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(Company's Full Name)

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J R . A V E N U E O R T I G A S C E N T E R
P A S I G C I T Y

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

Atty. Ana Katigbak

Contact Person

817 6791/897-5257

Company Telephone Number

1 2 | 3 1

Month Day

Fiscal Year

SEC Form 17-Q

March 31, 2018

FORM TYPE

4th Wed of May

Month Day

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2018**

2. SEC Identification Number: AS095-008557

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

4. **IPM HOLDINGS, INC.**
   Exact name of issuer as specified in its charter

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

6. Industry Classification Code: (SEC Use Only)

7. Unit 103 G/F, Prestige Tower, Condominium F. Ortigas Jr., Avenue
   Ortigas Center, Pasig City
   Address of issuer's principal office Postal Code: 1605

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

9. **MINERALES INDUSTRIAS CORPORATION**
   Former name, former address and former fiscal year, if changed since last report:

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

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

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

    Yes (√) No ()

12. Indicate by check mark whether the registrant:

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

    Yes[x] No [ ]

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

    Yes[x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

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

PLAN OF OPERATIONS

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Income

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

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

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

Net Income

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

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

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

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

- Cash and cash equivalents decreased by 13.25% from Php7.70 million as of December 31, 2017 to Php6.68 million as of March 31, 2018.

- Trade and other receivables slightly increased by 3.30% from Php927.88 as of December 31, 2017 to Php958.49 million as of March 31, 2018.

- Other current assets decreased by 46.28% from Php11.59 million as of December 31, 2017 to Php6.22 million as of March 31, 2018 due to the decrease in input VAT pertaining to the cost of services and general and administrative expenses.

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

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

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

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

Liquidity and Capital Resources

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

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

Key Performance Indicators

The company's key performance indicators are as follows:

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

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

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

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

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

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

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

Other Matters

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

(a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity other than those discussed in the Plan of Operation, Item 2- Management's Discussion and Plan of Operations.

(b) Any material commitments for capital expenditures, the general purpose of the commitments and the expected sources of funds for the expenditures.

(c) Any known trends, events, or uncertainties that have had or that reasonably expected to have a material favorable or unfavorable impact on net sales or income other than what was mentioned in the Plan of Operation, Item 2 – Management's Discussion and Analysis;

(d) Any significant elements of income or loss that did not arise from the Company's continuing operations;

(e) Any seasonal aspects that have material effect on the financial condition or results of operation except as mentioned in the Notes to Financial Statements No 5.

PART II – OTHER INFORMATION

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

Not Applicable

SIGNATURES

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

Issuer : IPM HOLDINGS, INC.

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

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

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

	31-Mar-2018 Unaudited	31-Dec-2017 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 20)	**₱6,677,496**	₱7,697,566
Receivables (Notes 5 and 20)	**958,493,214**	927,885,857
Other current assets (Note 6)	**6,226,270**	11,588,008
Total Current Assets	**971,396,980**	947,171,431
Noncurrent Assets		
Investments in an associate and a joint venture (Notes 7 and 21)	**81,372,469**	81,574,301
Deposits (Note 8)	**3,315,666**	3,315,666
Investment property (Note 9)	**103,005,189**	103,284,547
Property and equipment (Note 10)	**150,810,250**	155,171,527
Deferred tax asset	**346,316**	346,316
Total Noncurrent Assets	**338,849,890**	343,692,357
Total Assets	**₱1,310,246,870**	₱1,290,863,788
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11 and 20)	**₱125,802,776**	₱127,514,396
Loans payable (Notes 12 and 20)	**97,000,000**	97,000,000
Income tax payable	**16,822,387**	10,423,076
Total Current Liabilities	**239,625,163**	234,937,472
Noncurrent Liability		
Net pension liability (Note17)	**1,154,385**	1,154,385
Total Liabilities	**240,779,548**	236,091,857
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 13)	**690,000,000**	690,000,000
Retained earnings (Note 13)	**331,792,216**	320,898,238
Other reserves (Notes 1 and 17)	**(298,510,656)**	(298,510,656)
	723,281,560	712,387,582
Noncontrolling Interests	**346,185,762**	342,384,349
Total Equity	**1,069,467,322**	1,054,771,931
Total Liabilities and Equity	**₱1,310,246,870**	₱1,290,863,788

See accompanying Notes to Consolidated Financial Statements

IPM HOLDINGS, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

See accompanying Notes to Consolidated Financial Statements

IPM HOLDINGS, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC.

UNAUDITED PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

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

IPM HOLDINGS, INC.
UNAUDITED PARENT COMPANY STATEMENTS OF INCOME

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

IPM HOLDINGS, INC.

UNAUDITED PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

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

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

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

1. Corporate Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. **Summary of Significant Accounting Policies**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2018
- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

- PFRS 9, *Financial Instruments*

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2019

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

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

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

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

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

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

Deferred effectivity

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

Cash

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

Financial Instruments

Date of recognition

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

Initial recognition

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

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

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

Day 1 profit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Derecognition of Financial Assets and Liabilities</u>

Financial asset

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments in an Associate and a Joint Venture

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

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

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

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

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

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

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

Investment Property

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

Impairment of Nonfinancial Asset

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

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

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

<u>Equity</u>
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.

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

Service income

Service income is recognized when the related services are rendered.

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

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

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

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

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

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

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

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

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

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

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

Defined retirement costs comprise the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. Among the significant accounting judgments made by the Group are as follows:

Assessment of control
The Parent Company classifies its investee companies as subsidiary if the Parent Company achieves control over the companies. Control is presumed to exist if the Parent Company has the following characteristics:

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

Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the event the Parent Company loses this power, the Parent Company will have to change the classification of its investment in investee companies.

BEST is the combining entity whose owners as a group received the largest portion of the voting rights in the Group, hence, is regarded as the accounting acquirer.

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

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

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

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

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

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

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

As of March 31, 2018, the Group has not recognized impairment losses on its investment in an associate and a joint venture. As of March 31, 2018 and December 31, 2017, the carrying values of investments in an associate and a joint venture amounted to ₱81.37 million and ₱81.57 million, respectively (see Note 20).

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

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

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

As of March 31, 2018 and December 31, 2017, the Group did not recognize any impairment loss on its nonfinancial assets. As of March 31, 2018 and December 31, 2017, the carrying values of the Group's nonfinancial assets are as follows:

	31-Mar-2018	31-Dec-2017
Property and equipment (Note 10)	**₱150,810,250**	₱155,171,527
Investment property (Note 9)	**103,005,189**	103,284,547
Other current assets (Note 6)	**6,226,270**	11,588,008

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

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates in the Philippines. Net pension liability amounted to ₱1.15 million as of March 31, 2018 and December 31, 2017. Further details about the assumptions used are provided in Note 17.

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

4. **Cash**

	31-Mar-2018	31-Dec-2017
Cash on hand	**₱72,210**	₱71,417
Cash in banks	**6,605,286**	7,626,149
	₱6,677,496	₱7,697,566

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

Interest earned on cash in banks amounted to ₱0.03 million and ₱0.04 million as of March 31, 2018 and December 31, 2017, respectively.

5. Receivables

This account consists of:

	31-Mar-2018	31-Dec-2017
Trade receivables		
Related parties (Note 14)	**₱877,694,504**	₱845,583,568
Private entities	**5,431,502**	18,000,425
Local government units (LGUs)	**19,672,685**	7,494,320
	902,798,691	871,078,313
Loans receivable (Note 14)	**31,000,000**	31,000,000
Advances to officers and employees	**19,795,215**	19,613,816
Interest receivable (Note 14)	**4,144,300**	3,849,220
Dividend receivable (Note 7)	**-**	1,600,000
Advances to suppliers	**755,008**	744,508
Others	**1,066,172**	1,066,172
	959,559,386	928,952,029
Less allowance for impairment losses	**1,066,172**	1,066,172
	₱958,493,214	₱927,885,857

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

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

6. Other Current Assets

	31-Mar-2018	31-Dec-2017
Input VAT	**₱4,032,779**	₱11,328,206
Creditable withholding taxes	**4,678,493**	3,149,275
Prepayments	**2,694,022**	2,289,551
Miscellaneous deposits	**15,669**	15,669
	11,420,963	16,782,701
Less allowance for impairment losses	**5,194,693**	5,194,693
	₱6,226,270	₱11,588,008

The Parent Company provided allowance for impairment on its creditable withholding taxes and input VAT amounting to ₱5.19 million as of March 31, 2018 and December 31, 2017. due to low probability that these assets may be utilized in the future.

7. Investments in an Associate and a Joint Venture

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

	Associate		Joint Venture		Total	
	Metro Clark Waste Management Corporation (MCWM)		Ecoedge Resources Corporation (ERC)			
	31-Mar-18	31-Dec-17	**31-Mar-18**	31-Dec-17	**31-Mar-18**	31-Dec-17
Cost:						
Balance at beginning and end of the year	**₱32,393,358**	₱32,393,358	**₱51,412,499**	₱51,412,499	**₱83,805,857**	₱83,805,857
Accumulated share in net earnings (losses):						
Balance at beginning of year	**27,411,580**	19,664,063	**(29,643,136)**	(15,484,729)	**(2,231,556)**	4,179,334
Equity in net earnings (losses) of an associate and a joint venture	**1,897,301**	18,307,614	**(2,099,132)**	(14,158,407)	**(201,831)**	4,149,207
Other adjustments	**-**	(3,626,763)	–	–	**-**	(3,626,763)
Dividends during the year	**-**	(6,933,334)	–	–	**-**	(6,933,334)
Balance at end of year	**29,308,881**	27,411,580	**(31,742,268)**	(29,643,136)	**(2,433,387)**	(2,231,556)
	₱61,702,239	₱59,804,938	**₱19,670,230**	₱21,769,363	**₱81,372,469**	₱81,574,301

<u>MCWM</u>

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

As of March 31, 2018 and December 31, 2017, the Group holds 16% interest in MCWM. The Group exercise significant influence in MCWM due to the presence of BEST's President in the Board of MCWM. Hence, the President of BEST effectively has a participation in the policy-making processes of MCWM.

<u>ERC</u>

On November 6, 2013, BEST entered into a joint venture agreement with Lafarge Industrial Ecology International, S.A. (LIEI) to organize and establish ERC to engage in the development, utilization of renewable energy sources for non-power applications, and in particular, the production, processing, packaging, distribution and/or sale of fuel generated from municipal solid waste, such as refuse derived fuel, and pursuant thereto, to establish renewable energy systems or facilities, and to engage in any activity pursuant or incidental thereto. ERC was incorporated on November 27, 2013 and its registered address is Unit 103, GF Prestige Tower Condominium, F. Ortigas Jr. Road, Ortigas Center, Pasig City.

As of March 31, 2018 and December 31, 2017, BEST holds 60% interest in ERC. Joint control exists as decisions about the relevant activities of ERC require the unanimous consent of both BEST and LIEI, which is supported by the contractual agreement of the parties to the following:

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

8. Deposits

As of March 31, 2018 and December 31, 2017, BEST has deposits to GSIS as surety bond amounting to ₱3.32 million. These deposits were made in favor of BEST's contracting parties, which are government offices, so that the completion of the project is guaranteed. If the Group fails to execute the services according to the specifications laid out in the respective contracts, the government offices will receive guaranteed compensation for any monetary loss up to the amount of the performance bond.

9. Investment Property

	31-Mar-2018		
	Land	**Condominium Unit**	**Total**
Cost	**₱70,320,000**	**₱38,535,329**	**₱108,855,329**
Accumulated depreciation:			
Balance at beginning of year	□	**5,570,780**	**5,570,780**
Depreciation (Note 15)	□	**279,360**	**279,360**
Balance at end of year	□	**5,850,140**	**5,850,140**
Net book value	**₱70,320,000**	**₱32,685,189**	**₱103,005,189**

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

Portion of BEST's condominium unit located in Pasig City is being leased out to related parties. The rental income recognized from lease agreements amounted to ₱0.04 million as of March 31, 2018 and December 31, 2017. The land and condominium unit have fair values of ₱85.42 million and ₱40.96 million, respectively, based on an appraisal made by an independent appraiser on December 31, 2014 and
December 8, 2017, respectively. The sales comparison approach was used in determining the fair value which considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. The fair value of the investment property is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation. The inputs used were asking prices of similar listings and offerings. Significant increases or decreases in asking price would result in higher or lower fair value of the asset.

10. Property and Equipment

This account consists of:

	31---Mar-2018						
	Land	**Condominium Unit and Improvements**	**Transportation and Heavy Equipment**	**Office Furniture and Fixtures**	**Development Costs**	**Leasehold Improvements**	**Total**
Cost							
At January 1	**₱44,932,700**	**₱37,056,324**	**₱123,814,371**	**₱4,260,747**	**₱114,219,384**	**₱548,133**	**₱324,831,659**
Additions	–	–	–	**143,286**	**229,206**	**171,129**	**543,620**
At December 31	**44,932,700**	**37,056,324**	**123,814,371**	**4,404,033**	**114,448,590**	**719,262**	**325,375,279**
Accumulated Depreciation and Amortization							
At January 1	–	**5,716,748**	**74,412,752**	**3,751,119**	**81,629,681**	**12,132**	**169,660,132**
Depreciation and amortization (Notes 15 and 16)	**4,137,700**	**574,797**	**2,492,860**	**96,929**	**1,714,916**	**25,395**	**4,904,897**
At December 31	**4,137,700**	**6,291,545**	**76,905,612**	**3,848,048**	**84,344,597**	**37,527**	**174,565,029**
Net Book Value	**₱40,795,000**	**₱30,764,779**	**₱46,908,759**	**₱555,985**	**₱31,103,993**	**₱681,735**	**₱150,810,250**

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

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

11. Trade and Other Payables

This account consists of:

	31-Mar-2018	31-Dec-2017
Trade payables		
Related parties (Note 14)	**₱11,061,939**	₱8,531,187
Third parties	**4,251,486**	7,470,921
	15,313,425	16,002,108
Payable to government agencies	**106,351,028**	110,190,667
Accrued expenses	**4,138,323**	1,321,621
	₱125,802,776	₱127,514,396

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

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

Accrued expenses pertain to accruals of professional fees, salaries and wages and interest on loan payable. These are noninterest-bearing and payable within 30 days.

12. Loan Payable

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

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

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

Interest expense on loan payable amounted to ₱1.02 million and ₱4.17 million as of March 31, 2018 and December 31, 2017, respectively.

13. **Equity**

Capital Stock

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

	31-Mar-2018	31-Dec-2017
Authorized number of shares:		
At the beginning and end of the year	**740,000,000**	740,000,000
Number of shares issued and outstanding:		
At the beginning and end of the year	**690,000,000**	690,000,000

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

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

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

Subscriptions

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

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

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

Retained Earnings

For purposes of dividend declaration, the retained earnings shall be that of the legal parent presented in the separate financial statements. As of March 31, 2018 and December 31, 2017, the Parent Company is in a deficit position, hence, no dividends were declared during the years covered.

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

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

	31-Mar-2018	31-Dec-2017
Balance at beginning of year	**₱209,040,001**	₱206,072,782
Net loss during the year	**510,265**	2,967,219
	₱209,550,266	₱209,040,001

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

On March 30, 2016, the BOD of BEST approved the reversal of appropriated retained earnings of ₱14.80 million to unrestricted retained earnings.

Noncontrolling Interests

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

14. Related Party Transactions

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

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

31-Mar-2018

Category	**Amount**	**Outstanding Balance**	**Terms**	**Conditions**
Trade receivables (Note 5)				
Parent				
IPMCDC (a)	**₱157,157,557**	**₱189,278,717**	Noninterest-bearing; within one year	Unsecured, no impairment
Shareholders				
IPMESI (b)	**109,074,088**	**688,373,255**	Noninterest-bearing; within one year	Unsecured, no impairment
IPMRDC (c)	**–**	**34,687**	Noninterest-bearing; within one year	Unsecured, no impairment
Joint Venture				Unsecured, no impairment
ERC (d)	**53,571**	**7,845**	Noninterest-bearing; on demand	Unsecured, no impairment
		₱877,694,504		

Category	**Amount**	**Outstanding Balance**	**Terms**	**Conditions**
Loans Receivable (Note 5)				
Joint venture				

ERC (e)	**₱–**	**₱31,000,000**	Interest bearing; due and demandable	Unsecured,no impairment
Interest Receivable (Note 5)				
ERC (e)	**1,180,320**	**4,144,300**	Due and demandable	Unsecured, no impairment
		₱35,144,300		

Trade payables (Note 11)				
Parent				
IPMCDC (f)	**₱8,531,187**	**₱11,061,939**	Noninterest-bearing; on demand	Unsecured
Accrued expenses				
Affiliate				
GNCA Holdings, Inc. (GNCA) (g)	**180,000**	□	Noninterest-bearing; on demand	Unsecured
BOD (h)	**110,000**	□	Noninterest-bearing; on demand	Unsecured
		₱11,061,939		

31-Dec-2017

Category	Amount	Outstanding Balance	Terms	Conditions
Trade receivables (Note 5)				
Parent				
IPMCDC (a)	₱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	Unsecured, no impairment
IPMRDC (c)	–	34,687	Noninterest-bearing; within one year	Unsecured, no impairment
Joint Venture				Unsecured, no impairment
ERC (d)	53,571	18,069	Noninterest-bearing; on demand	Unsecured, no impairment
		₱850,955,968		

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

a. BEST provides composting of waste materials services to IPMCDC and charges composting and waste processing fees based on a fixed contract price specified in the composting agreement. In 2017 and 2016 the Company charged IPMCDC for transportation and heavy equipment rental fees. In July 2015, BEST entered into a consultancy agreement with IPMCDC for the monitoring of efficiency of the latter's operation and compliance with rules and regulations on IPMCDC's contract with several local municipalities. The income payment is based on a fixed amount specified in the consultancy agreement.

b. BEST has an existing contract with IPMESI for the operation and maintenance of an Integrated Solid Waste Management Facility for a fixed monthly fee of ₱15.58 million. In 2017, 2016 and 2015, BEST charged IPMESI for the rental of transportation and heavy equipment.

c. In 2017 and 2016, rental income earned on the lease of equipment to IPMRDC amounted to nil and ₱0.71 million, respectively.

d. In January 2016, BEST entered into a contract of lease with ERC, whereby the latter, shall lease a portion of BEST's office space. Lease term commenced on January 1, 2016 and was for the period of two (2) years, renewable upon mutual agreement of the parties.

e. In 2014, BEST granted loans to ERC amounting to ₱19.00 million with 3.8640% interest rate per annum and ₱12.00 million with 3.718% interest rate per annum which are due and demandable. Accrued interest receivable amounted to ₱3.85 million and ₱2.67 million as of December 31, 2017 and 2016, respectively.

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

g. The Parent Company entered into an agreement with GNCA, an entity controlled by one of the Parent Company's director, for the sharing of common costs incurred on the leased office space of the Parent Company. The agreement provides that Parent Company shall pay fixed monthly utility charges of ₱15,000 in 2017, 2016 and 2015, in lieu of its proportionate share in monthly rentals on the leased premises.

h. In 2013, the BOD of the Parent Company approved the grant of per diem to members of the BOD for every attendance in the regular meetings of the BOD. Total per diem paid to the directors amounted to ₱0.11 million, ₱0.30 million, and ₱0.32 million in 2017, 2016 and 2015, respectively (see Note 16).

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

15. **Cost of Services**

This account consists of:

	31-Mar-2018	31-Mar-2017
Rent (Note 14)	**₱1,602,009**	₱23,000,861
Depreciation and amortization (Notes 9 and 10)	**4,593,585**	4,396,482
Contract costs (Note 14)	**-**	6,696,429
Salaries, wages and employee benefits	**2,715,694**	2,360,469
Repairs and maintenance (Note 14)	**248,802**	2,903,049
Materials and tools (Note 14)	**-**	3,269,954
Fuel and oil (Note 14)	**743,368**	2,223,111
Taxes and licenses	**275,513**	1,016,183
Documentation	**870,000**	-
Supplies	**120,286**	7,176
Security and janitorial	**-**	139,117
Entertainment, amusement and recreation	**23,000**	20,000
Transportation and travel	**8,495**	35,051
Professional fee	**11,786**	-
Utilities	**38,344**	15,414
Others	**102,076**	4,545
	₱11,352,959	₱46,087,841

16. **General and Administrative Expenses**

This account consists of:

	31-Mar-2018	31-Mar-2017
Taxes and licenses	**₱4,612,971**	₱10,574,566
Salaries, wages and employee benefits (Note 14)	**3,231,390**	2,434,725
Professional fees	**716,111**	323,968
Depreciation and amortization (Note 10)	**667,031**	667,506
Transportation and travel	**165,249**	188,989
Utilities (Note 14)	**201,730**	228,550
Entertainment amusement and recreation	**12,500**	294,657
Stock exchange listing fee	**145,538**	158,113
Office supplies and printing costs	**126,353**	143,232
Security and janitorial	**54,881**	121,643
Bid expense	**-**	508,530
Membership fee	**194,330**	-
Rent (Note 14)	**31,429**	-
Repairs and maintenance	**35,023**	30,000
Seminars and trainings	**-**	56,000
Directors’ fee (Note 14)	**-**	50,000
Vat expense	**(204,113)**	46,199
Insurance	**13,955**	-
Others	**251,170**	414,347
	₱10,287,673	₱16,241,025

17. **Pension Plan**

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

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

The latest actuarial valuation date of the Group's retirement plan is as of December 31, 2017.

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

	2017		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net pension liability**
At January 1	**₱1,636,678**	**(₱353,981)**	**₱1,282,697**
Benefit cost in profit or loss			
Current service cost (Note 16)	**398,357**	**–**	**398,357**
Net interest expense (income) (Note 16)	**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**

The Group's plan assets are invested mainly in cash and cash equivalents. The carrying value of the Group's plan assets approximates the fair value due to its short-term nature. The plan assets do not have any concentration risk.

18. Basic/Diluted Earnings per Share

Basic/diluted earnings per share was computed as follows:

	31-Mar-2018	31-Mar-2017
Net income attributable to equity holders of the parent company (a)	**₱10,893,976**	₱16,111,487
Weighted average number of outstanding common share (b)	**690,000,000**	690,000,000
Basic earnings per share (a/b)	**₱0.016**	₱0.023

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

19. **Commitments**

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

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

  a. Composting of waste materials from Pasig City and Pasay City that is being renewed every year. Income from composting amounted to ₱12.00 million in 2017 and 2016 (see Note 14).

  b. Consultancy and field services in IPMCDC's Materials Recovery Facility (MRF) that is being renewed every year. In July 2015, the Group entered into new consultancy services contracts with IPMCDC for the monitoring of efficiency of the latter's operation and compliance with rules and regulations on IPMCDC's contract with several local cities. The Group recognized income amounting to ₱35.14 million and ₱41.79 million in 2017 and 2016, respectively, arising from these consultancy service contracts (see Note 14).

- The Group entered into contractual commitments with various municipalities of Rizal and Laguna for tipping and disposal of residual wastes. Each agreement is effective for one year, renewable every year under the same terms and conditions unless, otherwise, mutually agreed upon by the parties.
-
  In 2017, the Group entered into the contract agreement for garbage disposal services for the municipalities of Baras and Cardona. Contract terms was for ten (10) months beginning March 2017 until December 31, 2017. The contract covers BEST's provision of professional services within its disposal facility and includes all programming, planning, calculation, specifications equipment and management services necessary to carry out the agreed services. Beginning February 20, 2017, the Group has renewed its contract of solid waste disposal and service of a sanitary landfill with the municipality of Binangonan. The term of the contract shall be for one year until February 20, 2018 unless sooner terminated. In August 2017, the Group entered into a new contract agreement with the municipality of Pangil, Laguna, for the disposal of residual waste. The contract was for 110 days and has ended on December 8, 2017. The contract with municipality of Teresa was entered into by the Group on August 2016. Under this agreement, the Group, through BEST, allows these municipalities to dump residual wastes to BEST's landfill in Morong. The agreement took effect on September 1, 2016 and shall end on June 30, 2019 unless sooner terminated.

20. **Financial Risk Management Objectives and Policies**

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

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

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

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

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

	31-Mar-2018	31-Dec-2017
Loans and receivables:		
Cash	**₱6,677,496**	₱7,626,149
Receivables:		
Trade	**902,798,691**	871,078,313
Loan	**31,000,000**	31,000,000
Advances to officers and employees	**19,795,215**	19,613,816
Interest	**4,144,300**	3,849,220
Dividend	**-**	1,600,000
Deposits	**3,315,666**	3,315,666
	₱967,731,368	₱938,083,164

excluding cash on hand

The gross maximum exposure to credit risk of the Group approximates its net maximum exposure. There were no amounts that are set-off in accordance with the requirements of PAS 32, *Financial Instruments: Disclosures and Presentations*. There were no amounts subject to an enforceable master-netting arrangement or similar agreement as of March 31, 2018 and December 31, 2017.

The aging analysis of financial assets as of March 31, 2018 and December 31, 2017 follows:

	31-Mar-2018				
	Neither Past Due nor Impaired	**Past Due but not Impaired**			
	High Grade	**31 to 60 Days**	**Over 60 days**	**Impaired**	**Total**
Financial assets:					
Loans and receivables:					
Cash	**₱6,677,496**	**₱–**	**₱–**	**₱–**	**₱6,677,496**
Receivables:					
Trade	**708,498,229**	**27,628,424**	**166,672,038**	**–**	**902,798,691**
Loans	**–**	**–**	**31,000,000**	**–**	**31,000,000**
Advances to officers	**1,295,215**	**–**	**18,500,000**	**–**	**19,795,215**
Interest	**98,360**	**196,720**	**3,849,220**	**–**	**4,144,300**
Others	**–**	**–**	**–**	**1,066,172**	**1,066,172**
Deposits	**3,315,666**	**–**	**–**	**–**	**3,315,666**
	₱719,884,966	**₱27,825,144**	**₱220,021,258**	**₱1,066,172**	**₱968,797,540**

excluding cash on hand

	31-Dec-2017				
	Neither Past Due nor Impaired	Past Due but not Impaired			
	High Grade	31 to 60 Days	Over 60 days	Impaired	Total
Financial assets:					
Loans and receivables:					
Cash	₱7,626,149	₱–	₱–	₱–	₱7,626,149
Receivables:					
Trade	33,237,288	29,420,302	808,420,723	–	871,078,313
Loans	–	–	31,000,000	–	31,000,000
Advances to officers	1,113,816	–	18,500,000	–	19,613,816
Interest	1,180,320	–	2,668,900	–	3,849,220
Dividend	1,600,000	–	–	–	1,600,000
Others	–	–	–	1,066,172	1,066,172
Deposits	3,315,666	–	–	–	3,315,666
	₱48,073,239	₱29,420,302	₱860,589,623	₱1,066,172	₱939,149,336

**excluding cash on hand*

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

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

Liquidity risk

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

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

The table below summarizes the maturity profile of the Group's nonderivative financial assets and liabilities as of March 31, 2018 and December 31, 2017 based on contractual undiscounted payments:

	31-Mar-2018				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**More than One Year**	**Total**
Financial assets					
Loans and receivables:					
Cash	**₱6,677,496**	**₱–**	**₱–**	**₱–**	**₱6,677,496**
Receivables:					
Trade	**708,541,220**	**14,489,691**	**13,095,741**	**166,672,039**	**902,798,691**
Loan	**31,000,000**	–	–	–	**31,000,000**
Advances to officers	**289,471**	**127,722**	**235,058**	**19,142,965**	**19,795,215**
Interest		**98,360**	**393,440**	**3,652,500**	**4,144,300**
Deposits	–	–	–	**3,315,666**	**3,315,666**
	₱746,508,187	**₱14,715,773**	**₱13,724,239**	**₱192,783,170**	**₱967,731,368**

	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	Total
Financial liabilities					
Trade and other payables (excluding payable to government agencies)	**₱–**	**₱19,451,748**	**₱–**	**₱–**	**₱19,451,748**
Loan payable	**–**	**–**	**97,000,000**	**–**	**97,000,000**
	₱–	**₱19,451,748**	**₱97,000,000**	**₱–**	**₱116,451,748**

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

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group considers its total equity amounting to ₱1,069.47 million and ₱ 1,054.77 million as of March 31, 2018 and December 31, 2017, respectively, as capital.

Fair Value Information

Due to the short-term nature of the Group's financial instruments, their fair values approximate their carrying amounts as of March 31, 2018 and December 31, 2017.

Fair Value Hierarchy

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

21. Segment Information

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

	31-Mar-2018				
	Investment Holding	**Service**	**Combined**	**Eliminations**	**Consolidated**
Revenue and other income	**₱–**	**₱43,702,981**	**₱43,702,981**	**(₱40,179)**	**₱43,662,802**
Interest income	**249**	**297,363**	**297,612**	**–**	**297,612**
Equity earnings	**–**	**(201,831)**	**(201,831)**	**–**	**(201,831)**
Interest expense	**–**	**1,023,202**	**1,023,202**	**–**	**1,023,202**
Income (loss) before tax	**(510,216)**	**21,604,966**	**21,094,750**	**–**	**21,094,750**

Provision for income tax	**50**	**6,399,311**	**6,399,361**	**−**	**6,399,361**
Net income (loss)	**(510,266)**	**15,205,655**	**14,695,389**	**−**	**14,695,389**
Other Information					
Segment assets	**₱486,088,074**	**₱1,315,076,787**	**₱1,801,164,860**	**(₱490,917,991)**	**₱1,310,246,869**
Segment liabilities	**5,638,340**	**240,684,198**	**246,322,538**	**(5,542,991)**	**240,779,547**
Depreciation and amortization	**−**	**4,640,639**	**4,640,639**	**−**	

	31-Dec-2017				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income	₱−	₱295,056,735	₱295,056,735	(₱160,714)	₱294,896,021
Interest income	1,407	1,232,404	1,233,811	−	1,233,811
Equity earnings	−	522,444	522,444	−	522,444
Interest expense	−	4,297,146	4,297,146	−	4,297,146
Income (loss) before tax	(2,966,937)	132,120,534	129,153,597	−	129,153,597
Provision for income tax	281	42,024,750	42,025,031	−	42,025,031
Net income (loss)	(2,967,218)	90,095,784	87,128,566	−	87,128,566
Other Information					
Segment assets	₱486,397,072	₱1,294,899,035	₱1,781,296,107	(₱490,432,319)	₱1,290,863,788
Segment liabilities	5,437,073	235,712,105	241,149,178	(5,057,321)	236,091,857
Depreciation and amortization	−	24,419,639	24,419,639	−	24,419,639

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

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

IPM HOLDINGS, INC. AND SUBSIDIARY

FINANCIAL SOUNDNESS INDICATORS
March 31, 2018

FSI	Calculation	31-Mar-2018	31-Dec-2017
Current Ratio	Current Assets/Current Liabilities	4.05x	4.03x
Quick Ratio	Current Assets-Inventory-Prepayments/Current Liabilities	4.02x	3.98x
Debt to Equity Ratio	Liabilities/ Stockholders' Equity	0.22x	0.22x
Asset to Equity Ratio	Assets/Stockholders' Equity	1.23x	1.22x
Interest Coverage Ratio	Earnings Before Interest & Taxes/Interest Expense	21.62x	31.06
Gross Profit Margin	Gross Profit/Net Sales	0.74	58.33
Book Value per share	Total Assets –Total Liabilities/ Outstanding Shares	1.55	1.53
Net Income per Share	Net Income/Weighted Average Number of Shares Outstanding	0.02	0.13

	31-Mar-2018	December 31, 2017
Current Ratio	971,396,980/239,625,163	947,171,431/234,937,472
Quick Ratio	965,170,710/239,625,163	935,583,423/234,937,472
Debt to Equity	240,779,548/1,069,467,322	236,091,857/1,054,771,931
Asset to Equity Ratio	1,310,246,870/1,069,467,322	1,290,863,788/1,054,771,931
Interest Coverage Ratio	22,117,980/1,023,202	133,450,743/4,297,146
Gross Profit Margin	32,309,844/43,662,803	171,975,754/294,841,698
Book Value/Share	1,069,467,322/690,000,000	1,054,771,931/690,000,000
Net Income per Share	14,695,389/690,000,000	87,128,566/690,000,000

IPM HOLDINGS, INC. AND SUBSIDIARY

AGING OF RECEIVABLES
March 31, 2018

Nature/Description	Current	1 to 30 days	31to 60 days	Over 60 days	Total
Trade Receivables:					
Income from Tipping Fee	962,430	939,317	-	5,585,929	7,487,677
Hauling Income	1,492,899	891,806	1,468,800	8,727,290	12,580,795
Composting/Waste Process	1,000,000	1,000,000	1,000,000	12,000,000	15,000,000
Consultancy/Field Services	-	-	-	693,908,969	693,908,969
Rental	11,076,922	11,601,559	8,326,941	142,815,825	173,821,248
Loans Receivable				31,000,000	31,000,000
Interest Receivable	98,360	98,360	196,720	3,750,860	4,144,300
Others	289,471	127,722	235,058	19,897,974	20,550,225
Total	**14,920,083**	**14,658,764**	**11,227,519**	**917,686,847**	**958,493,214**