive Officer*	1,000,000 (Direct) 500,000 (Indirect)	Filipino	0.21739%
Common	Rhodora G. Uy *President and Chief Operating Officer*	2,000 (Direct)	Filipino	0.00029%
Common	Alfredo P. Javellana II *Independent Director*	1,000 (Direct) 179,000 (Indirect)	Filipino	0.02608%
Common	Gener T. Mendoza *Director*	5,000 (Indirect)	Filipino	0.00072%
Common	Antonio Victoriano F. Gregorio III *Director*	1,000 (Direct)	Filipino	0.00014%
Common	Francis Neil P. Mercado *Director and Treasurer*	2,000 (Direct)	Filipino	0.00029%
Common	David L. Kho *Independent Director*	459,800 (Indirect)	Filipino	0.06664%
Common	Ana Maria A. Katigbak *Corporate Secretary*	0	Filipino	0 %
	T O T A L	**2,149,800**		**0.31156%**

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

(3) Voting Trust Holders of 5% or more

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

(4) Changes in Control

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

Item 12. Certain Relationships and Related Transactions

Except as disclosed in Note 14 of the audited consolidated financial statements for 2018 and 2017, there were no other transactions entered into with related parties.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

This portion has been deleted pursuant to SEC Memorandum Circular No. 5, Series of 2013.

PART V – EXHIBIT AND SCHEDULES

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

(a) Exhibits

The Audited Consolidated Financial Statements ending December 31, 2018 are herein attached and incorporated by reference.

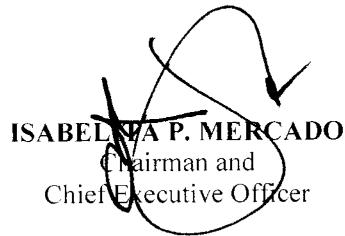
(b) Reports on SEC Form 17-C. The following are the reports filed by the Company on SEC Form 17-C for the year 2018.

Date of Report	Description
May 8, 2018	Notice of the Annual Stockholders' Meeting will be held on June 27, 2018
June 27, 2018	Results of the 2018 Annual Stockholders' Meeting and Organizational Meeting

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on April 10, 2019.

By:



ISABELITA P. MERCADO
Chairman and
Chief Executive Officer

FRANCIS NEIL P. MERCADO
Treasurer and
Chief Financial Officer

ANA MARIA A. KATIGBAK
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 11 APR 2019, affiants exhibiting to me their Passports, as follows:

Name	Passport No.	Date of Issue	Place of Issue
Isabelita P. Mercado	EC3526522	February 25, 2015	DFA, Manila
Francis Neil P. Mercado	EB4433663	June 18, 2015	DFA, Manila
Ana Maria A. Katigbak	P1893381A	February 7, 2017	DFA, Manila

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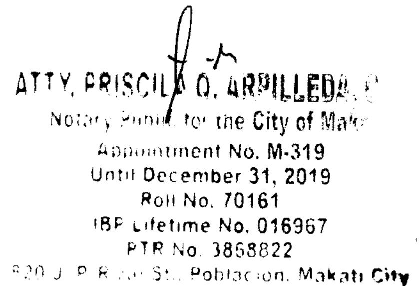
Page No. 47
Book No. 1
Series of 2019



ATTY. PRISCILA O. ARPILLEDA
Notary Public for the City of Makati
Appointment No. M-319
Until December 31, 2019
Roll No. 70161
IBP Lifetime No. 016967
PTR No. 3858822
J. P. Rizal St., Poblacion, Makati City

IPM HOLDINGS, INC. AND SUBSIDIARY
INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY SCHEDULES AND SEC FORM 17-C UNDER FORM 17-A, ITEM 7

Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements, signed under oath
Reports of Independent Public Accountants
Consolidated Statement of Financial Position as of December 31, 2018 and 2017
Consolidated Statements of Comprehensive Income for the years December 31, 2018, 2017 and 2016
Consolidated Statements of Changes in Equity for the years December 31, 2018, 2017 and 2016
Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2017

Notes to Consolidated Financial Statements

Parent Financial Statements

Notes to Financial Statements

Supplementary Schedules

Report of Independent Public Accountants on Supplementary Schedules

A. Financial Assets (e.g. Loans and Receivables, Fair Value Through Profit or loss, Held to Maturity Investments, Available for Sale Securities)
B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Affiliates
C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D. Intangible Assets – Other Assets
E. Long- Term Debt
F. Indebtedness to Related Parties
G. Guarantees of Securities of Other Issuers
H. Capital Stock

Other Required Information

1. Reconciliation of Retained Earnings Available for Dividend Distribution
2. Financial Soundness Indicators
3. Map of the Conglomerate or Group of Companies
4. Schedule of All the Effective Standards and Interpretation

IPM HOLDINGS, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR THE FINANCIAL STATEMENTS

The management of **IPM Holdings, Inc. and its Subsidiary (the Group)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

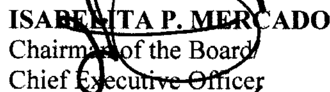
In preparing the financial statements, management is responsible for assessing the Parent Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company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

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

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

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

Signed under oath by the following:



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

FRANCIS NEIL P. MERCADO
Treasurer/Chief Financial Officer

Signed this 10th day of April 2019

SUBSCRIBED AND SWORN to before me this 11 APR 2019, affiants exhibiting to me their Passports, as follows:

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

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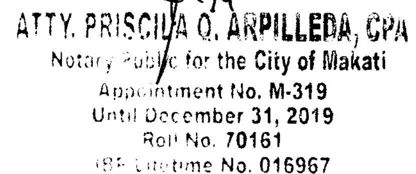


ATTY. PRISCILA O. ARPILLEDA, CPA
Notary Public for the City of Makati
Appointment No. M-319
Until December 31, 2019
Roll No. 70161
IBP Lifetime No. 016967

PTR No. 3863822
Poblacion, Makati City

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	5	0	0	8	5	5	7

COMPANY NAME

IPM HOLDINGS, INC. AND SUBSIDIARY

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@ipmholdings.com.ph	**897-5257**	N/A

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SGV
Building a better
working world

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

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

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of IPM Holdings, Inc. and its Subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Adoption of PFRS 9, Financial Instruments
On January 1, 2018, the Group adopted PFRS 9, *Financial Instruments*. PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement*, provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Group adopted the full retrospective approach in adopting PFRS 9.

The Group's adoption of the expected credit loss (ECL) model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the ECL model, such as timing and amounts of expected net recoveries from defaulted accounts; and incorporating forward-looking information (called overlays) in calculating ECL.

Receivables of the Group amounted to ₱993.03 million as at December 31, 2018, which comprised 74% of the Group's total assets.

Refer to Notes 2 and 5 of the financial statements for the disclosure on the transition adjustments and details of the allowance for credit losses using the ECL model, respectively.

Audit Response
Our audit procedures included, among others, understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased outcome, the time value of money, and the best available forward-looking information.

We reviewed the management's grouping of its financial instruments in accordance with its risk management's policies, definition of default, and determination of whether credit risk has increased significantly since initial recognition and those identified as credit-impaired financial assets.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (c) tested historical loss rates by inspecting historical recoveries and write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios. Further, we checked the data used in the ECL models, such as the historical aging analysis and default and recovery data.

We checked the transition adjustments and reviewed the disclosures made in the financial statements based on the requirements of PFRS 9.

Estimation of capacity, salvage value and related asset rehabilitation obligation of sanitary landfill and development costs

The Group's property and equipment, includes land used as sanitary landfill and the related development costs and asset rehabilitation obligation - assets amounting to ₱33.38 million, ₱23.67 million and ₱7.81 million as of December 31, 2018, respectively. The land used as sanitary landfill and the related development costs are being amortized using the units-of-production method. Under this method, management is required to estimate the total capacity and utilized capacity of the sanitary landfill and salvage value of the landfill which are key inputs to the amortization of these assets. The asset rehabilitation obligation has been set-up as the Group is also legally required to rehabilitate the land used as landfill through performance of certain maintenance and monitoring functions at site for a certain number of years once the sanitary landfill is fully utilized. This matter is important to our audit because this requires the exercise of significant management judgment and estimations in the determination of the landfill utilization capacity, salvage value, costs of rehabilitation activities and discount rate.

Relevant information are disclosed in Notes 3, 10 and 21 to the financial statements.

Audit response

For the estimation of utilized capacity of the sanitary landfill, we obtained an understanding from the project engineer about his bases for estimation on the total capacity, actual volume and compacted volume of trash received to date of the landfill. For the total capacity of the landfill, we obtained the total area in square meters from the sanitary landfill's topographic map and compared it against the corresponding certificates of title for the land. For trash received during the year, we sample tested the volume against supporting documents such as the trip tickets monitoring report and original copies of letter of billings.

For the estimation of the salvage value of the sanitary landfill, we obtained the latest appraisal report of the land and involved our valuation experts in the review of the methodology and discount rate used, basis of valuation and review of comparables used in determining the value of the property. We interviewed the appraiser regarding the inputs used in the appraisal such as the basis of value, size and shape adjustments. We obtained an understanding from management regarding their plans on the future uses of the sanitary landfill once rehabilitated.

For the related asset retirement obligation, we reviewed the relevant comprehensive rehabilitation plan prepared by the Group's Project Management team. We obtained an understanding from the project engineer about his bases for identifying and estimating the costs for various sanitary landfill rehabilitation and closure activities, such as costs of environmental monitoring system, general administration and security services. We compared the cost estimates, on a sample basis, to contracts and billings. We compared the discount and inflation rates used to market data.

We evaluated the competence, capabilities and objectivity of the engineers and appraisers.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS and SEC Form 17-A for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

Those charged with governance is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

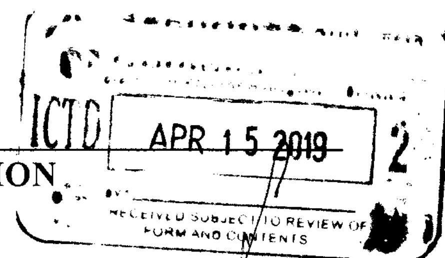
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law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

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

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. A-816-A (Group A),
 January 31, 2019, valid until May 31, 2019
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2018,
 February 14, 2018, valid until February 13, 2021
PTR No. 7332620, January 3, 2019, Makati City

March 27, 2019



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

	December 31		January 1,
	2018	2017 (As restated - Notes 2, 7 and 21)	2017 (As restated - Notes 2, 7 and 21)
ASSETS			
Current Assets			
Cash (Note 4)	**₱6,936,678**	₱7,697,566	₱6,523,092
Current portion of Receivables - net (Notes 5 and 14)	**942,427,537**	920,152,719	796,121,641
Other current assets (Note 6)	**10,925,149**	11,588,008	19,489,438
Total Current Assets	**960,289,364**	939,438,293	822,134,171
Noncurrent Assets			
Noncurrent portion of Receivables – net (Notes 5 and 14)	**50,605,851**	–	–
Deposits (Note 8)	**3,333,398**	3,315,666	3,304,746
Investments in an associate and a joint venture (Note 7)	**82,529,043**	79,009,301	87,985,191
Property and equipment (Note 10)	**128,630,733**	163,693,225	176,745,531
Investment property (Note 9)	**107,403,383**	103,284,547	104,401,990
Deferred tax assets (Note 19)	**9,231,776**	7,825,431	7,013,336
Total Noncurrent Assets	**381,734,184**	357,128,170	379,450,794
	₱1,342,023,548	₱1,296,566,463	₱1,201,584,965
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Note 11)	**₱122,068,935**	₱127,514,396	₱121,027,350
Loan payable (Note 12)	**96,000,000**	97,000,000	98,000,000
Income tax payable	**7,443,129**	10,423,076	5,922,377
Total Current Liabilities	**225,512,064**	234,937,472	224,949,727
Noncurrent Liabilities			
Asset Rehabilitation Obligation (ARO-liability) (Note 21)	**27,576,815**	25,616,825	23,796,139
Net pension liability (Note 18)	**1,273,706**	1,154,385	1,282,697
Total Noncurrent Liabilities	**28,850,521**	26,771,210	25,078,836
Total Liabilities	**254,362,585**	261,708,682	250,028,563
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock (Note 13)	**690,000,000**	690,000,000	690,000,000
Retained earnings (Note 13)	**345,375,958**	306,441,413	245,020,722
Other reserves (Notes 1 and 18)	**(298,314,816)**	(298,510,656)	(298,824,195)
	737,061,142	697,930,757	636,196,527
Noncontrolling interests (Note 2)	**350,599,821**	336,927,024	315,359,875
Total Equity	**1,087,660,963**	1,034,857,781	951,556,402
	₱1,342,023,548	₱1,296,566,463	₱1,201,584,965

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2018	2017 (As restated - Notes 2, 7 and 21)	2016 (As restated - Notes 2, 7 and 21)
REVENUE AND OTHER INCOME			
Service income (Notes 15 and 21)	**₱122,739,232**	₱209,627,948	₱275,783,494
Rental income (Notes 9 and 21)	**86,239,688**	85,213,750	78,808,503
Equity in net earnings of an associate and a joint venture - net (Note 7)	**3,519,742**	–	1,776,994
Interest income (Notes 4, 8 and 14)	**1,213,895**	1,233,811	1,243,121
Other income	–	54,323	71,986
	213,712,557	296,129,832	357,684,098
EXPENSES AND OTHER CHARGES			
Cost of services (Note 16)	**72,238,695**	123,576,085	172,359,531
General and administrative expenses (Note 17)	**52,392,700**	40,335,589	43,859,579
Interest expense (Notes 12 and 21)	**7,123,692**	6,117,832	6,243,758
Equity in net losses of an associate and a joint venture - net (Note 7)	–	2,042,556	–
	131,755,087	172,072,062	222,462,868
INCOME BEFORE INCOME TAX	**81,957,470**	124,057,770	135,221,230
PROVISION FOR INCOME TAX (Note 19)	**29,415,408**	41,174,443	42,390,083
NET INCOME	**52,542,062**	82,883,327	92,831,147
OTHER COMPREHENSIVE INCOME (LOSS)			
Item not to be reclassified to profit or loss in subsequent periods			
Actuarial gain (losses) on defined benefit obligation - net of tax (Note 18)	**261,120**	418,052	(141,645)
TOTAL COMPREHENSIVE INCOME	**₱52,803,182**	₱83,301,379	₱92,689,502
Net income attributable to:			
Equity holders of the parent	**₱38,934,545**	₱61,420,691	₱69,231,072
Noncontrolling interests	**13,607,517**	21,462,636	23,600,075
	₱52,542,062	**₱82,883,327**	**₱92,831,147**
Total comprehensive income attributable to:			
Equity holders of the parent	**₱39,130,385**	₱61,734,230	₱69,124,839
Noncontrolling interests	**13,672,797**	21,567,149	23,564,663
	₱52,803,182	₱83,301,379	₱92,689,502
BASIC/DILUTED EARNINGS PER SHARE (Note 20)	**₱0.06**	₱0.09	₱0.10

See accompanying Notes to Consolidated Financial Statements.

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

		Equity Attributable to Equity Holders of the Parent					
		Retained Earnings		Other Reserves			
		Retained Earnings-Unappropriated (Note 13)	Retained Earnings-Appropriated (Note 13)	Equity Reserve (Note 1)	Actuarial Losses on Defined Benefit Obligation (Note 18)	Noncontrolling Interests (Note 2)	Total Equity
At January 1, 2018, as previously reported	**₱690,000,000**	**₱320,898,238**	**₱–**	**(₱298,498,391)**	**(₱12,265)**	**₱342,384,349**	**₱1,054,771,931**
Effects of adoption of new accounting standards and others (Notes 2, 7 and 21)	–	**(14,456,825)**	–	–	–	**(5,457,325)**	**(19,914,150)**
At January 1, 2018, as restated	**₱690,000,000**	**₱306,441,413**	**₱–**	**(₱298,498,391)**	**(₱12,265)**	**₱336,927,024**	**₱1,034,857,781**
Net income	–	**38,934,545**	–	–	–	**13,607,517**	**52,542,062**
Other comprehensive income	–	–	–	–	**195,840**	**65,280**	**261,120**
Total comprehensive income	–	**38,934,545**	–	–	**195,840**	**13,672,797**	**52,803,182**
At December 31, 2018	**₱690,000,000**	**₱345,375,958**	**₱–**	**(₱298,498,391)**	**₱183,575**	**₱350,599,821**	**₱1,087,660,963**
At January 1, 2017, as previously reported	₱690,000,000	₱256,293,618	₱–	(₱298,498,391)	(₱325,804)	₱319,755,890	₱967,225,313
Effects of adoption of new accounting standards and others (Notes 2, 7 and 21)	–	(11,272,896)	–	–	–	(4,396,015)	(15,668,911)
At January 1, 2017, as restated	690,000,000	245,020,722	–	(298,498,391)	(325,804)	315,359,875	951,556,402
Net income, as restated	–	61,420,691	–	–	–	21,462,636	82,883,327
Other comprehensive income	–	–	–	–	313,539	104,513	418,052
Total comprehensive income	–	61,420,691	–	–	313,539	21,567,149	83,301,379
At December 31, 2017	₱690,000,000	₱306,441,413	₱–	(₱298,498,391)	(₱12,265)	₱336,927,024	₱1,034,857,781
At January 1, 2016, as previously reported	₱690,000,000	₱171,655,226	₱14,803,219	(₱298,498,391)	(₱219,571)	₱295,351,478	₱873,091,961
Effects of adoption of new accounting standards and others (Notes 2, 7 and 21)	–	(10,668,795)	–	–	–	(3,556,266)	(14,225,061)
At January 1, 2016, as restated	690,000,000	160,986,431	14,803,219	(298,498,391)	(219,571)	291,795,212	858,866,900
Net income, as restated	–	69,231,072	–	–	–	23,600,075	92,831,147
Other comprehensive loss	–	–	–	–	(106,233)	(35,412)	(141,645)
Total comprehensive income (loss)		69,231,072	–	–	(106,233)	23,564,663	92,689,502
Reversal of appropriation	–	14,803,219	(14,803,219)	–	–	–	–
At December 31, 2016	₱690,000,000	₱245,020,722	₱–	(₱298,498,391)	(₱325,804)	₱315,359,875	₱951,556,402

See accompanying Notes to Consolidated Financial Statement.

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

	Years Ended December 31		
	2018	2017 (As restated - Notes 2, 7 and 21)	2016 (As restated - Notes 2, 7 and 21)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱81,957,470**	₱124,057,770	₱135,221,230
Adjustments for:			
Accretion of ARO-liability (Notes 3 and 21)	**1,959,990**	1,820,686	1,691,283
Depreciation and amortization (Notes 9, 10, 16 and 17)	**39,843,858**	25,129,780	20,982,095
Interest expense (Notes 12 and 21)	**5,163,702**	4,297,146	4,552,475
Net change in pension liability (Notes 17 and 18)	**492,349**	468,905	374,229
Interest income (Notes 4, 8 and 14)	**(1,213,895)**	(1,233,811)	(1,243,121)
Equity in net losses (earnings) of an associate and a joint venture - net (Note 7)	**(3,519,742)**	2,042,556	(1,776,994)
Operating income before changes in working capital	**124,683,732**	156,583,032	159,801,197
Decrease (increase) in:			
Receivables	**(71,700,349)**	(121,250,758)	(201,371,128)
Other current assets	**662,859**	7,901,430	(1,786,958)
Increase (decrease) in:			
Trade and other payables	**4,262,199**	(2,907,014)	29,949,677
Due to related party	**–**	–	(2,239,931)
Net cash generated from (used in) operations	**57,908,441**	40,326,690	(15,647,143)
Interest received	**33,575**	53,491	62,801
Income tax paid	**(33,913,608)**	(37,665,004)	(55,697,954)
Net cash provided by (used in) operating activities	**24,028,408**	2,715,177	(71,282,296)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Note 10)	**(18,413,862)**	(1,446,371)	(179,583)
Increase in deposits	**(17,732)**	(10,920)	(19,261)
Dividends received from an associate (Note 7)	**–**	5,333,334	3,066,667
Net cash provided by (used in) investing activities	**(18,431,594)**	3,876,043	2,867,823
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid (Note 12)	**(5,357,702)**	(4,416,746)	(4,538,875)
Payment of bank loan (Note 12)	**(1,000,000)**	(1,000,000)	(2,000,000)
Net cash used in financing activities (Note 24)	**(6,357,702)**	(5,416,746)	(6,538,875)
NET INCREASE (DECREASE) IN CASH	**(760,888)**	1,174,474	(74,953,348)
CASH AT BEGINNING OF YEAR	**7,697,566**	6,523,092	81,476,440
CASH AT END OF YEAR (Note 4)	**₱6,936,678**	₱7,697,566	₱6,523,092

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 December 31, 2018 and 2017, the top four beneficial shareholders of the Parent Company are the following:

	Percentage of ownership
IPM Construction and Development Corporation (IPMCDC)	51%
IPM Environmental Services, Inc. (IPMESI)	10%
IPM Realty and Development Corporation (IPMRDC)	7%
Public	32%

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

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

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

The consolidated financial statements reflect the substance of the transaction which is that BEST is the continuing entity, therefore, the principles and guidance on the preparation and presentation of the consolidated financial statements in a reverse acquisition set out in PFRS 3 were applied in this

transaction. However, the listing status did not qualify for recognition as an intangible asset, and therefore expensed in profit or loss.

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

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

Status of Operations and Management's Plans
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 local government units' (LGUs') waste management needs and raise the standards of waste management solutions, thereby reducing pollution and preventing the further destruction of the country's natural resources.

As of December 31, 2018, BEST is actively engaged in 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.

The accompanying consolidated financial statements of the Group were approved and authorized for issuance by the Board of Directors (BOD) on March 27, 2019.

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 losses the control.

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

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. When the Group loses control over a subsidiary, it:

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

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

Statements of Financial Position

	2018	2017 (As restated)
Current assets	**₱1,010,735,637**	₱937,973,541
Noncurrent assets	**333,378,335**	358,778,170
Total assets	**₱1,344,113,972**	₱1,296,751,711
Current liabilities	**₱225,149,483**	₱234,557,720
Noncurrent liabilities	**28,850,521**	26,771,210
Total liabilities	**₱254,000,004**	₱261,328,930

Statements of Comprehensive Income

	2018	2017 (As restated)
Revenue	**₱213,872,413**	₱296,811,583
Net income	**54,430,068**	83,050,545
Total comprehensive income	**54,691,188**	83,468,597

Statements of Cash Flows

	2018	2017 (As restated)
Cash flows from (used in):		
Operating activities	**₱15,362,913**	₱2,140,965
Investing activities	**(8,917,935)**	3,876,043
Financing activities	**(6,357,702)**	(5,416,746)
Net increase in cash and cash equivalents	**₱87,276**	₱508,922

Accumulated balance of material NCI	**₱350,599,821**	₱336,927,024
Net income attributable to material NCI	**13,607,517**	21,462,636
Total comprehensive income attributable to NCI	**13,672,797**	21,567,149

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, 2018.

Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance, unless otherwise indicated.

- PFRS 9, *Financial Instruments*
  PFRS 9 replaces the provisions of Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, as applicable, the Group has applied PFRS 9 retrospectively, adjusting the comparative information for the earliest period presented beginning January 1, 2017.

The effect of adopting PFRS 9 is as follows:

(a) Classification and measurement
Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2017. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact to the Group. Cash in bank, deposits and receivables, previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely parts of principal and interest. These are now classified as financial assets at amortized cost beginning January 1, 2017.

Presented below is the impact in the classification and measurement upon adoption of PFRS 9 as at January 1, 2017 on the Group's financial statements.

	Original Measurement Category under PAS 39	New Measurement Category under PFRS 9	Original Carrying Amount under PAS 39	New Carrying Amount under PFRS 9
Financial assets:				
Cash (excluding cash on hand)	Loans and receivables	Financial assets at amortized cost	₱6,450,882	₱6,450,882
Receivables-net	Loans and receivables	Financial assets at amortized cost	796,121,641	796,121,641
Deposits	Loans and receivables	Financial assets at amortized cost	3,304,746	3,304,746
			₱805,877,269	₱805,877,269
Financial liabilities:				
Loan payable	Other financial liabilities	Financial liabilities at amortized cost	₱98,000,000	₱98,000,000
Trade and other payables*	Other financial liabilities	Financial liabilities at amortized cost	19,720,507	19,720,507
			₱117,720,507	₱117,720,507

**excluding statutory liability*

The Group has no designated financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for the Group's financial liabilities.

(b) Impairment
The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to record an allowance for impairment losses for all debt financial assets not held at FVPL.

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

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate (see Note 3). The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

For receivables from related parties, ECLs are recognized in two stages. For credit exposures for which there has not been 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).

Staging Assessment
For non-credit-impaired financial instruments:
- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires a lifetime ECL for impaired financial instruments.

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 Group identified that the receivables from Local Government Units (LGU) and private entity customers amounting to ₱3.55 million and ₱4.18 million, respectively, are credit impaired assets

prior to January 1, 2017. The Group recognized provision for expected credit losses for the receivables identified amounting to ₱7.73 million which reduced the receivables as of December 31, 2017 and January 1, 2017 by the same amount. The Group also recognized the related deferred tax assets amounting to ₱2.32 million as of December 31, 2017 and January 1, 2017.

Unappropriated retained earnings decreased by ₱5.80 million and noncontrolling interests decreased by ₱1.93 million as of December 31, 2017 and January 1, 2017. The adoption of PFRS 9 has no impact on the Group's net income, total comprehensive income and operating, investing and financing cash flows for the years 2017 and 2016.

- PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measure and recognize revenue.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted PFRS 15 using the full retrospective method of adoption. However, the adoption has no significant effect on the current and prior period consolidated financial statements of the Group. Revenue recognition and measurement remains significantly the same as compared to the Group policy prior to the adoption of new revenue accounting standard.

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

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

The amendments are not applicable to the Group as the Group does not measure its investment at FVPL.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

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, 2018. Unless otherwise indicated, the Group does not expect that the future adoption of these pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- 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. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

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

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

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

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

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

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

  The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effectivity date.

- 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*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* 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.

- 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 the:

  - 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; and,
  - 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 apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

The Group is currently assessing the impact of adopting the amendments to PAS 19.

- *Annual Improvements 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.

    The Group is currently assessing the impact of adopting these amendments.

  - 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, the Group does not expect any effect on its consolidated financial statements upon adoption.

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, 2020, 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.

  An entity will apply those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted, as applicable.

  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.

  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 as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

Deferred tax assets and liabilities are classified as noncurrent.

Cash

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

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability 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 commitmcircumstances since the time of the transaction.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Depreciation of property and equipment, other than land 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 hat 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.

<u>Rental income</u>
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.

<u>Costs and Expenses</u>
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.

<u>Leases</u>
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 23.

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

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

Basic/Diluted Earnings Per Share (EPS)
EPS is computed by dividing net income for the year attributable to 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.

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 December 31, 2018 and 2017, BEST holds 60% interest in Ecoedge Resources Corporation (ERC), which is accounted as investment in a joint venture. Joint control exists as decisions about the relevant activities of ERC require the unanimous consent of BEST and Lafarge Industrial Ecology International, S.A (LIEI), which is supported by the contractual agreement of the parties to the following:

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

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

As of December 31, 2018 and 2017, the Group holds 16% interest in (Metro Clark Waste Management Corporation (MCWM), which is accounted as investment in an associate. The Group exercises significant influence in MCWM due to the presence of BEST's representatives in the Board of Directors of MCWM. Hence, BEST effectively has a participation in the policy-making processes of MCWM.

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.

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 ₱9.19 million and ₱8.80 million as of December 31, 2018 and 2017, respectively. The carrying amounts of receivables amounted to ₱993.03 million and ₱920.15 million as of December 31, 2018 and 2017, respectively (see Note 5).

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

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

In 2018 and 2017, the Group has recognized impairment losses on its investment in an associate and a joint venture amounting to nil and ₱2.65 million, respectively. As of December 31, 2018 and 2017, the carrying values of investments in an associate and a joint venture amounted to ₱82.53 million and ₱79.01 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 December 31, 2018 and 2017, 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 December 31, 2018 and 2017, the Group's ARO-liability has a carrying value of ₱27.58 million and ₱25.62 million, respectively. For the years ended December 31, 2018, 2017 and 2016, the related finance cost recognized to accrete the liability amounted to ₱1.96 million, ₱1.82 million and ₱1.69 million, respectively (see Note 21).

Determining Estimated Total Capacity, Utilized Capacity and Salvage Value of Land and Development Costs Used as Landfill
The Group estimates the utilized 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 based on factors that include asset use, internal technical evaluation, and technological and environmental changes, and anticipated use of the assets.

As of December 31, 2018 and 2017, the carrying value of the land, development costs and asset rehabilitation obligation asset amounted to ₱64.86 million and ₱81.91 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 December 31, 2018 and 2017, the Group did not recognize any impairment loss on its nonfinancial assets. As of December 31, 2018 and 2017, the carrying values of the Group's nonfinancial assets are as follows:

	2018	2017
Property and equipment (Note 10)	**₱128,630,733**	₱163,693,225
Investment property (Note 9)	**107,403,383**	103,284,547
Other current assets (Note 6)	**10,925,149**	11,588,008

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

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates in the Philippines. Pension liability amounted to ₱1.64 million and ₱1.51 million as of December 31, 2018 and 2017, respectively. Further details about the assumptions used are provided in Note 18.

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 December 31, 2018 and 2017 amounted to ₱9.23 million and ₱7.82 million, respectively (Note 19).

4. Cash

	2018	2017
Cash on hand	**₱72,210**	₱71,417
Cash in banks	**6,864,468**	7,626,149
	₱6,936,678	₱7,697,566

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

Interest earned on cash in banks amounted to ₱0.01 million, ₱0.04 million and ₱0.03 million in 2018, 2017 and 2016, respectively.

5. **Receivables - net**

Current receivables

	2018	2017 (As restated - Note 2)
Trade receivables		
Related parties (Note 14)	**₱910,441,638**	₱850,955,968
Private entities	**21,550,814**	12,628,025
Local government units (LGUs) (Note 21)	**13,186,364**	7,494,320
	945,178,816	871,078,313
Loans receivable (Note 14)	–	31,000,000
Advances to officers and employees	**1,659,986**	19,613,816
Interest receivable (Note 14)	**3,000,000**	3,849,220
Dividend receivable (Note 7)	–	1,600,000
Advances to suppliers	**711,863**	744,508
Others	**1,066,172**	1,066,172
	951,616,837	928,952,029
(Forward)		
Less allowance for expected credit losses	**9,189,300**	8,799,310
	₱942,427,537	₱920,152,719

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, except those that were classified as noncurrent, which are expected to be collected within two (2) years.

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

	2018
Trade receivables – related party (Note 14)	**₱17,576,311**
Loan receivables – related party (Note 14)	**31,000,000**
Interest receivable – related party (Note 14)	**2,029,540**
	₱50,605,851

In 2018, IPMCDC provided BEST 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 14 and 17).

In 2018, ERC also provided BEST with the schedule of payment for the former's payable to the latter. The principal amount of the interest bearing loans amounting to ₱31.00 million and interest receivable amounting to ₱2.03 million are expected to be collected more than one year.

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

	2018	2017 (As restated - Note 2)
Balance at the beginning of the year	**₱8,799,310**	₱8,799,310
Provision for the year (Note 17)	**389,990**	–
Balance at end of year	**₱9,189,300**	₱8,799,310

Allowance for expected credit losses as of December 31, 2018 and 2017 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

	2018	2017
Input VAT	**₱10,741,516**	₱11,328,206
Creditable withholding taxes	**5,158,176**	5,125,575
Deferred input VAT	**364,101**	248,149
Prepayments	**27,291**	65,102
Deposits	**15,669**	15,669
	16,306,753	16,782,701
Less allowance for impairment losses	**5,381,604**	5,194,693
	₱10,925,149	₱11,588,008

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:

	2018	2017
Balance at beginning of year	**₱5,194,693**	₱4,998,737
Provision for the year (Note 17)	**186,911**	195,956
Balance at end of year	**₱5,381,604**	₱5,194,693

7. **Investments in an Associate and a Joint Venture**

The details of the Group's investments in an associate and a joint venture accounted for under the equity method as of December 31, 2018 and 2017 follow:

	Associate		Joint Venture		Total	
	Metro Clark Waste Management Corporation (MCWM)		Ecoedge Resources Corporation (ERC)			
	2018	2017	**2018**	2017 (As restated)	**2018**	2017 (As restated)
Cost	**₱32,393,358**	₱32,393,358	**₱51,412,499**	₱51,412,499	**₱83,805,857**	₱83,805,857
Accumulated share in net earnings (losses):						
Balance at beginning of year	**27,411,580**	19,664,063	**(32,208,136)**	(15,484,730)	**(4,796,556)**	4,179,333
Equity in net earnings (losses) of an associate and a joint venture	**12,497,534**	18,307,613	**(7,511,360)**	(14,158,406)	**4,986,174**	4,149,207
Other adjustments to equity in net earnings (losses) of an associate and a joint venture	**(1,466,432)**	(3,626,763)	**–**	(2,565,000)	**(1,466,432)**	(6,191,763)
Dividends during the year	**–**	(6,933,333)	**–**	–	**–**	(6,933,333)
Balance at end of year	**38,442,682**	27,411,580	**(39,719,496)**	(32,208,136)	**(1,276,814)**	(4,796,556)
	₱70,836,040	₱59,804,938	**₱11,693,003**	₱19,204,363	**₱82,529,043**	₱79,009,301

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

	MCWM		ERC	
	2018	2017	**2018**	2017
Net assets	**₱442,725,256**	₱373,780,860	**₱19,488,339**	₱32,007,271
Ownership interest	**16%**	16%	**60%**	60%
Carrying value of investment	**₱70,836,040**	₱59,804,938	**₱11,693,003**	₱19,204,363

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.

Significant financial information of the associate follows (amounts in thousands):

	2018	2017
Current assets	**₱194,564**	₱198,732
Noncurrent assets	**533,603**	339,876
Total assets	**₱728,167**	₱538,608
Current liabilities	**₱160,734**	₱102,075
Noncurrent liabilities	**124,708**	62,752
Total liabilities	**₱285,442**	₱164,827
Gross revenue	**₱585,994**	₱503,776
Cost and expenses - net	**499,335**	380,926
Net profit before income tax	**₱86,659**	₱122,850

(Forward)

	2018	2017
Net profit	**₱78,110**	₱ 114,423
Other comprehensive income	**–**	–
Total comprehensive income	**₱78,110**	₱114,423

For the years ended 2018, 2017 and 2016, the Group's dividend income from investment in an associate amounted to nil, ₱6.33 million and ₱3.06 million, respectively. As of December 31, 2018 and 2017, the Group's dividends receivables from the Group amounted to nil and ₱1.60 million.

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.

Significant financial information of the joint venture follows (amounts in thousands):

	2018	2017
Current assets (including cash amounting to ₱1.78 million and ₱3.99 million in 2018 and 2017, respectively)	**₱12,697**	₱12,385
Noncurrent assets	**80,510**	88,997
Total assets	**₱93,207**	₱101,382
Total liabilities	**₱73,719**	₱69,376
Gross revenue	**₱2,170**	₱6,861
Cost of sales	**12,247**	18,369
Administrative expenses	**2,440**	12,086
Loss before income tax	**(₱12,517)**	(₱23,594)
Net loss	**(₱12,518)**	(₱23,597)
Other comprehensive income	**–**	–
Total comprehensive loss	**(₱12,518)**	(₱23,597)

In 2018, goodwill in investments in ERC amounting to ₱2.56 million has been impaired, decreasing the investment and 2017 net income by the same amount. This decreased the retained earnings and noncontrolling interests by ₱1.93 million and ₱0.64 million as of December 31, 2017, respectively. There are no significant restrictions on the ability of the associate and the joint venture to transfer funds to the Group in the form of cash dividends or to repay loans or advances made by the Group.

8. **Deposits**

As of December 31, 2018 and 2017, BEST has deposits to GSIS as surety bond amounting to ₱3.33 million. These deposits were made in favor of BEST's contracting parties, which are government offices, so that the completion of the project is guaranteed. If the Group fails to execute

the services according to the specifications laid out in the respective contracts, the government offices will receive guaranteed compensation for any monetary loss up to the amount of the performance bond. Interest income from deposits amounted to ₱0.02 million, ₱0.01 million and ₱0.03 million in 2018, 2017 and 2016, respectively.

9. Investment Property

	2018		
	Land	**Condominium Unit**	**Total**
Cost			
Beginning	**₱70,320,000**	**₱38,535,329**	**₱108,855,329**
Reclassification (Note 10)	**–**	**6,226,711**	**6,226,711**
Balance at end of year	**70,320,000**	**44,762,040**	**115,082,040**
Accumulated depreciation:			
Balance at beginning of year	**–**	**5,570,782**	**5,570,782**
Depreciation (Note 16)	**–**	**1,117,443**	**1,117,443**
Reclassification (Note 10)	**–**	**990,432**	**990,432**
Balance at end of year	**–**	**7,678,657**	**7,678,657**
Net book value	**₱70,320,000**	**₱37,083,383**	**₱107,403,383**

	2017		
	Land	Condominium Unit	Total
Cost	₱70,320,000	₱38,535,329	₱108,855,329
Accumulated depreciation:			
Balance at beginning of year	–	4,453,339	4,453,339
Depreciation (Note 16)	–	1,117,443	1,117,443
Balance at end of year	–	5,570,782	5,570,782
Net book value	₱70,320,000	₱32,964,547	₱103,284,547

Land pertains to a property located in Taytay, Rizal with currently undetermined use as of December 31, 2018 and 2017.

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 ₱0.50 million, ₱0.05 million and ₱0.05 million in 2018, 2017 and 2016, respectively. Depreciation amounting to ₱2.11 million, ₱1.12 million and ₱1.12 million in 2018 and 2017 is recognized in cost of services.

The following table provides the fair value hierarchy of the Group's investment properties as of December 31, 2018 and 2017, based on based on an appraisal made by an independent appraiser who holds a recognized and relevant professional qualifications.

2018

	Date of Valuation	Total	Fair value using: Quoted priced in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Land property	**December 31, 2018**	**₱174,042,000**	**₱–**	**₱–**	**₱174,042,000**
Building properties	**December 31, 2018**	**56,725,062**	**–**	**–**	**56,725,062**

2017

	Date of Valuation	Total	Fair value using: Quoted priced in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Land property	December 31, 2017	₱85,420,000	₱–	₱–	₱85,420,000
Building properties	December 31, 2017	40,961,050	–	–	40,961,050

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

10. Property and Equipment

2018

	Land	**Condominium Unit and Improvements**	**Transportation and Heavy Equipment**	**Office Furniture and Fixtures**	**Development Costs**	**Leasehold Improvements**	**ARO-Asset (Note 21)**	**Total**
Cost								
At January 1	**₱44,932,700**	**₱37,056,324**	**₱123,814,371**	**₱4,260,747**	**₱114,219,384**	**₱548,133**	**₱14,202,829**	**₱339,034,488**
Additions	**–**	**–**	**–**	**219,643**	**8,435,505**	**245,054**	**–**	**8,900,202**
Reclassifications (Note 9)	**–**	**(6,226,711)**	**–**	**–**	**–**	**–**	**–**	**(6,226,711)**
At December 31	**44,932,700**	**30,829,613**	**123,814,371**	**4,480,390**	**122,654,889**	**793,187**	**14,202,829**	**341,707,979**
Accumulated Depreciation and Amortization								
At January 1	**4,137,700**	**5,716,748**	**74,412,752**	**3,751,119**	**81,629,681**	**12,132**	**5,681,131**	**175,341,263**
Depreciation and amortization (Notes 16 and 17)	**7,419,650**	**1,447,021**	**11,129,041**	**522,136**	**17,351,763**	**146,663**	**710,141**	**38,726,415**
Reclassifications (Note 9)	**–**	**(990,432)**	**–**	**–**	**–**	**–**	**–**	**(990,432)**
At December 31	**11,557,350**	**6,173,337**	**85,541,793**	**4,273,255**	**98,981,444**	**158,795**	**6,391,272**	**213,077,246**
Net Book Value	**₱33,375,350**	**₱24,656,276**	**₱38,272,578**	**₱207,135**	**₱23,673,445**	**₱634,392**	**₱7,811,557**	**₱128,630,733**

2017

	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Leasehold Improvements	ARO-Asset (As restated - Note 21)	Total
Cost								
At January 1	₱44,932,700	₱37,056,324	₱123,814,371	₱3,922,134	₱104,146,099	₱–	₱14,202,829	₱328,074,457
Additions	–	–	–	338,613	10,073,285	548,133	–	10,960,031
At December 31	44,932,700	37,056,324	123,814,371	4,260,747	114,219,384	548,133	14,202,829	339,034,488
Accumulated Depreciation and Amortization								
At January 1	–	4,553,785	62,999,654	3,347,646	75,456,851	–	4,970,990	151,328,926
Depreciation and amortization (Notes 16 and 17)	4,137,700	1,162,963	11,413,098	403,473	6,172,830	12,132	710,141	24,012,337
At December 31	4,137,700	5,716,748	74,412,752	3,751,119	81,629,681	12,132	5,681,131	175,341,263
Net Book Value	₱40,795,000	₱31,339,576	₱49,401,619	₱509,628	₱32,589,703	₱536,001	8,521,698	₱163,693,225

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

As of December 31, 2018 and 2017, the Group's outstanding payables arising from acquisitions of property and equipment amounted to nil and ₱9.51 million, respectively.

In 2013, the Group entered into a finance lease agreement with a local lending company for two units of transportation equipment amounting to ₱6.61 million, payable over five (5) years on a monthly basis (see Note 21).

11. Trade and Other Payables

	2018	2017
Trade payables		
Related parties (Note 14)	**₱251,072**	₱8,531,187
Third parties	**5,329,685**	7,470,921
	5,580,757	16,002,108
Payable to government agencies	**12,731,215**	18,688,335
Deferred output VAT	**101,993,424**	91,502,332
Accrued expenses	**1,763,539**	1,321,621
	₱122,068,935	₱127,514,396

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

12. Loan Payable

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

On December 29, 2016, BEST 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, BEST paid ₱1.00 million of the principal amount of the loan. The remaining ₱97.00 million was renewed for the period of 360 days and will mature on December 15, 2018. Interest from December 15, 2017 to January 16, 2018 shall be at the rate of 4.50% per annum and every month thereafter shall be at the prevailing interest rate. Interest payment shall commence on January 25, 2018.

On December 13, 2018, BEST paid ₱1.00 million for the principal amount of the loan. The remaining ₱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. Upon maturity in February 2019, remaining principal amount was renewed for another 30 days.

Interest expense on loan payable amounted to ₱5.14 million, ₱4.17 million and ₱4.17 million in 2018, 2017 and 2016, respectively.

As of December 31, 2018 and 2017, the outstanding balance of loan payable amounted to ₱96.00 million and ₱97.00 million, respectively.

13. Equity

Capital Stock

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

	2018	2017
Authorized number of shares:		
At the beginning and end of the year	**740,000,000**	740,000,000
Number of shares issued and outstanding:		
At the beginning and end of the year	**690,000,000**	690,000,000

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

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

The Parent Company's total number of shareholders is 118 as of December 31, 2018 and 2017.

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 December 31, 2018 and 2017, the Parent Company is in a deficit position, hence, no dividends were declared during the years covered.

As of December 31, 2018 and 2017, the portion of retained earnings corresponding to the undistributed equity in net earnings of the associate amounting to ₱38.44 million and ₱27.41 million are not available for distribution as dividends until declared by the associate. The investment in a joint venture has an accumulated share in net losses as of December 31, 2018 and 2017.

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

	2018	2017
Balance at beginning of year	**₱209,040,001**	₱206,072,782
Net loss during the year	**3,288,002**	2,967,219
	₱212,328,003	₱209,040,001

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

14. Related Party Transactions

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

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

2018

Category	Amount	Outstanding Balance	Terms	Conditions
Trade receivables (Note 5)				
Parent				
IPMCDC (a)	**₱132,953,974**	**₱216,643,227**	Noninterest-bearing; within one year	Unsecured, no impairment
		17,576,311	Noninterest-bearing; within two years	Unsecured, no impairment
Shareholders				
IPMESI (b)	–	**693,745,655**	Noninterest-bearing; on demand	Secured, no impairment
IPMRDC (c)	–	**34,687**	Noninterest-bearing; on demand	Unsecured, no impairment
Joint Venture				
ERC (d)	**53,571**	**18,069**	Noninterest-bearing; on demand	Unsecured, no impairment
		₱928,017,949		
Loans receivable (Note 5)				
Joint venture				
ERC (e)	**₱–**	**₱31,000,000**	Interest-bearing; within five years	Unsecured, no impairment
Interest receivable (Note 5)				
ERC (e)	**1,180,320**	**5,029,540**	Within five years	Unsecured, no impairment
		₱36,029,540		

(Forward)

Category	**Amount**	**Outstanding Balance**	**Terms**	**Conditions**
Trade payables (Note 11)				
Parent				
IPMCDC (f)	**₱22,602,394**	**₱251,072**	Noninterest-bearing; on demand	Unsecured
Accrued expenses				
Affiliate				
GNCA Holdings, Inc. (GNCA) (g)	**180,000**	–	Noninterest-bearing; on demand	Unsecured
BOD (h)	**450,000**	–	Noninterest-bearing; on demand	Unsecured
		₱251,072		

2017

Category	Amount	Outstanding Balance	Terms	Conditions
Trade receivables (Note 5)				
Parent				
IPMCDC (a)	₱132,303,036	₱157,157,557	Noninterest-bearing; within one year	Unsecured, no impairment
Shareholders				
IPMESI (b)	109,074,088	693,745,655	Noninterest-bearing; within one year	Secured, no impairment
IPMRDC (c)	–	34,687	Noninterest-bearing; within one year	Unsecured, no impairment
Joint Venture				
ERC (d)	53,571	18,069	Noninterest-bearing; on demand	Unsecured, no impairment
		₱850,955,968		
Loans receivable (Note 5)				
Joint venture				
ERC (e)	₱–	₱31,000,000	Interest-bearing; due and demandable	Unsecured, no impairment
Interest receivable (Note 5)				
ERC (e)	1,180,320	3,849,220	Due and demandable	Unsecured, no impairment
		₱34,849,220		
Trade payables (Note 11)				
Parent				
IPMCDC (f)	₱95,339,251	₱8,531,187	Noninterest-bearing; on demand	Unsecured
Accrued expenses				
Affiliate				
GNCA Holdings, Inc. (GNCA) (g)	180,000	–	Noninterest-bearing; on demand	Unsecured
BOD (h)	110,000	–	Noninterest-bearing; on demand	Unsecured
		₱8,531,187		

a. BEST provides composting of waste materials services to IPMCDC and charges composting and waste processing fees based on a fixed contract price specified in the composting agreement. In 2018 and 2017, 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 years 2018, 2017 and 2016 is composed of the following:

	2018	2017	2016
Consultancy	**₱35,142,857**	₱35,142,857	₱35,142,857
Equipment rental	**85,811,117**	85,160,179	84,386,441
Composting	**12,000,000**	12,000,000	12,000,000
	₱132,953,974	₱132,303,036	₱131,529,298

In 2018, BEST agreed with IPMCDC the fixing of date of collection of the former's receivables to the latter. Receivables amounting to ₱19.08 million will be collected in the first quarter of 2020. This portion of receivables is reclassified as noncurrent trade receivables and have been discounted. The resulting 'day 1' loss amounting to ₱1.51 million is charged to profit and loss in 2018 (Note 17). All remaining receivables are collectible within one (1) year.

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 21). In April 2018, BEST entered into a Memorandum of Agreement with IPMESI and IPMRDC wherein the latter assigned 65,000,000 shares and 35,000,000 shares, respectively, of the Parent Company to guaranty BEST's receivables from IPMESI amounting to ₱693.75 million (see Note 22).

c. In 2018 and 2017, 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. Lease term commenced on January 1, 2017 and was for a period of two (2) years, renewable upon mutual agreement of the parties.

e. In 2014, BEST granted loans to ERC amounting to ₱19.00 million with 3.864% 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 ₱2.03 million are collectible within five (5) years and were reclassified as noncurrent receivables.

   For the years ended 2018, 2017 and 2016, interest income earned from the loans amounted to ₱1.18 million each year. Accrued interest receivable amounted to ₱5.03 million and ₱3.85 million as of December 31, 2018 and 2017, 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 2018, 2017 and 2016, 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 ₱0.45 million, ₱0.11 million, and ₱0.30 million in 2018, 2017 and 2016, respectively (see Note 17).

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 (Note 22).

Compensation of Key Management Personnel
Details of the compensation of key management personnel of the Group are as follows:

	2018	2017	2016
Salaries and other short-term employee benefits	**₱10,504,476**	₱8,799,062	₱7,956,783
Long-term employee benefits	**219,182**	214,399	214,399
	₱10,723,658	₱9,013,461	₱8,171,182

15. Revenues from Contracts with Customers

	2018	2017	2016
Income from tipping fee	**₱46,737,459**	₱20,205,603	₱13,137,674
Composting/waste process	**12,000,000**	12,000,000	12,000,000
Consultancy/field services	**35,142,857**	144,216,945	228,769,864
Hauling income	**28,858,916**	33,205,400	21,875,956
	₱122,739,232	₱209,627,948	₱275,783,494

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.

16. Cost of Services

	2018	2017	2016
Depreciation and amortization (Notes 9 and 10)	**₱37,041,318**	₱22,436,102	₱18,296,069
Rent (Note 14)	**15,181,787**	49,454,476	91,333,946
Salaries, wages and employee benefits	**10,039,872**	12,675,326	7,505,977

(Forward

	2018	2017	2016
Fuel and oil (Note 14)	**₱4,822,017**	₱6,286,042	₱7,971,605
Repairs and maintenance (Note 14)	**1,549,661**	7,549,213	8,012,522
Taxes and licenses	**807,704**	1,118,183	938,127
Supplies	**239,064**	444,129	217,585
Utilities	**223,741**	161,629	48,322
Transportation and travel	**55,966**	494,865	154,788
Materials and tools (Note 14)	–	6,832,003	9,864,570
Contract costs (Note 14)	–	15,625,000	27,983,500
Others	**2,277,565**	499,117	32,520
	₱72,238,695	₱123,576,085	₱172,359,531

17. **General and Administrative Expenses**

	2018	2017	2016
Taxes and licenses	**₱17,758,364**	₱14,349,342	₱12,516,242
Salaries, wages and employee benefits (Note 14)	**12,963,366**	10,648,495	10,093,297
Professional fees	**9,740,810**	3,103,043	1,726,219
Depreciation and amortization (Note 10)	**2,802,540**	2,693,678	2,686,026
"Day 1" loss (Note 5)	**1,508,374**	–	–
Entertainment amusement and recreation	**1,116,918**	837,561	2,447,816
Transportation and travel	**988,451**	1,242,381	573,849
Utilities (Note 14)	**858,312**	998,049	954,481
Stock exchange listing fee	**589,725**	640,025	693,910
Provision for impairment losses (Notes 5 and 6)	**576,901**	195,956	9,478,758
Directors' fee (Note 14)	**450,000**	110,000	300,000
Pension expense (Note 18)	**492,349**	468,905	374,229
Office supplies and printing costs	**387,513**	435,134	416,845
Repairs and maintenance	**356,220**	241,540	315,849
Advertising and promotion	**299,400**	3,094,654	102,050
Rent (Note 14)	**128,661**	264,286	126,083
Insurance	**58,668**	78,493	120,728
Seminars and trainings	–	118,500	14,000
Others	**1,316,128**	815,547	919,197
	₱52,392,700	₱40,335,589	₱43,859,579

18. **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, 2018.

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:

	2018		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net pension liability**
At January 1	**₱1,512,998**	**(₱358,613)**	**₱1,154,385**
Benefit cost in profit or loss			
Current service cost (Note 17)	**423,779**	**–**	**423,779**
Net interest expense (income) (Note 17)	**89,872**	**(21,302)**	**68,570**
Remeasurements in other comprehensive income			
Remeasurement loss - return on plan asset	**–**	**14,520**	**14,520**
Actuarial gain - changes in financial assumptions	**(146,899)**	**–**	**(146,899)**
Actuarial gain - changes in experience	**(240,649)**	**–**	**(240,649)**
At December 31	**₱1,639,101**	**(₱365,395)**	**₱1,273,706**

	2017		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability
At January 1	₱1,636,678	(₱353,981)	₱1,282,697
Benefit cost in profit or loss			
Current service cost (Note 17)	398,357	–	398,357
Net interest expense (income) (Note 17)	90,017	(19,469)	70,548
Remeasurements in other comprehensive income			
Remeasurement loss - return on plan asset	–	14,837	14,837
Actuarial gain - changes in financial assumptions	(61,049)	–	(61,049)
Actuarial gain - changes in experience	(551,005)	–	(551,005)
At December 31	₱1,512,998	(₱358,613)	₱1,154,385

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

	2018	2017
Actuarial gain	**₱373,028**	₱597,217
Less tax effect	**111,908**	179,165
Actuarial gain recorded in OCI	**₱261,120**	₱418,052

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 ₱6,782 and ₱4,632 in 2018 and 2017, respectively.

The Group did not make any contribution in 2018 and 2017 to the defined benefit pension plan. The Group does not expect any contribution to the defined benefit pension plan in 2019.

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

	2018	2017
Discount rate	**7.13%**	5.94%
Salary increase rate	**2.00%**	2.00%

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

		Increase (decrease) in present value of defined benefit obligation	
	Change in variable	**2018**	2017
Discount rate	+100 bps	**(₱108,811)**	(₱121,427)
	-100 bps	**122,031**	137,376
Salary increase rate	+100 bps	**127,230**	125,693
	-100 bps	**(115,036)**	(113,472)

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 7.0 years and 8.6 years as of December 31, 2018 and 2017, respectively.

19. Income Tax

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

	2018	2017 (As restated - Notes 2 and 21)	2016 (As restated - Note 2 and 21)
Current	**₱30,926,419**	₱42,154,925	₱42,448,816
Final	**7,242**	10,778	12,561
Deferred	**(1,518,253)**	(991,260)	(71,294)
	₱29,415,408	₱41,174,443	₱42,390,083

The provision for current income tax represents regular corporate income tax of BEST in 2018, 2017 and 2016.

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

	2018	2017
NOLCO	**₱8,715,239**	₱8,433,028
Allowance for impairment losses	**1,066,172**	1,066,172
	9,781,411	9,499,200
Tax rate	**30%**	30%
	₱2,934,423	₱2,849,760

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

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

	2018	2017 (As restated- Notes 2 and 21)
Presented in profit or loss		
Day 1 loss on receivables	**₱452,512**	₱–
Accretion of ARO-liability	**4,012,196**	3,424,199
Depreciation of ARO-asset	**1,917,381**	1,704,339
Provision for expected credit losses	**2,436,938**	2,319,941
Net pension liability	**561,059**	413,354
	₱9,380,086	₱7,861,833
Presented in other comprehensive income		
Actuarial losses on defined benefit obligation	**(148,310)**	(36,402)
Net deferred tax assets	**₱9,231,776**	₱7,825,431

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

	2018	**2017 (As restated- Notes 2 and 21)**	2016 (As restated- Notes 2 and 21)
At statutory tax rate	**₱24,587,242**	₱37,217,331	₱40,566,369
Add (deduct) tax effects of:			
Nondeductible expense	**5,003,917**	2,553,783	1,428,780
Expired NOLCO	**799,685**	1,006,441	2,141,140
Equity in net losses (earnings) of an associate and a joint venture	**(1,055,923)**	612,767	(533,098)
Change in unrecognized deferred tax assets	**84,663**	(210,530)	(1,206,828)
Interest income subjected to final tax	**(4,176)**	(5,349)	(6,280)
Effective income tax	**₱29,415,408**	₱41,174,443	₱42,390,083

The Parent Company's NOLCO as of December 31, 2018 consists of:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Date
2018	₱2,947,829	₱–	₱–	₱2,947,829	2021
2017	2,653,040	–	–	2,653,040	2020
2016	3,114,370	–	–	3,114,370	2019
2015	2,665,618	–	2,665,618	–	2018
	₱11,380,857	₱–	₱2,665,618	₱8,715,239	

20. Basic/Diluted Earnings per Share

Basic/diluted earnings per share was computed as follows:

	2018	2017 (As restated- Notes 2, 7 and 21)	2016 (As restated- Notes 2, 7 and 21)
Net income attributable to equity holders of the parent company (a)	**₱38,934,545**	₱61,420,691	₱69,231,072
Weighted average number of outstanding common share (b)	**690,000,000**	690,000,000	690,000,000
Basic earnings per share (a/b)	**₱0.06**	₱0.09	₱0.10

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

21. Commitments

As of December 31, 2018 and 2017, the Group has the following contractual commitments:

- The Group has entered into a contractual agreement with IPMCDC, the ultimate parent, to undertake the following:

  a. Composting of waste materials from Pasig City and Pasay City that is being renewed every year. Income from composting amounted to ₱12.00 million in 2018 and 2017 (see Note 14).

  b. Consultancy and field services in IPMCDC's Materials Recovery Facility (MRF) that is being renewed every year. In July 2015, the Group entered into new consultancy services contracts with IPMCDC for the monitoring of efficiency of the latter's operation and compliance with rules and regulations on IPMCDC's contract with several local cities. The Group recognized income amounting to ₱35.14 million in 2018 and 2017, respectively, arising from these consultancy service contracts (see Note 14).

- 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 14).

- 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.

As of and for the years ended December 31, 2018 and 2017, the amount of income recognized by the Group and outstanding balance per municipality follow:

	Income (in millions)		**Outstanding Balance** (in millions)	
Municipality	**2018**	2017	**2018**	2017
Binangonan, Rizal	**₱26.35**	₱12.26	**₱4.85**	₱0.89
Tanay, Rizal	**3.01**	2.68	**1.36**	0.72
Teresa, Rizal	**3.18**	2.67	**1.43**	1.36
Baras, Rizal	**2.08**	1.55	**0.36**	0.48
Cardona, Rizal	**1.30**	0.53	**1.36**	0.78
Morong, Rizal	**1.72**	0.30	**0.73**	0.35
Jalajala, Rizal	**0.75**	0.16	**0.34**	0.18
Pililia, Rizal	**2.80**	0.04	**0.02**	–
Taytay, Rizal	**–**	–	**2.74**	2.73
	₱41.19	₱20.19	**₱13.19**	₱7.49

In 2017, the Group entered into the contract agreement for garbage disposal services for the municipalities of Baras and Cardona. Contract terms was for ten (10) months beginning March 2017 until December 31, 2017. These contracts were renewed in 2018 with the same terms in 2017. The contract covers BEST's provision of professional services within its disposal facility and includes all programming, planning, calculation, specifications equipment and management services necessary to carry out the agreed services.

Beginning March 22, 2018, the Group has renewed its contract of solid waste disposal and service of a sanitary landfill with the municipality of Binangonan. The term of the contract shall be for one year until December 31, 2018 unless sooner terminated. The contract with municipality of Teresa was entered into by the Group in August 2016. Under this agreement, the Group, through BEST, allows these municipalities to dump residual wastes to BEST's landfill in Morong. The agreement took effect on September 1, 2016 and shall end on June 30, 2019 unless sooner terminated.

In 2018 and 2017, the amount of income recognized by the Group from these contractual commitments amounted to ₱41.19 million and ₱20.19 million, respectively. As of December 31, 2018 and 2017, outstanding balance of receivables from LGUs amounted to ₱13.19 million and ₱7.49 million, respectively.

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

  The carrying value of the transportation equipment amounted to ₱2.97 million and ₱3.66 million as of December 31, 2018 and 2017, respectively. The transportation equipment is being depreciated using straight-line method over 10 years.

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

	2018	2017
Within one year	**₱–**	₱844,116
After one year but not more than five years	**–**	–
	₱–	₱844,116

Interest expense incurred amounted to ₱0.02 million, ₱0.13 million and ₱0.38 million in 2018, 2017 and 2016, 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. The recognition of asset rehabilitation obligation arising from the legal obligation above resulted to a net decrease in retained earnings of the Group amounting to ₱5.99 million and ₱5.04 million as of December 31, 2017 and January 1, 2017, respectively and decrease in net income amounting to ₱1.27 million and ₱1.18 million in 2017 and 2016, respectively. As of December 31, 2018, 2017 and 2016, the Group's ARO-liability has a carrying value of ₱27.58 million, ₱25.62 million and ₱23.80 million, respectively. For the period ended December 31, 2018, 2017 and 2016, the related finance cost recognized to accrete the liability amounted to ₱1.96 million, ₱1.82 million and ₱1.69 million, respectively. In 2017 and 2016, nondeductible amortization expenses has resulted to recognition of deferred tax asset and decrease in provision for deferred taxes amounting to ₱0.54 million and ₱0.51 million, respectively. The corresponding ARO-Asset amounted to ₱14.20 million with accumulated amortization amounting to ₱6.39 million and ₱5.68 million as of December 31, 2018 and 2017, respectively (Note 10). This decreased the non-controlling interests amounting to ₱2.00 million and ₱1.68 million as December 31, 2017 and January 1, 2017, respectively.

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:

2018

	Gross Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Financial assets at amortized cost				
Cash*	**₱6,864,468**	**₱2,500,000**	**₱4,364,468**	**₱2,500,000**
Receivables:				
Trade	**962,755,127**	**809,381,000**	**269,009,472**	**809,381,000**
Loan	**31,000,000**	–	**31,000,000**	–
Interest	**5,029,540**	–	**5,029,540**	–
Deposits	**3,333,398**	–	**3,333,398**	–
	₱1,008,982,533	**₱811,881,000**	**₱312,736,878**	**₱811,881,000**

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

2017

	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Financial assets at amortized cost				
Cash*	₱7,626,149	₱2,500,000	₱5,126,149	₱2,500,000
Receivables:				
Trade	871,078,313	824,186,750	177,332,658	824,186,750
Loan	31,000,000	–	31,000,000	–
Interest	3,849,220	–	3,849,220	–
Dividend	1,600,000	–	1,600,000	–
Deposits	3,315,666	–	3,315,666	–
	₱918,469,348	₱826,686,750	222,223,693	₱826,686,750

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

In April 2018, BEST entered into a Memorandum of Agreement with IPMESI and IPMRDC wherein the latter assigned 65,000,000 shares and 35,000,000 shares of the Parent Company, respectively, to guaranty BEST's receivables from IPMESI amounting to ₱693.75 million (see Notes 5, 14 and 21). The agreement is valid, binding and in full force and effect until the secured obligations are fully paid by IPMESI. IPMESI committed to pay its total liability to BEST. The fair value of the collateral, net of costs to sell, as December 31, 2018 and 2017 amounted to amounted to ₱809.38 million ₱824.19 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 December 31, 2018 and 2017.

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:

	2018			
		Stage 1	**Stage 2**	**Stage 3**
	Total	12-month ECL	Lifetime ECL	Lifetime ECL
Financial Assets at Amortized Cost				
Cash*	**₱6,864,468**	**₱6,864,468**	**₱–**	**₱–**
Receivables				
Trade	**962,755,127**	**25,937,868**	**928,017,949**	**7,773,138**
Loans	**31,000,000**	–	**31,000,000**	–
Interest	**5,029,540**	–	**5,029,540**	–
Others	**1,066,172**	–	–	**1,066,172**
Deposits	**3,333,398**	**3,333,398**	–	–
	₱1,010,048,705	**₱36,135,734**	**₱964,047,489**	**₱8,799,310**

**excluding cash on hand*

	2017			
		Stage 1	Stage 2	Stage 3
	Total	12-month ECL	Lifetime ECL	Lifetime ECL
Financial Assets at Amortized Cost				
Cash*	₱7,626,149	₱7,626,149	₱–	₱–
Receivables				
Trade	871,078,313	20,122,345	850,955,968	–
Loans	31,000,000	–	31,000,000	–
Interest	3,849,220	–	3,849,220	–
Others	1,066,172	–	–	1,066,172
Deposits	3,315,666	3,315,666	–	–
	₱919,535,520	₱31,064,160	₱885,805,188	₱1,066,172

**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 December 31, 2018 and 2017 based on contractual undiscounted payments:

	2018				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**More than One Year**	**Total**
Financial assets					
At amortized cost					
Cash	**₱6,936,678**	**₱–**	**₱–**	**₱–**	**₱6,936,678**
Receivables:					
Trade	**728,521,259**	**–**	**216,657,557**	**19,048,685**	**964,227,501**
Loan	**–**	**–**	**–**	**31,000,000**	**31,000,000**
Interest		**–**	**3,000,000**	**2,029,540**	**5,029,540**
Deposits	**–**	**–**	**–**	**3,333,398**	**3,333,398**
	₱735,457,937	**₱–**	**₱219,657,557**	**₱53,939,249**	**₱1,010,527,117**
Financial liabilities					
Trade and other payables (excluding payable to government agencies)	**₱–**	**₱7,344,296**	**₱–**	**₱–**	**₱7,344,296**
Loan payable	**–**	**–**	**96,000,000**	**–**	**96,000,000**
	₱–	**₱7,344,296**	**₱96,000,000**	**₱–**	**₱103,344,296**

	2017				
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	Total
Financial assets					
At amortized cost					
Cash	₱7,697,566	₱–	₱–	₱–	₱7,697,566
Receivables:					
Trade	854,352,667	16,725,646	–	–	871,078,313
Loan	31,000,000	–	–	–	31,000,000
Advances to officers	19,613,816	–	–	–	19,613,816
Interest	3,849,220	–	–	–	3,849,220
Dividend	–	1,600,000	–	–	1,600,000
Deposits	–	–	–	3,315,666	3,315,666
	₱916,513,269	₱18,325,646	₱–	₱3,315,666	₱938,154,581
Financial liabilities					
Trade and other payables (excluding payable to government agencies)	₱–	₱17,323,729	₱–	₱–	₱17,323,729
Loan payable	–	–	97,000,000	–	97,000,000
	₱–	₱17,323,729	₱97,000,000	₱–	₱114,323,729

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group considers its total equity amounting to ₱1,088.66 million and ₱1,034.86 million as of December 31, 2018 and 2017, respectively, as capital.

Fair Value Information

Due to the short-term nature of the Group's financial instruments except for noncurrent trade receivables, their fair values approximate their carrying amounts as of December 31, 2018 and 2017. The fair value of noncurrent trade receivables amounted to ₱17,576,310 discounted using PDST-R2 rate for a period of one year and three months.

Fair Value Hierarchy
As of December 31, 2018 and 2017, the Group has no financial instrument carried in the books at fair value. There were no transfers between Level 1 and Level 2 financial instruments, and no transfers into or out of Level 3 fair value instrument.

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:

	2018				
	Investment Holding	**Service**	**Combined**	**Eliminations**	**Consolidated**
Revenue and other income					
Revenue from external customers	**₱–**	**₱208,978,920**	**₱208,978,920**	**₱-**	**₱208,978,920**
Intersegment revenue	**–**	**160,714**	**160,714**	**(160,714)**	**–**
Interest income	**857**	**1,213,038**	**1,213,895**	**–**	**1,213,895**
Equity earnings	**–**	**3,519,742**	**3,519,742**	**–**	**3,519,742**
Interest expense	**–**	**7,123,692**	**7,123,692**	**–**	**7,123,692**
Income (loss) before tax	**(3,287,831)**	**85,245,301**	**81,957,470**	**–**	**81,957,470**
Provision for income tax	**171**	**29,415,237**	**29,415,408**	**–**	**29,415,408**
Net income (loss)	**(3,288,002)**	**55,830,064**	**52,542,062**	**–**	**52,542,062**
Segment assets	**485,548,908**	**1,343,953,843**	**1,829,502,751**	**(486,566,203)**	**1,342,936,548**
Segment liabilities	**7,876,911**	**254,000,005**	**261,876,915**	**(7,514,330)**	**254,362,585**
Depreciation and amortization	**–**	**39,843,855**	**39,843,855**	**–**	**39,843,855**

	2017				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income					
Revenue from external customers	₱–	₱294,896,021	₱294,896,021	₱–	₱294,896,021
Intersegment revenue	–	160,714	160,714	(160,714)	–
Interest income	1,407	1,232,404	1,233,811	–	1,233,811
Equity earnings	–	(2,042,556)	(2,042,556)	–	(2,042,556)
Interest expense	–	6,117,832	6,117,832	–	6,117,832
Income (loss) before tax	(2,966,937)	127,024,707	124,057,770	–	124,057,770
Provision for income tax	281	41,174,162	41,174,443	–	41,174,443
Net income (loss)	(2,967,218)	85,850,545	82,883,327	–	82,883,327
Segment assets	486,397,072	1,300,601,710	1,786,998,782	(490,432,319)	1,296,566,463
Segment liabilities	5,437,073	261,328,930	266,766,003	(5,057,321)	261,708,682
Depreciation and amortization	–	25,129,780	25,129,780	–	25,129,780

	2016				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income					
Revenue from external customers	₱–	₱354,663,983	₱354,663,983	₱–	₱354,663,983
Intersegment revenue	–	160,714	160,714	(160,714)	–
Interest income	1,573	1,241,548	1,243,121	–	1,243,121
Equity earnings	–	1,776,994	1,776,994	–	1,776,994
Interest expense	–	6,243,758	6,243,758	–	6,243,758

(Forward)

	2016				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Income (loss) before tax	(₱3,483,986)	₱138,705,216	₱135,221,230	₱–	₱135,221,230
Provision for income tax	315	42,389,768	42,390,083	–	42,390,083
Net income (loss)	(3,484,301)	96,315,448	92,831,147	–	92,831,147
Segment assets	485,731,520	1,202,343,768	1,688,075,288	(486,490,323)	1,201,584,965
Segment liabilities	1,804,302	249,339,584	251,143,886	(1,115,323)	250,028,563
Depreciation and amortization	–	20,982,095	20,982,095	–	20,982,095

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*.

Service and rental income derived from IPMCDC, IPMESI and IPMRDC (entities under common control of IPM Group) amounted to ₱132.95 million, ₱241.38 million and ₱319.52 million, in 2018, 2017 and 2016, respectively.

24. Notes to Consolidated Statements of Cash Flows

Rollforward of liabilities under financing activities as of December 31, 2018 and 2017, ffollows:

2018

	January 1, 2018	**Non-cash change**	**Cash flows**	**December 31, 2018**
Loan payable	**₱97,000,000**	**₱–**	**(₱1,000,000)**	**₱96,000,000**
Interest payable	**194,000**	**5,163,702**	**(5,357,702)**	**–**
	₱97,194,000	**₱5,163,702**	**(₱6,357,702)**	**₱96,000,000**

2017

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

In 2018 and 2017, the non-cash changes in interest payable pertains to interest expenses amounting to ₱5.16 million and ₱4.30 million, respectively (see Notes 12 and 21).

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of IPM Holdings, Inc. and its subsidiary (collectively, the Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, included in this Form 17-A, and have issued our report thereon dated March 27, 2019. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao
Partner
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SEC Accreditation No. A-816-A (Group A),
January 31, 2019, valid until May 31, 2019
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332620, January 3, 2019, Makati City

March 27, 2019

IPM HOLDINGS, INC. AND SUBSIDIARY

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as of December 31, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies	✓		
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

IPM HOLDINGS, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR THE FINANCIAL STATEMENTS

The management of **IPM Holdings, Inc. (the Parent Company)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

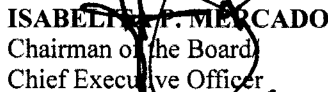
In preparing the financial statements, management is responsible for assessing the Parent Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company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

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

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

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

Signed under oath by the following:



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

FRANCIS NEIL P. MERCADO
Treasurer/Chief Financial Officer

Signed this 10th day of April 2019

SUBSCRIBED AND SWORN to before me this 11 APR 2019, affiants exhibiting to me their Passports, as follows:

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

Doc No. 231
Page No. 48
Book No. 1
Series of 2019

ATTY. PRISCILA Q. AR[illegible]
Notary Public for the City of M[illegible]
Appointment No. M-319
Until December 31, 2019
Roll No. 70161
IBP Lifetime No. 016967
PTR No. 3868822

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

AS095008557

COMPANY NAME

I P M H O L D I N G S , I N C .

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

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

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

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

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

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

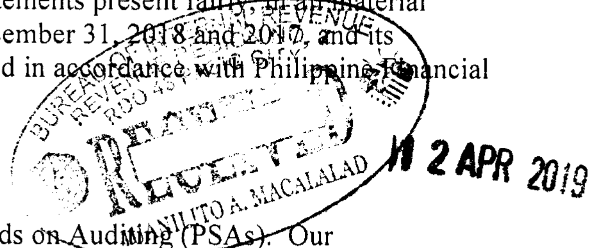
The Board of Directors and Stockholders
IPM Holdings, Inc.
Unit 103, Ground Floor, Prestige Tower Condominium,
F. Ortigas Jr. Avenue Ortigas Center,
Pasig City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of IPM Holdings, Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2018 and 2017, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).



Basis for Opinion

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

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

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

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

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

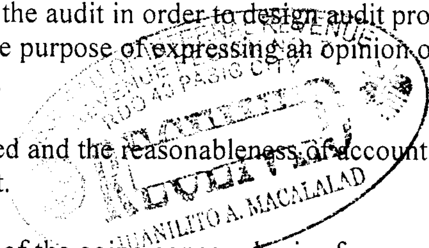
Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

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

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



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

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

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

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

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

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

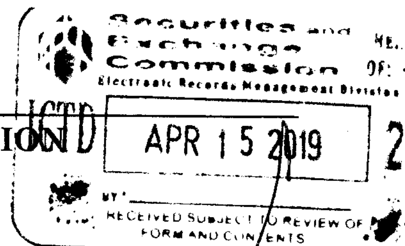
Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 13 to the parent company financial statements is presented for purposes of filing with the Bureau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

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

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. A-816-A (Group A),
January 31, 2019, valid until May 31, 2019
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332620, January 3, 2019, Makati City

March 27, 2019

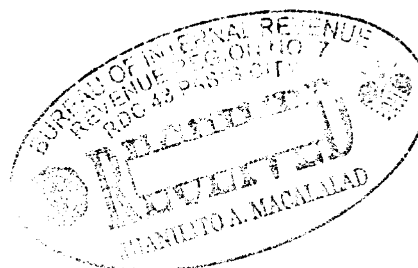


IPM HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash (Note 4)	**₱153,908**	₱1,002,072
Financial Assets (net of allowance for expected credit losses of ₱1,066,172 as of December 31, 2018 and 2017)	–	–
Other current assets - net (Note 5)	**20,000**	20,000
Total Current Assets	**173,908**	1,022,072
Noncurrent Asset		
Investment in a subsidiary (Notes 6 and 10)	**485,375,000**	485,375,000
TOTAL ASSETS	**₱485,548,908**	₱486,397,072
LIABILITIES AND EQUITY		
Current Liabilities		
Advances from related party (Note 10)	**₱7,500,000**	₱5,000,000
Accrued expenses and other payables (Notes 7 and 10)	**376,911**	437,073
Total Current Liabilities	**7,876,911**	5,437,073
Equity		
Capital stock (Note 8)	**690,000,000**	690,000,000
Deficit	**(212,328,003)**	(209,040,001)
Total Equity	**477,671,997**	480,959,999
TOTAL LIABILITIES AND EQUITY	**₱485,548,908**	₱486,397,072

See accompanying Notes to Parent Company Financial Statements.



IPM HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
INCOME			
Interest (Note 4)	**₱857**	₱1,407	₱1,573
EXPENSES			
Professional fees	**643,717**	538,080	898,005
Salaries and wages	**636,000**	636,000	636,000
Stock exchange listing fee	**589,725**	640,025	693,910
Directors' per diem (Note 10)	**450,000**	110,000	300,000
Provision for impairment losses (Note 5)	**186,910**	195,957	234,539
Utilities (Note 10)	**180,000**	180,000	180,000
Rent expense (Note 10)	**160,714**	160,714	160,714
Entertainment, amusement and recreation	**153,949**	119,348	136,650
Office supplies and printing costs	**79,692**	71,843	82,906
Transportation	**47,292**	38,227	41,207
Taxes and licenses	**38,390**	18,496	15,616
Miscellaneous	**122,299**	259,655	106,012
	3,288,688	2,968,345	3,485,559
LOSS BEFORE INCOME TAX	**3,287,831**	2,966,938	3,483,986
PROVISION FOR INCOME TAX (Note 9)	**171**	281	315
NET LOSS /TOTAL COMPREHENSIVE LOSS	**₱3,288,002**	₱2,967,219	₱3,484,301

See accompanying Notes to Parent Company Financial Statements.

IPM HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 8)	Deficit	Total
At January 1, 2018	**₱690,000,000**	**(₱209,040,001)**	**₱480,959,999**
Net loss	**–**	**(3,288,002)**	**(3,288,002)**
At December 31, 2018	**₱690,000,000**	**(₱212,328,003)**	**₱477,671,997**
At January 1, 2017	₱690,000,000	(₱206,072,782)	₱483,927,218
Net loss	–	(2,967,219)	(2,967,219)
At December 31, 2017	₱690,000,000	(₱209,040,001)	₱480,959,999
At January 1, 2016	₱690,000,000	(₱202,588,481)	₱487,411,519
Net loss	–	(3,484,301)	(3,484,301)
At December 31, 2016	₱690,000,000	(₱206,072,782)	₱483,927,218

See accompanying Notes to Parent Company Financial Statements.

IPM HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱3,287,831)**	(₱2,966,938)	(₱3,483,986)
Adjustments for:			
Provision for impairment losses (Note 5)	**186,910**	195,957	234,539
Interest income (Note 4)	**(857)**	(1,407)	(1,573)
Operating loss before changes in working capital	**(3,101,778)**	(2,772,388)	(3,251,020)
Changes in operating assets and liabilities:			
Increase in other current assets	**(186,910)**	(195,957)	(226,539)
Increase (decrease) in accrued expenses and other payables	**(60,162)**	(367,229)	374,985
Net cash used in operations	**(3,348,850)**	(3,335,574)	(3,102,574)
Interest received	**857**	1,407	1,573
Income tax paid	**(171)**	(281)	(315)
Net cash flows used in operating activities	**(3,348,164)**	(3,334,448)	(3,101,316)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in advances from related party (Note 10)	**2,500,000**	4,000,000	1,000,000
NET INCREASE (DECREASE) IN CASH	**(848,164)**	665,552	(2,101,316)
CASH AT BEGINNING OF YEAR	**1,002,072**	336,520	2,437,836
CASH AT END OF YEAR (Note 4)	**₱153,908**	₱1,002,072	₱336,520

See accompanying Notes to Parent Company Financial Statements.

IPM HOLDINGS, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

IPM Holdings, Inc. (IPM) (the Parent Company) was incorporated and organized in the Republic of the Philippines on August 31, 1995 with a corporate life of 50 years, to engage in the business as an investment holding company. The registered office of the Parent Company is Unit 103, Ground Floor, Prestige Tower Condominium F. Ortigas Jr. Avenue Ortigas Center, Pasig City.

The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE) under the ticker "IPM". As of December 31, 2018 and 2017, the percentage ownership of the top four beneficial shareholders of the Parent Company follows:

	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 incorporated in the Philippines. The ultimate parent company is IPMCDC.

The Parent Company's subsidiary, Basic Environmental Systems and Technologies, Inc. (BEST), was incorporated in the Philippines. BEST is engaged in contracting and consulting business for waste management, public cleansing, sanitation and general hygiene to provide comprehensive waste disposal services (see Note 6).

The accompanying parent company financial statements of the Parent Company were approved and authorized for issue by the Board of Directors (BOD) on March 27, 2019.

2. Summary of Significant Accounting Policies

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

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

Statement of Compliance
The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting

January 1, 2018 applying the full retrospective approach. Adoption of these pronouncements did not have any significant impact on the Parent Company's financial position or performance unless otherwise indicated.

- PFRS 9, *Financial Instruments*
  PFRS 9 replaces the provisions of Philippine Accounting Standard (PAS) 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

  The adoption of PFRS 9 resulted in changes in accounting policies but did not have a material impact on the financial statements. The Parent Company has applied PFRS 9 retrospectively, with the initial application date of January 1, 2018 and adjusting the comparative information for the period beginning January 1, 2017.

(a) Classification and measurement

Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Parent Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Parent Company's business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2017. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact to the Parent Company. Cash and receivables, previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely parts of principal and interest. These are now classified as financial assets at amortized cost beginning January 1, 2017.

Presented below is the impact of the adoption of PFRS 9 as at January 1, 2018 on the Parent Company's financial statements.

	Original Measurement Category under PAS 39	**New Measurement Category under PFRS 9**	**Original Carrying Amount under PAS 39**	**New Carrying Amount under PFRS 9**
Financial assets:				
Cash (excluding cash on hand)	Loans and receivables	Financial assets at amortized cost	₱999,862	₱999,862
Financial liabilities:				
Accrued and other payables	Other financial liabilities	Financial liabilities at amortized cost	₱417,469	₱417,469

(b) Impairment

The adoption of PFRS 9 has fundamentally changed the Parent Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Parent Company to record an allowance for impairment losses for all debt financial assets not held at FVPL. ECLs

are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive. The shortfall is then discounted at an approximation to the asset's 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 cash and deposit, the Parent Company 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 Parent Company'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 Parent Company uses the ratings published by reputable rating agencies.

For other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been 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)

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 supersedes PAS 11, Construction Contracts, PAS 18, Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measure and recognize revenue.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The Parent Company adopted PFRS 15 using the full retrospective method of adoption. However, the adoption has no significant effect on the current and prior period financial statements of the Parent Company. Revenue recognition and measurement remains significantly the same as compared to the Parent Company's policy prior to the adoption of the new revenue accounting standard.

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Parent Company intends to adopt the following pronouncements when these become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- *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*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020
- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

Effective beginning on or after January 1, 2021
- PFRS 17, *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*

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

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

The principal or the most advantageous market must be accessible to by the Parent Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Recognition, Measurement, Derecognition, and Impairment of Financial Instruments

Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as financial assets measured at amortized cost, FVPL and FVOCI. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings 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, inclusive of directly attributable transaction costs (referred to herein as “debt issue costs”).

The Parent Company has no financial liabilities at FVPL as at December 31, 2018 and 2017.

Subsequent Measurement
Subsequent to initial recognition, the Parent Company classifies its financial assets in the following categories:

- Amortized cost
- FVPL
- FVOCI
  - with recycling of cumulative gains and losses (debt instruments)
  - with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Financial Assets at Amortized Cost (Debt Instruments)
The Parent Company measures financial assets at amortized cost when:

- The financial asset is held within a business model with the objective to hold these and collect
  contractual cash flows; and,
- The contractual terms of the financial asset gives rise, on specified dates, to cash flows that are SPPI.

Financial assets at amortized cost are subsequently measured using the effective interest rate (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 Parent Company's financial assets at amortized cost include cash and cash equivalents and accrued interest receivables.

Financial Assets at FVPL
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL and financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Financial assets at FVPL are measured at fair value. Changes in fair values are recognized in profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative when:

- the economic characteristics and risks are not closely related to the host;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and,
- the hybrid contract is not measured at FVPL.

Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required, or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

Financial Assets at FVOCI (Debt Instruments)
The Parent Company measures debt instruments at FVOCI when:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and,
- The contractual terms of the financial asset gives rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change is recycled to profit or loss.

As at December 31, 2018 and 2017, the Parent Company does not have debt instruments measured at FVOCI.

Financial Assets Designated at FVOCI (Equity Instruments)
The Parent Company can elect to irrevocably classify its equity investments as equity instruments designated at FVOCI when these meet the definition of equity under Philippine Accounting Standard (PAS) 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined at instrument level.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as income in the consolidated statement of income when the right of payment is established, except when the Parent Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Parent Company has no investments in equity instruments classified as financial assets at FVOCI.

Derecognition of Financial Instruments
An entity shall derecognize a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire; or
- the Parent Company transfers the contractual rights to receive the cash flows of the financial asset or retains the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where:

    a. the Parent Company has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition;

    b. the Parent Company is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and

    c. the Parent Company has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

When the Parent Company transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. The transfer of risks and rewards is evaluated by comparing the Parent Company's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. The Parent Company has retained substantially all the risks and rewards of ownership of a financial asset if its exposure to the variability in the present value of the future net cash flows from the financial asset does not change significantly as a result of the transfer. The Parent Company has transferred substantially all the risks and rewards of ownership of a financial asset if its exposure to such variability is no longer significant in relation to the total variability in the present value of the future net cash flows associated with the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an

exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Impairment of Financial Assets
The Parent Company's accounting for impairment losses for financial assets uses a forward-looking expected credit loss (ECL) approach. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows the Parent Company expects to receive.

For cash and cash equivalents (except cash on hand) and interest receivables, the Parent Company has applied the Simplified Approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Parent Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Current versus Non-current Classification
The Parent Company presents assets and liabilities in statement of financial position based on current or non-current classification. An asset as current when it is:

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

All other assets are classified as non-current.

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

Deferred tax assets and liabilities are classified as noncurrent.

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

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

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

The Parent Company's management determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring fair value measurement.

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

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

Investment in a Subsidiary
A subsidiary is an entity in which the Parent Company exercises control over the operation and management of the subsidiary. The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to effect the amount of the investor's returns.

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

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

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

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

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

Other Current Assets
Other current assets represent creditable withholding taxes, input vat and prepaid expenses, Prepaid expenses pertain to expenses not yet incurred but already paid in advance. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit and loss as the benefits are consumed in operations or expired with the passage of time.

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

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

Revenue Recognition
Revenue 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 Parent Company expects to be entitled in exchange for those goods or services. The Parent Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent.

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

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

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, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary difference associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at reporting period.

Income tax relating to items recognized directly in the consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

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

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

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of tax included.

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

Creditable Withholding Tax
Creditable withholding taxes are taxes deducted by required withholding agents who remit directly to the Bureau of Internal Revenue. These can be claimed by the Parent Company against the income tax liability of the Parent Company for the current taxable year and any excess thereof can be carried over for the next taxable year.

Operating Segment
The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Disclosure of segment information is presented in Note 11.

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

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the accompanying parent company financial statements in conformity with PFRS requires the Parent Company to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. However, future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Estimation of allowance for expected credit losses (ECL)
The Parent Company maintains allowance for impairment loss on its receivables at a level adequate to provide for any potential uncollectible receivables. The level of this allowance is regularly evaluated by the Parent Company. The Parent Company performs a regular review of the age and status of these accounts, designed to identify accounts for impairment. The assessment of the correlation between historical observed default rates, forecasted economic conditions and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

As of December 31, 2018 and 2017, financial assets at amortized cost amounting to ₱1,066,172 have been fully provided with allowance for expected credit losses since management believes that these receivables will not be recovered.

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

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

The carrying amount and the related impairment loss of prepaid taxes, creditable withholding tax and input VAT are disclosed in Note 5. The Parent Company recognized impairment loss amounting to ₱186,910, ₱195,957 and ₱234,539 in 2018, 2017 and 2016, respectively. As of December 31, 2018 and 2017, the Parent Company's prepaid expenses amounting to ₱20,000 are recoverable (see Note 5).

As of December 31, 2018 and 2017, there were no impairment loss recognized in the investment in a subsidiary amounting to ₱485,375,000 as management believes that the investment is fully recoverable (see Note 6).

Recognition of deferred tax assets
As of December 31, 2018 and 2017, deferred tax assets have not been recognized in respect of carryforward benefit of NOLCO that are available for offset against future taxable income for three succeeding years because management believes that it is more likely than not that the tax benefits will not be realized in the future. As of December 31, 2018 and 2017, unrecognized deferred tax assets amounted to ₱2,614,571 and ₱2,529,908, respectively (see Note 9).

4. Cash

	2018	2017
Cash on hand	**₱2,210**	₱2,210
Cash in bank	**151,698**	999,862
	₱153,908	₱1,002,072

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

Interest earned from cash in bank amounted to ₱857, ₱1,407 and ₱1,573 in 2018, 2017 and 2016, respectively.

5. Other Current Assets

	2018	2017
Prepaid taxes	**₱1,976,300**	₱1,976,300
Creditable withholding tax	**1,137,430**	1,137,430
Input VAT	**2,267,874**	2,080,964
Prepaid expenses	**20,000**	20,000
	5,401,604	5,214,694
Less allowance for impairment losses	**5,381,604**	5,194,694
	₱20,000	₱20,000

The movement in allowance for impairment losses follows:

	2018	2017
Balance at beginning of year	**₱5,194,694**	₱4,998,737
Provision for impairment losses	**186,910**	195,957
Balance at end of year	**₱5,381,604**	₱5,194,694

The Parent Company provided an allowance for impairment on its prepaid taxes, creditable withholding tax and input VAT amounting to ₱5,381,604 and ₱5,194,694 as of December 31, 2018 and 2017, respectively, due to low probability that these assets may be utilized in the future.

6. Investment in a Subsidiary

The Parent Company's investment in a subsidiary, BEST, amounted to ₱485,375,000 as of December 31, 2018 and 2017.

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

On November 20, 2012, the Parent Company's BOD authorized the acquisition of 615,000,000 shares in BEST at par value of ₱1 per share, which constitute 75% of the resulting outstanding capital of BEST. Further, the Parent Company was authorized to partially pay for the 615,000,000 shares in BEST as follows: (a) ₱450,000,000 for the 600,000,000 shares that will come from the increase in

authorized capital stock of BEST; and (b) ₱12,500,000 for the subscription rights to 15,000,000 shares in BEST.

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

On February 10, 2014, the BOD approved the payment to BEST of ₱22,875,000 representing 15% of the unpaid balance on the total subscription price for the 615,000,000 shares subscribed by the Parent Company in BEST. Subscription payable as of December 31, 2018 and 2017 amounting to ₱129,625,000 was offset against the Parent Company's investment in a subsidiary (see Note 10).

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

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

	2018	2017
Current assets	**₱1,010,735,637**	₱937,973,541
Noncurrent assets	**333,378,336**	358,778,169
Total assets	**₱1,344,113,973**	₱1,296,751,710
Current liabilities	**₱225,149,483**	₱234,557,720
Noncurrent liabilities	**28,850,521**	26,771,210
Total liabilities	**₱254,000,004**	₱261,328,930
Revenue	**₱213,872,415**	₱296,811,583
Net income	**54,430,069**	83,050,544
Total comprehensive income	**54,691,189**	83,468,596

Status of Operations and Management's Plans
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 local government units' (LGUs') waste management needs and raise the standards of waste management solutions, thereby reducing pollution and preventing the further destruction of the country's natural resources.

As of December 31, 2018, BEST is actively engaged in 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.

7. Accrued Expenses and Other Payables

	2018	2017
Accrued expenses	**₱356,328**	₱417,469
Taxes payable	**20,583**	19,604
	₱376,911	₱437,073

Accrued expenses pertain to unreleased checks and accruals of professional fees as of December 31, 2018 and 2017. Of the total amount, ₱14,330 and ₱57,321 is payable to BEST which pertains to accrual of rent expense as of December 31, 2018 and 2017, respectively (see Note 10).

Taxes payable pertains to liabilities for withholding tax on compensation and expanded withholding tax as of December 31, 2018 and 2017.

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

8. Equity

Capital Stock

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

	2018	2017
Number of shares authorized to issue:		
At beginning and end of year	**740,000,000**	740,000,000
Number of shares issued and outstanding:		
At beginning and end of year	**690,000,000**	690,000,000

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

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

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

The Parent Company's unissued authorized capital stock amounted to ₱50,000,000 as of December 31, 2018 and 2017.

The number of holders of securities of the Parent Company as of December 31, 2018 and 2017 is 118 shareholders.

9. **Income Tax**

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

The Parent Company's unrecognized deferred tax asset as of December 31, 2018 and 2017 pertains to the Parent Company's NOLCO amounting to ₱8,715,239 and ₱8,433,028, respectively. The tax effect of these NOLCO amounted to ₱2,614,572 and ₱2,529,908 as of December 31, 2018 and 2017, respectively.

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

The Parent Company's NOLCO as of December 31, 2018 consists of:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Date
2018	₱2,947,829	₱–	₱–	₱2,947,828	2021
2017	2,653,040	–	–	2,653,040	2020
2016	3,114,370	–	–	3,114,370	2019
2015	2,665,618	–	2,665,618	–	2018
	₱11,380,857	₱–	₱2,665,618	₱8,715,239	

The movements in NOLCO follow:

	2018	2017
Balance at beginning of year	**₱8,433,028**	₱9,134,793
Addition	**2,947,829**	2,653,040
Expiration	**(2,665,618)**	(3,354,805)
Balance at end of year	**₱8,715,239**	₱8,433,028

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

	2018	2017	2016
Benefit from income tax at statutory tax rate	**(₱986,349)**	(₱890,081)	(₱1,045,196)
Add (Deduct) tax effects of:			
Expired NOLCO	**799,685**	1,006,441	2,141,140
Nondeductible expenses	**102,258**	94,592	111,357
Interest income subjected to final tax	**(86)**	(141)	(157)
Change in unrecognized deferred tax assets	**84,663**	(210,530)	(1,206,829)
Effective income tax	**₱171**	₱281	₱315

10. **Related Party Transaction**

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

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

	Amount		**Outstanding Balance**			
Category	**2018**	2017			**Terms**	**Conditions**
Subsidiary						
BEST						
Rent (a)	**₱160,714**	₱160,714	**₱14,330**	₱57,321	Noninterest-bearing; on demand	Unsecured
Subscription payable (b)	–	–	**129,625,000**	129,625,000	Due and demandable	Unsecured
Advances from related party (c)	**2,500,000**	4,000,000	**7,500,000**	5,000,000	Noninterest-bearing; on demand	Unsecured
Other related parties						
GNCA Holdings, Inc.(GNCA)						
Utilities (d)	**180,000**	180,000	**15,000**	–	Noninterest-bearing; on demand	Unsecured
Directors						
Directors' per diem (e)	**450,000**	110,000	–	–	Noninterest-bearing; on demand	Unsecured

a. On January 12, 2015, the Parent Company entered into a contract of lease with BEST for rental of office space amounting to ₱15,000 per month inclusive of utilities or ₱180,000 per year. The contract retroactively covers the period from October 2014 to October 2015. The contract of lease was renewed for another year with the same contract terms in 2018 and 2017. The Parent Company's unpaid rent expense as of December 31, 2018 and 2017 amounted to ₱14,330 and ₱57,321, respectively (see Note 7).

b. Subscription payable of the Parent Company to BEST amounted to ₱129,625,000 as of December 31, 2018 and 2017 which was offset against the Parent Company's investments in a subsidiary (see Note 6).

c. Advances of the Parent Company from BEST amounted to ₱7,500,000 and ₱5,000,000 as of December 31, 2018 and 2017, respectively. These advances represent noninterest-bearing, due and demandable advances obtained from the subsidiary to finance the operating requirements of the Parent Company. Breakdown is as follows:

	2018	2017
Advances from related party, beginning	**₱5,000,000**	₱1,000,000
Advances during the year	**2,500,000**	4,000,000
Advances from related party, end	**₱7,500,000**	₱5,000,000

d. The Parent Company entered into an agreement with GNCA, an entity controlled by one of the

Parent Company's BOD, for the sharing of common costs incurred on the leased office space. The agreement provides that the Parent Company shall pay fixed monthly utility charges of ₱15,000 exclusive of VAT in 2018, 2017 and 2016, in lieu of its proportionate share in monthly rentals on the leased premises. The Parent Company's unpaid utilities expense as of December 31, 2018 and 2017 amounted to ₱15,000 and nil, respectively (see Note 7).

e. In 2013, the BOD of the Parent Company approved the grant of per diem to members of the BOD for every attendance in the regular meetings of the BOD. 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 ₱0.45 million and ₱0.11 million in 2018 and 2017, respectively.

Compensation of Key Management Personnel
There is no contract covering the employment of directors and other key executive officers with the Company. The Company has no agreements with its executive officers regarding any bonus, profit sharing, pension or retirement plan.

11. **Segment Information**

For management reporting purposes, the Parent Company's activities are organized in one operating segment. As of December 31, 2018 and 2017, the segment's assets amounted to ₱485.55 million and ₱486.40 million, respectively. As of December 31, 2018 and 2017, the segment's liabilities amounted to ₱7.88 million and ₱5.44 million, respectively. In 2018 and 2017, the segment's source of revenue is interest income. The segment's net loss amounted to ₱3.29 million, ₱2.97 million, and ₱3.48 million in 2018, 2017 and 2016, respectively.

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

12. **Financial Instruments**

Fair Value Information
Due to the short-term nature of the Parent Company's financial instruments, their fair values approximate their carrying amounts as of December 31, 2018 and 2017.

Fair Value Hierarchy
As of December 31, 2018 and 2017, the Parent Company has no financial assets carried in the books at fair value. There were no transfers between Level 1 and Level 2 financial instruments, and no transfers into or out of Level 3 fair value instrument.

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

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

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

Credit risk
The investment of the Parent Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Parent Company's holding of cash exposes the Parent Company to credit risk if the counterparty is unwilling or unable to fulfill its obligations, and the Parent Company consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing. The Parent Company's maximum exposure to credit risk pertains only to cash in bank amounting to ₱151,698 and ₱999,862 as of December 31, 2018 and 2017, respectively.

The gross maximum exposure to credit risk of the Parent Company approximates its net maximum exposure. There were no amounts that are set-off with the criteria in PAS 32, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*. There are no amounts subject to an enforceable master netting arrangement or similar agreement as of December 31, 2018 and 2017.

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

As of December 31, 2018 and 2017, the Parent Company's receivable amounting to ₱1,066,172 is fully impaired.

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

The Parent Company seeks to manage its liquidity profile through advances from related party to be able to finance capital expenditures and working capital requirements.

The Parent Company's accrued expenses and other payables are all due within one year. Advances from related party is due and demandable.

Capital management
The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

In 2013, following the receipt of capital infusion from IPM Group of Companies, the Parent Company acquired 75% interest in BEST, an investment that is expected to improve its financial condition. Following the subscription agreement with IPMCDC, IPMESI and IPMRDC, the Parent Company became part of the IPM Group of Companies on March 4, 2013.

As of December 31, 2018 and 2017, the Parent Company has a deficit of ₱212,328,003 and ₱209,040,001, respectively. The Parent Company is not exposed to externally-imposed capital requirements.

The Company considers its total equity as capital amounting to ₱477.67 million and ₱480.96 million as of December 31, 2018 and 2017, respectively.

13. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with the requirements set forth by Revenue Regulations 15-2010, hereunder are the information on taxes and license fees paid or accrued in 2018.

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

a. The Parent Company did not have any transaction subjected to output VAT in 2018.

b. Input VAT for 2018 follows:

Balance at January 1, 2018	₱2,080,964
Current year's domestic purchases/payments for:	
Services lodged under other accounts	132,274
Goods other than for resale or manufacture	13,750
Others	40,886
Balance at December 31, 2018	₱2,267,874

Taxes and Licenses
Details of the taxes and licenses for 2018 follow:

Local	
Business clearance	₱17,890
National	
BIR annual registration	500
BIR documentary stamp tax	20,000
	₱38,390

Withholding Taxes
The withholding taxes paid in 2018 follow:

	Amount	Outstanding balance
Tax on compensation and benefits	₱31,533	₱2,913
Expanded withholding taxes	82,679	17,670
	₱114,212	₱20,583

Tax Assessments
The Parent Company has no Final Assessment Notice and/or Formal letter of Demand from the Bureau of Internal Revenue (BIR) for alleged deficiency income tax, VAT and withholding tax.

In addition, the Parent Company has no pending tax case outside the administration of the BIR as of December 31, 2018.

SGV
Building a better
working world

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1226 Makati City
Philippines

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying parent company financial statements of IPM Holdings, Inc. (the Parent Company) as of and for the year ended December 31, 2018, on which we have rendered the attached report dated March 27, 2019.

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

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. A-816-A (Group A),
January 31, 2019, valid until May 31, 2019
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332620, January 3, 2019, Makati City

March 27, 2019

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of IPM Holdings, Inc. (the Parent Company) as at December 31, 2018 and 2017 and for the years then ended, and have issued our report thereon dated March 27, 2019. Our audits were made for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The accompanying schedule of all effective standards and interpretations as of December 31, 2018 is the responsibility of the management of the Parent Company. This schedule is presented for the purposes of complying with Securities Regulation Code 68, As Amended (2011) and is not part of the basic parent company financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic parent company financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. A-816-A (Group A),
January 31, 2019, valid until May 31, 2019
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BIR Accreditation No. 08-001998-110-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332620, January 3, 2019, Makati City

March 27, 2019

IPM HOLDINGS, INC.

SUPPLEMENTARY SCHEDULE OF DEFICIT

DECEMBER 31, 2018

Unappropriated deficit, as adjusted, beginning	₱209,040,001
Net loss during the period closed to deficit	3,288,002
Unappropriated deficit, as adjusted, ending	₱212,328,003

IPM HOLDINGS, INC.

SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS
December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers			✓
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
PAS 23	Borrowing Costs			✓
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies	✓		
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

IPM HOLDINGS, INC. AND SUBSIDIARY
Schedule A - Financial Assets
December 31, 2018

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting period (iii)	Income received and accrued
Cash and cash equivalents		6,864,468	6,864,468	
Trade receivables		962,755,127	962,755,127	
Loan receivables		31,000,000	31,000,000	
Interest		5,029,540		5,029,540
Deposits		3,333,398	3,333,398	
		1,008,982,533	**1,003,952,993**	**5,029,540**

IPM HOLDINGS, INC. AND SUBSIDIARY
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)
December 31, 2018

			Deductions				
Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
Trade	850,955,968	133,007,545	55,945,564		-	-	928,017,949
Loans receivable	31,000,000						31,000,000
Advances to officers & employees	19,613,816	1,630,517	19,601,237				1,643,096
Interest receivable	3,849,220	1,180,320					5,029,540
	905,419,004	**135,818,382**	**75,546,801**	-	-	-	**965,690,585**

IPM HOLDINGS, INC. AND SUBSIDIARY
Schedule C - Amounts Receivable from Related Parties
which are eliminated during the consolidation of financial statements
December 31, 2018

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period
IPM Holdings Inc.	5,057,321	2,514,330	57,321		7,514,330		7,514,330

IPM HOLDINGS, INC. AND SUBSIDIARY
Schedule D- Intangible Assets - Other Assets
December 31, 2018

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

None

IPM HOLDINGS, INC. AND SUBSIDIARY
Schedule E- Long Term Debt
December 31, 2018

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

None

IPM HOLDINGS, INC. AND SUBSIDIARY
Schedule F- Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2018

Name of related party (i)	Balance at beginning of period	Balance at end of period (ii)
None		

IPM HOLDINGS, INC. AND SUBSIDIARY
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2018

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

None

IPM HOLDINGS, INC. AND SUBSIDIARY
Schedule H - Capital Stock
December 31, 2018

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversions and other rights	Number of Shares Held By		
				Related parties	Directors, officers and employees	Others
Common shares - Php1 par value	740,000,000	690,000,000	none	470,000,000	2,149,800	217,850,200

IPM HOLDINGS, INC. AND SUBSIDIARY
Spplementary Schedule of Deficit of the Parent Company
December 31, 2018

Unappropriated deficit, as adjusted, beginning	209,040,001
Net loss during the period closed to deficit	3,288,002
Unappropriated deficit, as adjusted, ending	**212,328,003**

IPM HOLDINGS, INC. AND SUBSIDIARY

Financial Soundness Indicators

December 31, 2018

FSI	Calculation	Years Ended December 31 2018	2017
Current Ratio	Current Assets/Current Liabilities	4.26x	4.00x
Quick Ratio	Cash + Marketable Securities + Receivables/Current Liabilities	4.21x	3.95x
Debt to Equity Ratio	Liabilities/ Stockholders' Equity	0.23x	0.25x
Asset to Equity Ratio	Assets/Stockholders' Equity	1.23x	1.25x
Interest Coverage Ratio	Earnings Before Interest & Taxes/ Interest Expense	12.50	21.28
Gross Profit Margin	Gross Profit/Net Sales	65.43%	58.09%
Book Value per share	Total Assets –Total Liabilities/ Outstanding Shares	1.53	1.50
Net Income per Share	Net Income/Outstanding Shares	0.08	0.12

	December 31, 2018	December 31, 2017
Current Ratio	960,289,364/225,512,064	939,438,293/234,937,472
Quick Ratio	949,364,215/225,512,064	927,850,285/234,937,472
Debt to Equity	254,362,585/1,087,660,963	261,708,682/1,034,857,781
Asset to Equity Ratio	1,342,023,548/1,087,660,963	1,296,566,463/1,034,857,781
Interest Coverage Ratio	89,081,162/7,123,692	130,175,602/6,117,832
Gross Profit Margin	136,740,225/208,978,920	171,265,613/294,841,698
Book Value/Share	1,087,660,963/690,000,000	1,034,857,781/690,000,000
Net Income per Share	52,542,062/690,000,000	82,883,327/690,000,000

MAP OF IPM HOLDINGS, INC.
Group of Companies