



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

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

1. For the quarterly period ended: **September 30, 2021**
2. SEC Identification Number: AS095-008557
3. BIR Tax Identification Number: 004-636-077
4. **IPM HOLDINGS, INC.**  
Exact name of issuer as specified in its charter
5. Pasig City, Philippines  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. Penthouse, The Taipan Place, F. Ortigas Jr. Road, Ortigas Center, Pasig City  
Address of issuer's principal office Postal Code: 1605
8. (632) 8897-5257/8817-6791  
Issuer's telephone number, including area code
9. Unit 103 G/F, Prestige Tower, Condominium F. Ortigas Jr., Avenue  
Ortigas Center, Pasig City  
Former name, former address and former fiscal year, if changed since last report:
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

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

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

Yes (√) No ( )

12. Indicate by check mark whether the registrant:

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

Yes[ x ] No [ ]

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

Yes[ x ] No [ ]

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

Please see attached.

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

#### PLAN OF OPERATIONS

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

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

On September 25, 2019, BEST entered into a Joint Venture with the City Government of Passi, Iloilo for the establishment and operations of the Passi City Integrated Waste Management Facility, the first PPP project awarded to the Company. As of September 30, 2021, the Company is actively engaged in advanced stages of development for the realization of its additional PPP projects, which will place BEST at the forefront of the waste management industry all over the Philippines.

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

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

#### MANAGEMENT’S DISCUSSION AND ANALYSIS

Management’s discussion and analysis of the financial position and results of operations of the Parent Company and its subsidiary (the “Group”) should be read in conjunction with the attached interim consolidated financial statements as of September 30, 2021.

#### **Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020**

##### Income

Total consolidated income for the nine-month period ending September 30, 2021 amounted to Php244.90 million, up by Php52.48 million or 27% from the Php192.41 million posted in the same period of 2020. The material changes are as follows:

- Service Income - Increased by Php20.10 million or 11% from the Php181.19 million in 2020 to Php201.29 million in 2021. This is mainly due to the increase in income of the Company’s

joint venture for the hauling and waste collection in Cagayan de Oro City; tipping fees charged to LGUs; and private hauling revenues.

- Rental Income - Decreased by Php7.35 million or 71% from Php10.30 million in 2020 to Php2.95 million in 2021. This is attributable mainly to the decrease in rental income from equipment and trucks which are now being used for its own hauling activities.
- Equity in Net Earnings of an Associate and a Joint Venture – from nil in 2020 to Php39.76 million in 2021. This is due to the increase in its equity share in the net income of an associate.
- Interest income slightly decreased by Php0.02 million or 3%, from the Php0.92 million in 2020 to Php0.90 million in 2021, attributable to the decrease in earnings from time deposits.

#### Expenses

Total consolidated expenses for the first nine months of 2021 amounted to Php190.29 million, up slightly by Php6.79 million or 4% from the Php183.50 million posted in the same period of 2020. The material changes are as follows:

- Cost of Services – At Php163.58 million, higher by Php13.14 million or 9% than the Php150.44 million reported in the same period of 2020. This is attributable mainly to the increase in sub-contract costs of the joint venture to undertake the works and services for hauling and waste collection activities in Cagayan de Oro City.
- General and Administrative Expenses - Decreased by Php1.10 million or 5%, from Php23.79 million in 2020 to Php22.69 million in 2021. This is attributable mainly to the decrease in vat expense.
- Interest Expense - Decreased by Php0.84 million or 17%, from Php4.87 million in 2020 to Php4.03 million posted in 2021. This is mainly due to the lower interest expense on bank loans.
- Equity in Net Losses of an Associate and a Joint Venture – from Php4.40 million in 2020 to nil in 2021.

#### Net Income

- The first nine months of 2021 resulted to a net income of Php49.41 million, a jump of Php43.92 million or 800% from the Php5.49 million in the same period of 2021. This is mainly due to the increase in income of the joint venture from the hauling and waste collections in Cagayan de Oro and equity share in the net income of an associate amounting to Php39.76 million.

#### Liquidity and Capital Resources

For the first nine months of 2021, net cash provided by operating activities amounted to Php39.67 million as compared to Php69.79 million in 2020. This is due mainly to the lower cash operating income and marginal movement in trade and other payables in 2021.

Net cash used in investing activities amounted to Php63.33 million in the first nine months of 2021 as compared to Php19.02 million in the same period of 2020. This is mainly due to the acquisition of property and equipment and dividends received from an associate.

Net cash used in financing activities amounted to Php4.03 million in the first nine months of 2021 as compared to Php4.87 million in 2020, the said amounts representing payment of interest on bank loans.

### **Third Quarter Ended September 30, 2021 Compared to Third Quarter Ended September 30, 2020**

Total consolidated revenues for the quarter ending September 30, 2021 amounted to Php107 million, which increased by Php40.91 million or 62% from the Php66.09 million posted in the same period of 2020. The material changes are as follows:

- Service income increased by Php2.0 million or 3% from the Php63.88 million in 2020 to Php65.88 million posted in 2021. This is mainly due to the increase in income of the Company's joint venture for the hauling and waste collection in Cagayan de Oro City; tipping fees charged to LGUs; and private hauling revenues.
- Rental income decreased by Php0.85 million or 45%, from the Php1.90 million in 2020 to Php1.05 million in 2021. This is attributable to the decrease in income from rental of equipment and trucks which are now being used for the Company's own hauling activities.
- Equity in Net Earnings of an Associate and a Joint Venture – from nil in 2020 to Php39.76 million in 2021. This is mainly due to the increase in its equity share in the net income of an associate.

#### Expenses

Total consolidated expenses for the third quarter ending September 30, 2021 amounted to Php67.06 million, which increased by Php3.81 million or 6% from the Php63.25 million posted in the same period of 2020. The material changes are as follows:

- Cost of services amounted to Php55.56 million, which is Php4.78 million or 9% higher than the Php50.77 million in 2020. This is attributable mainly to the increase in sub-contract costs of the joint venture to undertake the works and services for hauling and waste collection activities in Cagayan de Oro City.
- General and administrative expenses amounted to Php10.25 million, Php1.11 million or 12% higher than the Php9.14 million in 2020. This is attributable mainly to the decrease in taxes and licenses.

#### Net Income

The third quarter of 2021 resulted in a net income of Php38.69 million, a jump of Php36.85 million or 2003% from the Php1.84 million posted in the same period of 2020. This is mainly due to the increase in equity share in the net income of its associate amounting to Php39.76 million.

#### Liquidity and Capital Resources

For the third quarter of 2021, net cash provided by operating activities amounted to Php1.19 million as compared to Php13.17 million in the same period 2020. This is mainly due to the lower cash operating income in 2021 and increase in receivables which more than offset the favorable movement in other working capital items.

Net cash used in investing activities amounted to Php23.28 million in the third quarter of 2021 as compared to Php13.59 million in the same period of 2020. This is mainly due to the acquisition of property and equipment and dividends received from an associate.

Net cash used in financing activities amounted to Php1.25 million in the third quarter of 2021 as compared to Php1.41 million in the same period of 2020, the said amounts representing payment of interest on bank loans.

### **Financial Position as of September 30, 2021 Compared to Financial Position as of December 31, 2020**

<b>Statements of financial position data</b>	<b>30-Sep-2021</b>	<b>31-Dec-2020</b>	<b>% Inc/(Dec)</b>
Total Current Assets	<b>1,025,039,151</b>	1,059,317,512	(3.24%)
Total Assets	<b>1,558,489,220</b>	1,505,558,742	3.52%
Total Current Liabilities	<b>261,904,453</b>	258,386,921	1.36%
Total Liabilities	<b>296,313,133</b>	292,795,601	1.20%
Total Stockholders' Equity	<b>1,262,176,087</b>	1,212,763,141	4.07%

The Company's consolidated total assets slightly increased by Php52.93 million or 3.52%, from Php1,505.56 million as of December 31, 2020 to Php1,558.49 million as of September 30, 2021.

- Cash and cash equivalents decreased by Php27.69 million or 75.27%, from Php36.79 million as of December 31, 2020 to Php9.10 million as of September 30, 2021. The decrease is mainly due to acquisition of property and equipment.
- Trade and other receivables decreased by a minimal 1.38% from Php1,016.77 million as of December 31, 2020 to Php1,002.75 million as of September 30, 2021 due to the collection of the outstanding receivables.
- Other current assets increased by 129.14% from Php5.76 million as of December 31, 2020 to Php13.19 million as of September 30, 2021 due to the increase in input VAT pertaining to the sub-contract cost for hauling and waste collection in Cagayan de Oro City.
- Noncurrent assets increased by 19.54% from Php446.24 million as of December 31, 2020 to Php533.45 million as of September 30, 2021. The increase is mainly due to the additional acquisition of land for the expansion of the sanitary landfill in Morong, Rizal and for the planned project in Bataan, as well as the construction in progress of the Passi City Integrated Waste Management Facility.

Total consolidated liabilities slightly increased by Php3.52 million or 1.2%, from Php292.80 million as of December 31, 2020 to Php296.31 million as of September 30, 2021.

Total stockholders' equity increased by Php49.41 million or 4.07%, from Php1,212.76 million as of December 31, 2020 to Php1,262.18 million as of September 30, 2021, reflecting the income for the current year.

Current ratio decreased from 4.10x as of December 31, 2020 to 3.91x as of September 30, 2021; net working capital declined to Php763.13 million as of September 30, 2021 versus the Php800.93 million as of December 31, 2020.

## Key Performance Indicators

The company's key performance indicators are as follows:

<b>KPI</b>	<b>Calculation</b>	<b>30-Sep-2021</b>	<b>31-Dec-2020</b>
Current Ratio (1)	Current Assets/Current Liabilities	<b>3.91x</b>	4.10x
Quick Ratio (2)	Current Assets-Inventory-Prepaid Expenses /Current Liabilities	<b>3.86x</b>	4.08x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	<b>0.23x</b>	0.24x
Book Value per share (4)	Total Assets –Total Liabilities/ Outstanding Shares	<b>1.83</b>	1.76
Income per Share (5)	Net Income/Weighted Average Number of Shares Outstanding	<b>0.07</b>	0.06

	<u>30-Sep-2021</u>	<u>December 31, 2020</u>
(1) Current Ratio	<b>1,025,039,151/261,904,453</b>	1,059,317,512/258,386,921
(2) Quick Ratio	<b>1,011,848,259/261,904,453</b>	1,053,560,813/258,386,921
(3) Debt to Equity	<b>296,313,133/1,262,176,087</b>	292,795,601/1,212,763,141
(4) Book Value/Share	<b>1,262,176,087/690,000,000</b>	1,212,763,141/690,000,000
(5) Income per Share	<b>49,412,946/690,000,000</b>	44,147,681/690,000,000

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

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

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

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

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

## Other Matters

- a) There were no known trends, demands, commitments, events or uncertainties that had or will have a material impact on the Company's liquidity other than those discussed in the Plan of Operation, Item 2- Management's Discussion and Plan of Operations.
- b) There were no known events that triggered direct or contingent financial obligation that is material to the Company including any default or acceleration of an obligation.
- c) There were no material off-balance sheet transaction, arrangements, obligations (including contingent obligations) and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

- d) There were no material commitments for capital expenditures.
- e) There were no other known trends, events, or uncertainties that have had or that are reasonably expected to have a material impact on net sales or income other than what was mentioned in the Plan of Operation, Item 2 – Management’s Discussion and Analysis;
- f) There were no significant elements of income or loss that did not arise from the Company’s continuing operations.
- g) There were no seasonal aspects that had material effect on the financial condition or results of operation except as mentioned in the Notes to Financial Statements No 5.

## **PART II – OTHER INFORMATION**

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

Not Applicable



## SIGNATURES

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

**Issuer :** IPM HOLDINGS, INC.

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

Date: November 12, 2021

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

Date: November 12, 2021

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

	30-Sep-2021	31-Dec-2020
	Unaudited	Audited
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 4)	₱9,095,767	₱36,786,801
Current portion of receivables - net (Notes 5 and 15)	1,002,752,492	1,016,774,012
Other current assets (Note 6)	13,190,892	5,756,699
<b>Total Current Assets</b>	<b>1,025,039,151</b>	<b>₱1,059,317,512</b>
<b>Noncurrent Assets</b>		
Noncurrent portion of receivables - net (Notes 5 and 15)	20,990,180	20,990,180
Deposits (Note 8)	1,988,034	1,988,034
Investments in an associate and a joint venture (Note 7)	154,358,911	124,194,751
Property and equipment (Note 10)	236,235,232	179,763,140
Investment property (Note 9)	103,606,818	104,642,246
Deferred tax assets (Note 20)	13,096,879	13,096,879
Other noncurrent assets (Note 11)	3,174,015	1,566,000
<b>Total Noncurrent Assets</b>	<b>533,450,069</b>	<b>446,241,230</b>
	<b>₱1,558,489,220</b>	<b>₱1,505,558,742</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loan payable (Note 13)	₱89,000,000	₱90,000,000
Income tax payable	1,154,305	5,733,150
Trade and other payables (Note 12)	171,750,148	162,653,771
<b>Total Current Liabilities</b>	<b>261,904,453</b>	<b>258,386,921</b>
<b>Noncurrent Liabilities</b>		
Asset rehabilitation obligation (ARO-liability) (Note 22)	31,958,156	31,958,156
Net pension liability (Note 19)	2,450,524	2,450,524
<b>Total Noncurrent Liabilities</b>	<b>34,408,680</b>	<b>34,408,680</b>
<b>Total Liabilities</b>	<b>296,313,133</b>	<b>292,795,601</b>
<b>Equity</b>		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 14)	690,000,000	690,000,000
Retained earnings (Note 14)	474,272,720	437,766,033
Other reserves (Notes 1 and 19)	(298,654,464)	(298,654,464)
	865,618,256	829,111,569
Noncontrolling interests (Note 2)	396,557,831	383,651,572
<b>Total Equity</b>	<b>1,262,176,087</b>	<b>1,212,763,141</b>
	<b>₱1,558,489,220</b>	<b>₱1,505,558,742</b>

*See accompanying Notes to Consolidated Financial Statements.*

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

	Quarters Ended September 30	
	2021	2020
<b>REVENUE AND OTHER INCOME</b>		
Service income (Notes 16 and 21)	<b>₱65,882,194</b>	₱63,884,562
Rental income (Notes 9 and 21)	<b>1,054,398</b>	1,903,461
Equity in net earnings of an associate and a joint venture	<b>39,764,160</b>	-
Interest Income (Notes 4, 8 and 14)	<b>297,766</b>	300,972
	<b>106,998,518</b>	66,088,995
<b>EXPENSES</b>		
Cost of services (Note 17)	<b>55,556,057</b>	50,771,963
General and administrative expenses (Note 18)	<b>10,254,377</b>	9,142,754
Interest expense (Notes 13 and 21)	<b>1,250,944</b>	1,413,800
Equity in net losses of an associate and a joint venture (Note 7)	-	1,923,581
	<b>67,061,378</b>	63,252,098
<b>INCOME BEFORE INCOME TAX</b>	<b>39,937,140</b>	2,836,897
<b>PROVISION FOR INCOME TAX</b>	<b>1,246,238</b>	997,073
<b>NET INCOME</b>	<b>38,690,902</b>	1,839,824
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Items not to be reclassified to profit or loss:</i>		
Actuarial losses on defined benefit obligation	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱38,690,902</b>	₱1,839,824
Net income attributable to:		
Equity holders of the parent	<b>₱28,836,020</b>	₱1,258,220
Noncontrolling interest	<b>9,854,882</b>	581,604
	<b>38,690,902</b>	₱1,839,824
Total comprehensive income attributable to:		
Equity holders of the parent	<b>₱28,836,020</b>	₱1,258,220
Noncontrolling interest	<b>9,854,882</b>	581,604
	<b>38,690,902</b>	₱1,839,824
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY</b>		
<b>HOLDERS OF THE PARENT (Note 20)</b>	<b>₱0.042</b>	₱0.002

*See accompanying Notes to Consolidated Financial Statements*

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

	Nine Months Ended September 30	
	2021	2020
<b>REVENUE AND OTHER INCOME</b>		
Service income (Notes 16 and 21)	<b>₱201,286,491</b>	₱181,187,413
Rental income (Notes 9, 16 and 21)	<b>2,949,980</b>	10,304,445
Equity in net earnings of an associate and a joint venture	<b>39,764,160</b>	-
Interest income (Notes 4, 8 and 14)	<b>896,036</b>	922,691
	<b>244,896,667</b>	192,414,549
<b>EXPENSES</b>		
Cost of services (Note 17)	<b>163,575,488</b>	150,437,822
General and administrative expenses (Note 18)	<b>22,687,616</b>	23,785,040
Interest expense (Notes 13 and 21)	<b>4,028,396</b>	4,872,877
Equity in net losses of an associate and a joint venture	-	4,403,839
	<b>190,291,500</b>	183,499,578
<b>INCOME BEFORE INCOME TAX</b>	<b>54,605,167</b>	8,914,971
<b>PROVISION FOR INCOME TAX</b>	<b>5,192,221</b>	3,422,267
<b>NET INCOME</b>	<b>₱49,412,946</b>	₱5,492,704
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Items not to be reclassified to profit or loss:</i>		
Actuarial losses on defined benefit obligation	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱49,412,946</b>	₱5,492,704
Net income attributable to:		
Equity holders of the parent	<b>₱36,506,687</b>	₱3,635,309
Noncontrolling interest	<b>12,906,259</b>	1,857,395
	<b>₱49,412,946</b>	₱5,492,704
Total comprehensive income attributable to:		
Equity holders of the parent	<b>₱36,506,687</b>	₱3,635,309
Noncontrolling interest	<b>12,906,259</b>	1,857,395
	<b>₱49,412,946</b>	₱5,492,704
<b>EARNING PER SHARE ATTRIBUTABLE TO</b>		
<b>EQUITY HOLDERS OF THE PARENT</b> (Note 18)	<b>₱0.053</b>	₱0.005

*See accompanying Notes to Consolidated Financial Statements*

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

	Equity Attributable to Equity Holders of the Parent					Total Equity
	Capital Stock (Note 14)	Retained Earnings- Unappropriated (Note 14)	Equity Reserve (Note 1)	Other Reserves		
Actuarial Gains (Losses) on Defined Benefit Obligation (Note 19)				Noncontrolling Interests (Note 2)		
Balance as of June 30, 2021	<b>₱690,000,000</b>	<b>₱445,436,700</b>	<b>(₱298,498,391)</b>	<b>(₱156,073)</b>	<b>₱386,702,949</b>	<b>₱1,223,485,185</b>
Net income for the third quarter	–	<b>28,836,020</b>	–	–	<b>9,854,882</b>	<b>38,690,902</b>
At September 30, 2021	<b>₱690,000,000</b>	<b>₱474,272,720</b>	<b>(₱298,498,391)</b>	<b>(₱156,073)</b>	<b>₱396,557,831</b>	<b>₱1,262,176,087</b>
Balance as of January 1, 2020	₱690,000,000	₱405,449,268	(₱298,498,391)	₱23,849	₱371,880,630	₱1,168,855,356
Net income	–	32,316,765	–	–	11,830,916	44,147,681
Other comprehensive income	–	–	–	(179,922)	(59,974)	(239,896)
Total comprehensive income	–	32,316,765	–	(179,922)	11,770,942	43,907,785
At December 31, 2020	₱690,000,000	₱437,766,033	(₱298,498,391)	(₱156,073)	₱383,651,572	₱1,212,763,141
Balance as of June 30, 2020	₱690,000,000	₱407,826,357	(₱298,498,391)	₱23,849	₱373,156,421	₱1,172,508,236
Net income for the third quarter	–	1,258,220	–	–	581,604	1,839,824
At September 30, 2020	₱690,000,000	₱409,084,577	(₱298,498,391)	₱23,849	₱373,156,421	₱1,174,348,060

*See accompanying Notes to Consolidated Financial Statements.*

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

	Equity Attributable to Equity Holders of the Parent					Total Equity
	Capital Stock (Note 14)	Retained Earnings- Unappropriated (Note 14)	Other Reserves		Noncontrolling Interests (Note 2)	
Equity Reserve (Note 1)			Actuarial Gains (Losses) on Defined Benefit Obligation (Note 19)			
Balance as of January 1, 2021	<b>₱690,000,000</b>	<b>₱437,766,033</b>	<b>(₱298,498,391)</b>	<b>(₱156,073)</b>	<b>₱383,651,572</b>	<b>₱1,212,763,141</b>
Net income for the nine months period	–	<b>36,506,687</b>	–	–	<b>12,906,259</b>	<b>49,412,946</b>
At September 30, 2021	<b>₱690,000,000</b>	<b>₱474,272,720</b>	<b>(₱298,498,391)</b>	<b>(₱156,073)</b>	<b>₱396,557,831</b>	<b>₱1,262,176,087</b>
Balance as of January 1, 2020	₱690,000,000	₱405,449,268	(₱298,498,391)	₱23,849	₱371,880,630	₱1,168,855,356
Net income	–	32,316,765	–	–	11,830,916	44,147,681
Other comprehensive income	–	–	–	(179,922)	(59,974)	(239,896)
Total comprehensive income	–	32,316,765	–	(179,922)	11,770,942	43,907,785
At December 31, 2020	₱690,000,000	₱437,766,033	(₱298,498,391)	(₱156,073)	₱383,651,572	₱1,212,763,141
Balance as of January 1, 2020	₱690,000,000	₱405,449,268	(₱298,498,391)	₱23,849	₱371,880,630	₱1,168,855,356
Net income for the nine months period	–	3,635,309	–	–	1,857,395	5,492,704
At September 30, 2020	₱690,000,000	₱409,084,577	(₱298,498,391)	₱23,849	₱373,738,025	₱1,174,348,060

See accompanying Notes to Consolidated Financial Statements.

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

	Quarters Ended September 30	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱39,937,140</b>	₱2,836,898
Adjustments for:		
Depreciation and amortization	<b>7,629,730</b>	11,125,951
Equity in net losses (earnings) of an associate and a joint venture (Note 7)	<b>(39,764,160)</b>	1,923,581
Interest expense	<b>1,250,944</b>	1,413,800
Interest income	<b>(297,766)</b>	(300,972)
Operating income before changes in working capital	<b>8,755,888</b>	16,999,258
Decrease (increase) in:		
Receivables	<b>(37,500,404)</b>	31,098,868
Other current assets	<b>3,471,209</b>	1,581,320
Increase (decrease) in:		
Trade and other payables	<b>28,792,222</b>	(34,331,035)
Net cash generated from (used in) operations	<b>3,518,915</b>	15,348,411
Interest received	<b>297,766</b>	300,972
Income tax paid	<b>(2,630,421)</b>	(2,474,805)
Net cash provided by operating activities	<b>1,186,260</b>	13,174,578
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	<b>(20,081,799)</b>	(13,586,744)
Dividends received from an associate	<b>(3,200,000)</b>	
Net cash used in investing activities	<b>(23,281,799)</b>	(13,586,744)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Interest paid	<b>(1,250,944)</b>	(1,413,800)
Payment of bank loan	-	-
Net cash used in financing activities	<b>(1,250,944)</b>	(1,413,800)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(23,346,482)</b>	(1,825,966)
<b>CASH AT BEGINNING OF PERIOD</b>	<b>32,442,249</b>	58,590,661
<b>CASH AT END OF PERIOD (Note 4)</b>	<b>₱9,095,767</b>	₱56,764,695

*See accompanying Notes to Consolidated Financial Statements.*

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

	<b>Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱54,605,168</b>	₱8,914,969
Adjustments for:		
Depreciation and amortization	<b>21,577,595</b>	33,417,331
Equity in net losses (earnings) of an associate and a joint venture (Note 7)	<b>(39,764,160)</b>	4,403,839
Interest expense	<b>4,028,396</b>	4,872,877
Interest income	<b>(896,036)</b>	(922,691)
Operating income before changes in working capital	<b>39,550,963</b>	50,686,325
Decrease (increase) in:		
Receivables	<b>15,502,259</b>	(18,119,139)
Prepaid and other current assets	<b>(8,914,933)</b>	(4,370,778)
Increase (decrease) in:		
Trade and other payables	<b>2,403,421</b>	48,635,535
Net cash generated from (used in) operations	<b>48,541,710</b>	76,831,943
Interest received	<b>896,036</b>	922,691
Income tax paid	<b>(9,771,066)</b>	(7,969,335)
Net cash provided by operating activities	<b>39,666,680</b>	69,785,299
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment (Note 10)	<b>(53,729,318)</b>	(19,018,635)
Dividends received from an associate (Note 7)	<b>(9,600,000)</b>	-
Net cash used in investing activities	<b>(63,329,318)</b>	(19,018,635)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Interest paid	<b>(4,028,396)</b>	(4,872,877)
Payment/proceeds from bank loan (Note 13)	-	-
Net cash used in financing activities	<b>(4,028,396)</b>	(4,872,877)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(27,691,034)</b>	45,893,787
<b>CASH AT BEGINNING OF PERIOD</b>	<b>36,786,801</b>	10,870,908
<b>CASH AT END OF PERIOD (Note 4)</b>	<b>9,095,767</b>	56,764,695

*See accompanying Notes to Consolidated Financial Statements.*



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

	<b>30-Sep-2021</b>	31-Dec-2020
	<b>Unaudited</b>	Audited
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	<b>₱521,129</b>	₱484,323
Other current assets	<b>289,311</b>	20,000
<b>Total Current Assets</b>	<b>810,440</b>	504,323
<b>Noncurrent Asset</b>		
Investment in a subsidiary	<b>485,375,000</b>	485,375,000
<b>TOTAL ASSETS</b>	<b>486,185,440</b>	₱485,879,323
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Advances from related party (Note 10)	<b>₱17,800,000</b>	₱15,000,000
Accrued expenses and other payables	<b>30,360</b>	312,154
<b>Total Liabilities</b>	<b>₱17,830,360</b>	15,312,154
<b>Equity</b>		
Capital stock	<b>690,000,000</b>	690,000,000
Deficit	<b>(221,644,920)</b>	(219,432,831)
<b>Total Equity</b>	<b>468,355,080</b>	470,567,169
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱486,185,440</b>	₱485,879,323

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

	<b>Quarters Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
<b>INCOME</b>		
Interest	<b>₱54</b>	<b>₱188</b>
<b>EXPENSES</b>		
Stock exchange listing fee	<b>137,138</b>	138,320
Salaries and wages	<b>146,000</b>	137,000
Directors' per diem	<b>180,000</b>	-
Professional fees	<b>126,811</b>	100,000
Utilities	<b>45,000</b>	45,000
Rent	<b>40,179</b>	40,179
Entertainment, amusement and recreation	<b>13,500</b>	10,500
Office supplies and printing costs	<b>5,724</b>	1,416
Transportation	<b>11,076</b>	7,500
Miscellaneous	<b>23,241</b>	6,827
	<b>728,669</b>	486,743
<b>LOSS BEFORE INCOME TAX</b>	<b>728,615</b>	486,555
Provision for income tax	<b>11</b>	38
<b>NET LOSS</b>	<b>728,626</b>	486,593
Other comprehensive loss	-	-
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>₱729,626</b>	<b>₱486,593</b>
<b>Basic/Diluted Loss Per Share</b>	<b>₱0.0011</b>	<b>₱0.0007</b>

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

	<b>Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
<b>INCOME</b>		
Interest	<b>₱266</b>	₱1,225
<b>EXPENSES</b>		
Stock exchange listing fee	<b>414,413</b>	414,960
Salaries and wages	<b>438,000</b>	411,000
Directors' per diem	<b>500,000</b>	380,000
Professional fees	<b>457,562</b>	322,089
Utilities	<b>135,000</b>	135,000
Rent	<b>120,536</b>	120,536
Entertainment, amusement and recreation	<b>40,500</b>	52,379
Membership fee	<b>-</b>	25,000
Taxes and licenses	<b>22,500</b>	22,500
Transportation	<b>32,076</b>	22,671
Office supplies and printing costs	<b>5,724</b>	5,357
Miscellaneous	<b>45,992</b>	26,365
	<b>2,212,303</b>	1,937,857
<b>LOSS BEFORE INCOME TAX</b>	<b>2,212,037</b>	1,936,632
Provision for income tax	<b>53</b>	245
<b>NET LOSS</b>	<b>2,212,090</b>	1,936,877
Other comprehensive loss	<b>-</b>	-
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>₱2,212,090</b>	₱1,936,838
<b>Basic/Diluted Loss Per Share</b>	<b>₱0.0032</b>	₱0.0028

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

	<b>Capital Stock</b>	<b>Deficit</b>	<b>Total</b>
Balance as of June 30, 2021	<b>₱690,000,000</b>	<b>(₱220,916,293)</b>	<b>₱469,083,707</b>
Net loss for the third quarter	–	(728,627)	(728,627)
<b>At September 30, 2021</b>	<b>₱690,000,000</b>	<b>(₱221,644,920)</b>	<b>₱468,355,080</b>
Balance as of January 1, 2020	₱690,000,000	(₱216,256,849)	₱473,743,151
Net loss	–	(3,175,982)	(3,175,982)
At December 31, 2020	₱690,000,000	(₱219,432,831)	₱470,567,169
Balance as of June 30, 2020	₱690,000,000	(₱217,707,134)	₱472,292,866
Net loss for the third quarter	–	(486,592)	(486,592)
At September 30, 2020	₱690,000,000	(₱218,193,726)	₱471,806,274

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

	<b>Capital Stock</b>	<b>Deficit</b>	<b>Total</b>
Balance as of January 1, 2021	<b>₱690,000,000</b>	<b>(₱219,432,830)</b>	<b>₱470,567,170</b>
Net loss for the nine months period	–	<b>(2,212,090)</b>	<b>(2,212,090)</b>
<b>At September 30, 2021</b>	<b>₱690,000,000</b>	<b>(₱221,644,920)</b>	<b>₱468,355,080</b>

Balance as of January 1, 2020	₱690,000,000	(₱216,256,849)	₱473,743,151
Net loss	–	(3,175,982)	(3,175,982)
At December 31, 2020	₱690,000,000	(₱219,432,831)	₱470,567,169

At January 1, 2020	₱690,000,000	(₱216,256,849)	₱473,743,151
Net loss for the nine months period	–	(1,936,877)	(1,936,877)
At September 30, 2020	₱690,000,000	(₱218,193,726)	₱471,806,274

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

	<b>Quarters Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	<b>(P728,616)</b>	(P486,555)
Adjustments for:		
Interest income	<b>(54)</b>	(188)
Operating loss before changes in working capital	<b>(728,670)</b>	(486,743)
Changes in operating assets and liabilities		
Increase in other current assets	<b>104,484</b>	125,900
Decrease in accrued expenses and other payables	<b>(62,685)</b>	(91,342)
Net cash used in operations	<b>(686,871)</b>	(452,185)
Interest received	<b>54</b>	188
Income tax paid	<b>(11)</b>	(38)
Net cash used in operating activities	<b>(686,828)</b>	(452,036)
Increase in advances from related party (Note 10)	<b>1,000,000</b>	500,000
Net cash used in financing activities	<b>1,000,000</b>	500,000
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>313,172</b>	47,965
<b>CASH AT BEGINNING OF PERIOD</b>	<b>207,957</b>	191,176
<b>CASH AT END OF PERIOD</b>	<b>P521,129</b>	239,141

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

	<b>Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	<b>(P2,212,036)</b>	(P1,936,632)
Adjustments for:		
Interest income	<b>(266)</b>	(1,225)
Operating loss before changes in working capital	<b>(2,212,302)</b>	(1,937,857)
Changes in operating assets and liabilities		
Increase in other current assets	<b>(269,310)</b>	(182,360)
Decrease in accrued expenses and other payables	<b>(281,794)</b>	(764,411)
Net cash used in operations	<b>(2,763,406)</b>	(2,884,628)
Interest received	<b>266</b>	1,225
Income tax paid	<b>(53)</b>	(245)
Net cash used in operating activities	<b>(2,763,194)</b>	(2,883,648)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Increase in advances from related party (Note 10)	<b>2,800,000</b>	2,500,000
Net cash used in financing activities	<b>2,800,000</b>	2,500,000
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>36,806</b>	(383,648)
<b>CASH AT BEGINNING OF PERIOD</b>	<b>484,323</b>	622,789
<b>CASH AT END OF PERIOD</b>	<b>P521,129</b>	P239,141

## **IPM HOLDINGS, INC. AND SUBSIDIARY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. Corporate Information and Status of Operations**

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

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

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

The Parent Company’s shares are publicly traded in the Philippine Stock Exchange (PSE) under the ticker “IPM”. As of September 30, 2021 and December 31, 2020, the top four beneficial shareholders of the Parent Company are the following:

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

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

#### *Reverse acquisition*

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

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

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



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

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

#### Status of Operations and Management's Plans

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

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

On September 25, 2019, BEST entered into a Joint Venture with the City Government of Passi, Iloilo for the establishment and operations of the Passi City Integrated Waste Management Facility, the first PPP project awarded to BEST. As of September 30, 2021, BEST is actively engaged in advanced stages of development for the realization of its additional PPP projects, which will place BEST at the forefront of the waste management industry all over the Philippines.

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

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

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## **2. Summary of Significant Accounting Policies**

### Basis of Preparation

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

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

### Statement of Compliance

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

### Basis of Consolidation

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

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

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

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

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

### *Assessment of Control*

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

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

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

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation adjustments recorded in equity;
- Recognizes the fair value of the consideration received;

- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

As of September 30, 2021 and December 31, 2020, NCI pertains to the 25% ownership of individuals and companies other than the Parent Company of BEST. The financial information of BEST, with material NCI, is provided below. This information is based on amounts before intercompany eliminations.

*Statements of Financial Position*

	<b>30-Sep-2021</b>	31-Dec-2020
Current assets	<b>₱1,055,518,891</b>	₱1,066,313,189
Noncurrent assets	<b>514,709,891</b>	448,491,230
<b>Total assets</b>	<b>₱1,570,228,782</b>	₱1,514,804,419
Current liabilities	<b>₱261,874,087</b>	₱258,074,763
Noncurrent liabilities	<b>34,408,681</b>	34,408,680
<b>Total liabilities</b>	<b>296,282,768</b>	₱292,483,443

*Statements of Comprehensive Income*

	<b>30-Sep-2021</b>	31-Dec-2020
Revenue	<b>₱245,017,203</b>	₱296,376,167
Net income	<b>51,625,036</b>	47,323,664
Total comprehensive income	<b>51,625,036</b>	42,083,768

*Statements of Cash Flows*

	<b>30-Sep-2021</b>	31-Dec-2020
Cash flows from (used in):		
Operating activities	<b>₱39,629,872</b>	₱128,063,161
Investing activities	<b>(63,329,318)</b>	(96,188,789)
Financing activities	<b>(4,028,396)</b>	(5,820,013)
<b>Net increase in cash and cash equivalents</b>	<b>₱(27,727,841)</b>	₱26,054,359
Accumulated balance of material NCI	<b>₱396,557,831</b>	₱383,651,572
Net income attributable to material NCI	<b>36,506,687</b>	11,830,916
Total comprehensive income attributable to NCI	<b>36,506,687</b>	11,770,942

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

Change in Accounting Policies and Disclosures

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

*Effective beginning on or after January 1, 2021*

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

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

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

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

#### Standards Issued but not yet Effective

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

#### *Effective beginning on or after January 1, 2022*

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

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

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

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

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

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use

on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

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

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

#### *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

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

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

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

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

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

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

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

*Effective beginning on or after January 1, 2022*

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

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

*Deferred effectivity*

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

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

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

Current versus Non-current Classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

Deferred tax assets and liabilities are classified as noncurrent.

### Financial Instruments

#### *Date of recognition*

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

#### Financial assets

##### *Initial recognition of financial instruments*

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

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

##### *Subsequent measurement*

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

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

##### *Financial assets at amortized cost*

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

### *Derecognition*

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

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

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

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

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

### *Impairment of financial assets*

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

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

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

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



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

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

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

#### *Determining the stage for impairment*

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

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

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

#### Financial liabilities

##### *Initial recognition and measurement*

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

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

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

##### *Subsequent measurement*

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

#### *Financial liabilities at fair value through profit or loss*

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

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

#### *Loans and borrowings and other payables*

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

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

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

#### *Derecognition*

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

#### Offsetting Financial Instruments

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

#### Fair Value Measurement

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

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

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

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

#### *Fair value hierarchy*

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

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

Level 2: Valuation techniques for which the lowest input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: Valuation techniques for which lowest level input that is significant to the fair value measurement is observable.

#### *“Day 1” loss*

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

#### *Financial instruments*

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

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

#### *Nonfinancial asset*

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

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

The Group’s management determines the policies and procedures for both recurring fair value measurement and for non-recurring fair value measurement. External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually by management.

Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group’s external valuers, which valuation techniques and inputs to use for each case.

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

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

#### Other Current Assets

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

#### Other assets

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

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

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

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

Under the equity method, the investments in associate and joint venture are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate and joint venture, less dividends declared and impairment in value.

The interest in an associate and a joint venture is the carrying amount of the investment in the associate and joint venture under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate and joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to the Group's net investments in the associate and joint venture. The consolidated statements of comprehensive income reflects the Group's share in the results of operations

of its associate and joint venture. This is included in the “Equity in net earnings (losses) of an associate and a joint venture” account in the consolidated statements of comprehensive income.

After the Group’s interest is reduced to zero, additional losses are provided to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate and joint venture.

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

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

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

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

#### Investment Property

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

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

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

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

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

### Property and Equipment

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

Depreciation of property and equipment, other than land and identified development cost specific to the landfill cells, is computed using the straight-line method over the following estimated useful lives:

	Years
Condominium units and improvements	35
Development costs	5 to 15
Transportation and heavy equipment	5 to 10
Office furniture and fixtures	2 to 5
Leasehold improvements	5 or over the period of lease term, whichever is shorter

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

The estimated salvage value, useful lives and depreciation method are reviewed periodically to ensure that the salvage value, period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

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

### Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset (i.e., property and equipment, investment property, and investments in an associate and a joint venture) may be impaired. If any such indication exists, or when annual impairment testing for a nonfinancial asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased.

If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

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

*Investments in an associate and a joint venture*

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

Asset Rehabilitation Obligation (ARO-liability)

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

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

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

Equity

*Capital stock*

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

*Retained earnings*

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

*Equity reserve*

Equity reserve pertains to the effect of reverse acquisitions and actuarial gains (losses) on defined benefit obligation.

#### Revenue from Contracts with Customers

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

#### *Income from tipping fee*

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

#### *Composting/waste process*

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

#### *Consultancy/field services*

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

#### *Hauling income*

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

#### Rental income

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

#### Costs and Expenses

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



*Cost of services*

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

These are recognized when incurred and is measured based on the actual costs and valuation of goods or services used or consumed.

*General and administrative expenses*

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

Leases (Effective January 1, 2019)

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

*Group as lessee*

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

*Short-term leases and leases of low-value assets*

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

The Group's lease agreements were short-term leases with lease term of 12 months as of September 30, 2021.

Leases (Prior to January 1, 2019)

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

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

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

*Group as a lessee*

Leases where the lessor retains substantially all the risk and benefits of ownership of the asset are

classified as operating leases. Lease payments for noncancellable leases are recognized as an expense in profit or loss on a straight-line basis over the lease term, while lease payments for cancellable leases are recognized as an expense based on the terms of the lease contract.

*Group as a lessor*

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

Retirement Cost

The Group has funded, non-contributory retirement plan, administered by a trustee, covering its regular employees. Retirement cost is actuarially determined using the projected unit credit method.

This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined retirement costs comprise the following:

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

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

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

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

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

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

### Short-term Benefits

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

### Taxes

#### *Current tax*

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

#### *Deferred tax*

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

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

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

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

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

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

#### *Value-Added Tax (VAT)*

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

#### Other Comprehensive Income

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

#### Operating Segment

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Disclosure of segment information is presented in Note 24.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss, net of any reimbursement.

#### Contingencies

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

#### Basic/Diluted Earnings Per Share (EPS)

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

#### Events After the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material. (see Note 26).

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### **3. Significant Accounting Judgments and Estimates**

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

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

### Judgments

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

#### *Assessment of principal vs agent on income from hauling services*

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

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

#### *Assessment of control*

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

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

Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the event the Parent Company loses this power, the Parent Company will have to change the classification of its investment in investee companies. BEST is the combining entity whose owners as a group received the largest portion of the voting rights in the Group, hence, is regarded as the accounting acquirer.

As of September 30, 2021 and December 31, 2020, 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 September 30, 2021 and December 31, 2020, the Group holds 16% interest in Metro Clark Waste Management Corporation (MCWM), which is accounted as investment in an associate. The Group exercises significant influence in MCWM due to the presence of BEST's representatives in the Board of Directors of MCWM. Hence, BEST effectively has a participation in the policy-making processes of MCWM.

#### *Accounting for PASSI Sanitary Landfill*

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

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

#### *Identification of contract with customers and performance obligation under PFRS 15*

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

#### *Operating lease - Group as lessor (applicable before January 1, 2019)*

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

#### Estimates and Assumptions

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

#### *Allowance for expected credit losses on receivables*

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

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

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

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

The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

The allowance for expected credit losses on receivables amounted to ₱13.33 million as of September 30, 2021 and December 31, 2020. The carrying amounts of receivables amounted to ₱1,023.74 million and ₱1,037.76 million as of September 30, 2021 and December 31, 2020, respectively (see Note 5).

#### *Impairment of investments in an associate and a joint venture*

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

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

In 2020 and 2019, the Group has not recognized losses on its investment in an associate and a joint venture. As of September 30, 2021 and December 31, 2020, the carrying values of investments in an associate and a joint venture amounted to ₱154.36 million and ₱124.19 million, respectively (see Note 7).

#### *Estimation of Asset Rehabilitation Obligation (ARO-liability)*

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

Assumptions used to compute ARO-liability are reviewed and updated annually by the Group. As of September 30, 2021 and December 31, 2020, the cost of asset rehabilitation obligation is computed based on the Group's assessment on expected costs to be incurred and timing of rehabilitation procedures. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

As of September 30, 2021 and December 31, 2020, the Group's ARO-liability has a carrying value of ₱31.96 million. For the years ended December 31, 2020 and 2019, the related finance cost recognized to accrete the liability amounted to ₱2.27 million and ₱2.11 million, respectively (see Note 22).

*Determining Estimated Total Capacity, Utilized Capacity and Salvage Value of Land and Development Costs Used as Landfill*

The Group estimates the capacity based on actual volume and compacted volume of trash received. For the salvage value of the land used as sanitary landfill, the Group bases its estimates on the latest appraisal report. Determined utilization rate is used to depreciate the land used as sanitary landfill and the related development cost. This rate is annually assessed and reviewed based on the actual utilization during the year including the remaining capacity of the landfill.

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

As of September 30, 2021 and December 31, 2020, the carrying value of the land used as sanitary landfill, development costs and asset rehabilitation obligation - assets amounted to ₱106.08 million and ₱76.76 million, respectively (see Note 10).

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

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

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

As of September 30, 2021 and December 31, 2020, the Group did not recognize any impairment loss on its nonfinancial assets. As of September 30, 2021 and December 31, 2020, the carrying values of the Group's nonfinancial assets are as follows:

	<b>30-Sep-2021</b>	31-Dec-2020
Property and equipment (Note 10)	<b>₱236,235,232</b>	₱179,763,140
Investment property (Note 9)	<b>103,606,818</b>	104,642,246
Other current assets (Note 6)*	<b>13,190,892</b>	5,741,030
Other noncurrent assets (Note 11)	<b>3,174,015</b>	1,566,000

\*Excluding deposits

*Estimating retirement benefits*

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

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



estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates in the Philippines. The present value of defined benefit obligation amounted to ₱2.83 million as of September 30, 2021 and December 31, 2020. (see Note 19).

Deferred tax assets as of September 30, 2021 and December 31, 2020, amounted ₱13.10 million. (see Note 20).

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#### 4. Cash

	<b>30-Sep-2021</b>	31-Dec-2020
Cash on hand	<b>₱87,210</b>	₱87,210
Cash in banks	<b>9,008,557</b>	36,699,591
	<b>₱9,095,767</b>	₱36,786,801

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

Interest earned on cash in banks amounted to ₱0.01 million and ₱0.04 million as of September 30, 2021 and December 31, 2020, respectively.

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#### 5. Receivables - net

##### Current receivables

	<b>30-Sep-2021</b>	31-Dec-2020
Trade receivables		
Related parties (Note 15)	<b>₱938,791,511</b>	₱940,993,733
Local government units (LGUs) (Note 22)	<b>24,507,884</b>	44,761,082
Private entities	<b>26,025,788</b>	23,530,443
	<b>989,325,183</b>	1,009,285,258
Loans receivable (Note 15)	<b>17,400,000</b>	17,400,000
Interest receivables	<b>885,240</b>	-
Advances to officers and employees	<b>3,096,157</b>	2,304,398
Advances to suppliers	<b>2,789,725</b>	-
Others	<b>2,585,366</b>	1,113,535
	<b>1,016,081,671</b>	1,030,103,191
Less allowance for expected credit losses	<b>13,329,179</b>	13,329,179
	<b>₱1,002,752,492</b>	₱1,016,774,012

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

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

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

Noncurrent receivables

	<b>30-Sep-2021</b>	31-Dec-2020
Loan receivables – related party (Note 15)	<b>₱13,600,000</b>	₱13,600,000
Interest receivable – related party (Note 15)	<b>7,390,180</b>	7,390,180
	<b>₱20,990,180</b>	₱20,990,180

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

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

	<b>30-Sep-2021</b>	31-Dec-2020
Balance at the beginning of the year	<b>₱13,329,179</b>	₱10,421,773
Provision for the year (Note 18)	-	2,907,406
Balance at end of year	<b>₱13,329,179</b>	₱13,329,179

Allowance for expected credit losses as of September 30, 2021 and December 31, 2020 pertains to long-outstanding trade and other receivables of the Group which were determined to be credit impaired and with expected credit losses assessed by the management.

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**6. Other Current Assets**

	<b>30-Sep-2021</b>	31-Dec-2020
Input VAT	<b>₱9,400,872</b>	₱2,672,313
Creditable withholding taxes	<b>2,575,302</b>	5,898,184
Deferred input VAT	<b>6,538,009</b>	2,075,282
Prepayments	<b>2,491,528</b>	2,925,739
Deposits	<b>15,669</b>	15,669
	<b>21,021,380</b>	13,587,187
Less allowance for impairment losses	<b>7,830,488</b>	7,830,488
	<b>₱13,190,892</b>	₱5,756,699

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

Creditable withholding taxes are applied against income tax payable.

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

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

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

The movement in allowance for impairment losses follows:

	<b>30-Sep-2021</b>	31-Dec-2020
Balance at beginning of year	<b>₱7,830,488</b>	₱5,617,659
Provision for the year (Note 18)	-	2,212,829
Balance at end of year	<b>₱7,830,488</b>	₱7,830,488

## 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 September 30, 2021 and December 31, 2020 follow:

	<b>Associate</b>		<b>Joint Venture</b>		<b>Total</b>	
	<b>Metro Clark Waste Management Corporation (MCWM)</b>		<b>Ecoedge Resources Corporation (ERC)</b>			
	<b>30-Sep-21</b>	31-Dec-20	<b>30-Sep-21</b>	31-Dec-20	<b>30-Sep-21</b>	<b>31-Dec-20</b>
Cost	<b>₱32,393,358</b>	₱32,393,358	<b>₱51,412,499</b>	₱51,412,499	<b>₱83,805,857</b>	₱83,805,857
Accumulated share in net earnings (losses):						
Balance at beginning of year	<b>91,795,532</b>	50,888,638	<b>(51,406,638)</b>	(43,644,285)	<b>40,388,894</b>	7,244,353
Equity in net earnings (losses) of an associate and a joint venture	<b>39,764,160</b>	44,053,178	-	(7,760,469)	<b>39,764,160</b>	36,292,709
Other adjustments to equity in net earnings (losses) of an associate and a joint venture	-	53,716	-	(1,884)	-	51,832
Dividends during the year	<b>(9,600,000)</b>	(3,200,000)	-	-	<b>(9,600,000)</b>	(3,200,000)
Balance at end of year	<b>121,959,692</b>	91,795,532	<b>(51,406,638)</b>	(51,406,638)	<b>70,553,054</b>	40,388,894
	<b>₱154,353,050</b>	₱124,188,890	<b>₱5,861</b>	₱5,861	<b>₱154,358,911</b>	₱124,194,751

### MCWM

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

As of September 30, 2021 and December 31, 2020, the Group's dividend income from investment in an associate amounted to ₱9.60 million, and ₱3.20 million, respectively.

### ERC

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

There are no significant restrictions on the ability of the associate and the joint venture to transfer funds to the Group in the form of cash dividends or to repay loans or advances made by the Group.

## 8. Deposits

As of September 30, 2021 and December 31, 2020, BEST has deposits to GSIS as surety bond amounting to ₱1.99 million. These deposits were made in favor of BEST's contracting parties, which

are government offices, so that the completion of the project is guaranteed. If the Group fails to execute the services according to the specifications laid out in the respective contracts, the government offices will receive guaranteed compensation for any monetary loss up to the amount of the performance bond. Interest income from deposits amounted to ₱0.02 million and ₱0.23 million as of September 30, 2021 and December 31, 2020, respectively.

## 9. Investment Property

	30-Sep-2021		
	Land	Condominium Unit	Total
<b>Cost</b>			
Beginning and end of year	<b>₱70,320,000</b>	<b>₱45,190,057</b>	<b>₱115,510,057</b>
<b>Accumulated depreciation:</b>			
Balance at beginning of year	–	<b>10,867,811</b>	<b>10,867,811</b>
Depreciation (Note 17)	–	<b>1,035,428</b>	<b>1,035,428</b>
Balance at end of year	–	<b>11,903,239</b>	<b>11,903,239</b>
<b>Net book value</b>	<b>₱70,320,000</b>	<b>₱33,286,818</b>	<b>₱103,606,818</b>
	31-Dec-2020		
	Land	Condominium Unit	Total
<b>Cost</b>			
Beginning and end of year	<b>₱70,320,000</b>	<b>₱44,762,040</b>	<b>₱115,082,040</b>
<b>Accumulated depreciation:</b>			
Balance at beginning of year	–	<b>9,059,224</b>	<b>9,059,224</b>
Depreciation (Note 17)	–	<b>1,380,570</b>	<b>1,380,570</b>
Balance at end of year	–	<b>10,439,794</b>	<b>10,439,794</b>
<b>Net book value</b>	<b>₱70,320,000</b>	<b>₱34,322,246</b>	<b>₱104,642,246</b>

Land pertains to a property located in Taytay, Rizal with currently undetermined use as of September 30, 2021 and December 31, 2020.

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

## 10. Property and Equipment

30-Sep-2021									
	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Leasehold Improvements	ARO-Asset (Note 22)	Construction in Progress (Note 11)	Total
<b>Cost</b>									
At January 1	₱114,360,660	₱27,227,550	₱123,814,371	₱4,515,238	₱153,204,376	₱793,187	₱14,202,829	₱31,894,934	₱470,013,145
Additions	30,553,500	–	205,000	6,294,576	13,812,589	–	–	29,272,005	80,137,670
At September 30	144,914,160	27,227,550	124,019,371	10,809,814	₱167,016,965	793,187	14,202,829	61,166,939	550,150,815
<b>Accumulated Depreciation and Amortization</b>									
At January 1	15,411,954	7,973,011	108,180,488	4,515,058	143,802,799	476,070	13,492,688	–	293,852,068
Depreciation and amortization (Notes 17 and 18)	3,901,553	679,161	8,127,496	694,613	5,831,573	118,978	710,141	–	20,063,515
At September 30	19,313,507	8,652,172	116,307,984	5,209,671	149,634,372	595,048	14,202,829	–	313,915,583
Net Book Value	₱125,600,653	₱18,575,378	₱7,711,387	₱5,600,143	₱17,382,593	₱198,139	₱–	₱61,166,939	₱236,235,232
31-Dec-2020									
	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Leasehold Improvements	ARO-Asset (Note 22)	Construction in Progress	Total
<b>Cost</b>									
At January 1	₱56,757,700	₱30,829,613	₱123,814,371	₱4,515,238	₱137,913,893	₱793,187	₱14,202,829	₱–	₱368,826,831
Reclassifications (Note 11)	–	–	–	–	–	–	–	6,965,588	6,965,588
Additions	57,602,960	–	–	–	15,290,483	–	–	24,929,346	97,822,789
At December 31	114,360,660	30,829,613	123,814,371	4,515,238	₱153,204,376	793,187	14,202,829	31,894,934	473,615,208
<b>Accumulated Depreciation and Amortization</b>									
At January 1	15,131,043	7,073,174	96,767,390	4,428,223	122,923,841	317,432	8,995,125	–	255,636,228
Depreciation and amortization (Notes 17 and 18)	280,911	899,837	11,413,098	86,835	20,878,958	158,638	4,497,563	–	38,215,840
At December 31	15,411,954	7,973,011	108,180,488	4,515,058	143,802,799	476,070	13,492,688	–	293,852,068
Net Book Value	₱98,948,706	₱22,856,602	₱15,633,883	₱180	₱9,401,577	₱317,117	₱710,141	₱31,894,934	₱179,763,140

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

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## 11. Other Noncurrent Assets

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

In 2019, BEST has started the design and engineering of the sanitary landfill and has capitalized ₱6.97 million as other assets and was reclassified to Property and Equipment in 2020. The Passi City Integrated Waste Management Facility is expected to open on April 1, 2020, but was moved to May 1, 2021 due to the community quarantines.

As of September 30, 2021, the Company capitalized ₱3.17 million pertaining to My Basurero App which was created and partnered with bXTRA wherein the customers earn cashback for every waste disposal.

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## 12. Trade and Other Payables

	30-Sep-2021	31-Dec-2020
Trade payables		
Related parties (Note 15)	<b>₱38,616,474</b>	₱31,019,951
Third parties	<b>4,251,292</b>	10,264,953
	<b>42,867,766</b>	41,284,904
Deferred output VAT	<b>105,640,141</b>	107,558,735
Payable to government agencies	<b>13,928,344</b>	12,660,262
Accrued expenses	<b>9,313,897</b>	1,149,870
	<b>₱171,750,148</b>	₱162,653,771

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

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

Accrued expenses pertain to accruals of professional fees, salaries and wages and professional services which are normally settled within 12 months.

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### 13. Loan Payable

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

On April 30, 2019, May 24, 2019 and October 29, 2019, BEST paid ₱2.00 million each for the principal amount of the loan. The remaining ₱90.00 million was renewed and will mature on April 17, 2020, which was subsequently renewed again to be paid in September 2020. Principal amount renewed bears interest payable monthly in arrears. Interest from November 21, 2019 to December 20, 2019 (29 days) shall be at 7.00% per annum. Payment of interest shall commence on November 21, 2019 and every month, thereafter until fully paid at prevailing rate. Interest expense on loan payable amounted to ₱5.82 million, ₱6.54 million, and ₱5.14 million and in 2020, 2019 and 2018, respectively.

On April 12, 2021, the Company paid a portion of the outstanding principal amounting to ₱1.00 million and the remaining balance of ₱89.00 million was extended until October 8, 2021.

As of September 30, 2021 and December 31, 2020, the outstanding balance of loan payable amounted to ₱89.00 million and ₱90.00 million, respectively.

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### 14. Equity

#### Capital Stock

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

	<b>30-Sep-2021</b>	31-Dec-2020
<b>Authorized number of shares:</b>		
At the beginning and end of the year	<b>740,000,000</b>	740,000,000
<b>Number of shares issued and outstanding:</b>		
At the beginning and end of the year	<b>690,000,000</b>	690,000,000

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

Common Shares	Number of Shares		Issue /Offer Price	Date of Approval
		Registered		
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 115 as of September 30, 2021 and 116 as of December 31, 2020.

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

#### Retained Earnings

For purposes of dividend declaration, the retained earnings shall be that of the Parent Company presented in the separate financial statements. As of September 30, 2021 and December 31, 2020, the Parent Company is in a deficit position, hence, no dividends were declared during the years covered.

As of September 30, 2021 and December 31, 2020, the portion of retained earnings corresponding to the undistributed equity in net earnings of the associate amounting to ₱39.76 million is not available for distribution as dividends until declared by the associate. The investment in a joint venture has an accumulated share in net losses as of September 30, 2021 and December 31, 2020.

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

	<b>30-Sep-2021</b>	31-Dec-2020
Balance at beginning of year	<b>₱219,432,830</b>	₱216,256,849
Net loss during the year	<b>2,212,090</b>	3,175,982
	<b>₱221,644,920</b>	₱219,432,831

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## 15. Related Party Transactions

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

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

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

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



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

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

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

### **30-Sep-2021**

<b>Category</b>	<b>Amount</b>	<b>Outstanding Balance</b>	<b>Terms</b>	<b>Conditions</b>
<b>Trade receivables (Note 5)</b>				
<b>Shareholders</b>				
IPMCDC (a)	<b>₱67,639</b>	<b>₱244,458,047</b>	Noninterest-bearing; within one year	Secured, no impairment
IPMESI (b)	-	<b>608,373,254</b>	Noninterest-bearing; on demand	Secured, no impairment
IPMRDC (c)	-	<b>34,687</b>	Noninterest-bearing; on demand	Unsecured, no impairment
<b>Affiliate</b>				
JV BEST Inc. & IPMCDC (a)	<b>13,258,829</b>	<b>85,912,452</b>	Noninterest-bearing; on demand	Unsecured, no impairment
<b>Joint Venture</b>				
ERC (d)	<b>4,777</b>	<b>13,071</b>	Noninterest-bearing; on demand	Unsecured, no impairment
		<b>₱938,791,511</b>		
<b>Loans receivable (Note 5)</b>				
<b>Joint venture</b>				
ERC (e)	<b>₱-</b>	<b>₱31,000,000</b>	Interest-bearing; within five years	Unsecured, no impairment
<b>Interest receivable (Note 5)</b>				
ERC (e)	<b>98,360</b>	<b>8,275,420</b>	Within five years	Unsecured, no impairment
		<b>₱39,275,420</b>		
<b>Trade payables (Note 12)</b>				
<b>Shareholder</b>				
IPMCDC (f)	<b>₱2,371,467</b>	<b>₱38,616,474</b>	Noninterest-bearing; on demand	Unsecured
<b>Accrued expenses</b>				
<b>Affiliate</b>				
GNCA Holdings, Inc. (GNCA) (g)	<b>135,000</b>	-	Noninterest-bearing; on demand	Unsecured
<b>BOD (h)</b>	<b>320,000</b>	-	Noninterest-bearing; on demand	Unsecured
		<b>₱38,616,474</b>		

31-Dec-2020

Category	Amount	Outstanding Balance	Terms	Conditions
Trade receivables (Note 5)				
Shareholders				
IPMCDC (a)	₱149,463,929	₱243,049,813	Noninterest-bearing; within one year	Secured, no impairment
IPMESI (b)	50,000,000	643,745,655	Noninterest-bearing; on demand	Secured, no impairment
	–	34,687		
IPMRDC (c)	145,848,214	54,145,731	Noninterest-bearing; on demand	Unsecured, no impairment
Joint Venture				
ERC (d)	53,571	17,847	Noninterest-bearing; on demand	Unsecured, no impairment
		₱940,993,733		
Loans receivable (Note 5)				
Joint venture				
ERC (e)	₱–	₱31,000,000	Interest-bearing; within five years	Unsecured, no impairment
			Interest-bearing; within one year	Unsecured, no impairment
Interest receivable (Note 5)				
ERC (e)	1,180,320	7,390,180	Within five years	Unsecured, no impairment
		₱38,390,180		
Trade payables (Note 12)				
Parent				
IPMCDC (f)	₱11,786,003	₱31,019,951	Noninterest-bearing; on demand	Unsecured
Accrued expenses				
Affiliate				
GNCA Holdings, Inc. (GNCA) (g)	180,000	–	Noninterest-bearing; on demand	Unsecured
BOD (h)	540,000	–	Noninterest-bearing; on demand	Unsecured
		₱31,019,951		

- 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 2019 and 2018, BEST 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. During the year, the Group has no income from consultancy services due to the end of the contract.

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

In 2019, BEST agreed with IPMCDC that receivables will be payable upon demand. Further, on December 27, 2019, BEST entered into an agreement wherein IPMCDC assigned 54,200,000 shares of the Parent Company (IPMHI) to guaranty BEST's receivables from IPMCDC amounting to ₱314.45 million.

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

- b. In prior years, IPMESI has contracted BEST for the operation and maintenance of an Integrated Solid Waste Management Facility for a fixed monthly fee of ₱15.58 million. The contract was terminated in August 2017 and was not renewed in 2018 (see Note 22). On April 26, 2018, BEST entered into a Memorandum of Agreement with IPMESI and IPMRDC wherein the latter assigned 65,000,000 shares and 35,000,000 shares, respectively, of the Parent Company to guaranty BEST's receivables from IPMESI amounting to ₱693.75 million.
- c. In 2020 and 2019, IPMRDC has not renewed its lease agreement with BEST.
- d. In January 2017, BEST entered into a contract of lease with ERC, whereby the latter, shall lease a portion of BEST's office space. The lease term is until December 31, 2018, renewable upon mutual agreement by the parties. The lease agreement has been renewed in 2020.
- e. In 2014, BEST granted loans to ERC amounting to ₱19.00 million with 3.864% interest rate per annum and ₱12.00 million with 3.718% interest rate per annum which are due and demandable. In 2018, BEST agreed with ERC the fixing of date of collection of the former's receivable to the latter. Receivables pertaining to interest receivables amounting to ₱3.00 million are collectible within (1) year. The principal amounting to ₱31.00 million and interest receivable amounting to ₱2.03 million are collectible within five (5) years and were reclassified to noncurrent receivables.

In 2019, BEST agreed with ERC that the principal amount of ₱6.00 million is collectible within (1) one year. The principal amounting to ₱25.00 million and interest receivable amounting to ₱6.21 million are collectible within five (5) years and were reclassified as noncurrent receivables. Loan receivable from ERC amounted to ₱31.00 million as of September 30, 2021 and December 31, 2020.

For the years ended 2020, 2019 and 2018, interest income earned from the loans amounted to ₱1.18 million each year. Accrued interest receivable amounted to ₱8.28 million and ₱7.39 million as of September 30, 2021 and December 31, 2020, respectively.

- f. IPMCDC charges BEST for the rental of equipment, subcontracted services, salaries and wages, fuel and oil and repairs and maintenance costs incurred in line with the operations of BEST (see Note 17).

On August 28, 2020, BEST has entered into a service agreement with IPMCDC to supply the necessary equipment and manpower requirements of the Group in order to efficiently undertake the works and services for collection, hauling and disposal of Municipal Solid Waste in Cagayan de Oro from February 1, 2020 to January 31, 2021 at a price not to exceed P12.50

million (VAT inclusive) per month. The Group incurred ₱122.77 million in 2020 (see Notes 17 and 22).

- 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 as of September 30, 2021 and December 31, 2020, in lieu of its proportionate share in monthly rentals on the leased premises. The Parent Company has no unpaid utilities expense as of September 30, 2021 and December 31, 2020.
- h. In 2013, the BOD of the Parent Company approved the grant of per diem to members of the BOD for every attendance in the regular meetings of the BOD.

On June 27, 2018, the BOD approved the 100% increase in the *per diem* of each director. Total per diem paid to the directors amounted to ₱0.50 million and ₱0.50 million as of September 30, 2021 and December 31, 2020, respectively (see Note 18).

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

## 16. Revenues from Contracts with Customers

	<b>Quarters Ended September 30</b>		<b>Six Months Ended September 30</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
Income from waste collection	<b>36,160,714</b>	36,160,714	<b>₱108,482,143</b>	60,267,857
Income from tipping fee	<b>23,236,019</b>	₱18,809,486	<b>72,406,275</b>	₱42,033,628
Hauling income	<b>6,164,864</b>	4,136,754	<b>20,077,479</b>	10,501,311
Composting/waste process	-	2,250,000	-	4,500,000
Rental Income	<b>1,054,398</b>	3,809,621	<b>2,949,980</b>	8,481,341
Trash to Cashback	<b>320,596</b>	-	<b>320,595</b>	-
	<b>₱66,936,591</b>	₱65,166,576	<b>₱204,236,472</b>	₱125,784,192

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

Hauling income pertains to the house to house collection of garbage and delivery to the sanitary landfill of the waste collected. On August 28, 2020, IPMCDC and BEST's JV has entered into a service agreement with BEST for hauling services in CDO from February 1, 2020 to January 31, 2021 at a price not to exceed ₱13.50 million (VAT inclusive) per month. As of September 30, 2021 and December 31, 2020, BEST reported an income from this agreement which amounted to ₱108.48 million and ₱132.59 million, respectively (see Note 22).

Consultancy/field services pertains to the Group's revenue from maintaining IPMCDC's landfill facilities. During the year, the Group has no income from consultancy services due to the end of the contract (see Note 15).

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

## 17. Cost of Services

This account consists of:

	<u>Quarters Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	2021	2020	2021	2020
Contract costs (Note 17)	<b>₱33,482,143</b>	₱33,482,143	<b>₱100,446,429</b>	₱89,285,714
Depreciation and amortization	<b>7,006,537</b>	10,531,174	<b>19,786,012</b>	31,633,181
Rent	<b>4,696,661</b>	1,227,171	<b>14,254,464</b>	9,334,038
Salaries and wages	<b>2,367,302</b>	3,770,214	<b>7,394,990</b>	9,836,503
Fuel and oil	<b>412,292</b>	607,838	<b>1,517,754</b>	2,423,097
Security and janitorial	<b>296,840</b>	249,737	<b>1,169,969</b>	804,515
Transportation and travel	<b>205,541</b>	27,198	<b>762,003</b>	288,074
Utilities	<b>80,416</b>	77,352	<b>297,216</b>	162,945
Taxes and licenses	<b>2,958,206</b>	23,652	<b>8,853,383</b>	522,701
Supplies	<b>430,725</b>	57,146	<b>786,653</b>	187,897
Repairs and maintenance	<b>202,312</b>	145,513	<b>448,085</b>	652,423
Entertainment, amusement and recreation	<b>1,783,862</b>	10,000	<b>2,896,682</b>	67,000
Professional fees	<b>538,821</b>	-	<b>806,679</b>	1,706,467
Contribution & Donation	-	280,000	-	280,000
Advertisement & Promotion	-	-	-	278,000
Bidding expense	-	61,187	-	2,415,753
Others	<b>1,094,399</b>	221,638	<b>4,155,169</b>	559,514
	<b>₱55,556,057</b>	₱50,771,963	<b>₱163,575,488</b>	₱150,437,822

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

## 18. General and Administrative Expenses

This account consists of:

	<u>Quarters Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	2021	2020	2021	2020
Salaries and wages	<b>₱3,101,884</b>	₱2,693,891	<b>₱8,921,418</b>	₱8,707,751
Vat expense		3,685,469	-	3,270,849
Professional fees	<b>599,311</b>	400,000	<b>(539,224)</b>	2,017,089
Depreciation	<b>623,193</b>	594,777	<b>1,791,583</b>	1,784,150
Taxes and licenses	<b>4,344,236</b>	325,001	<b>7,980,595</b>	4,039,613
Entertainment, amusement and recreation	<b>271,215</b>	10,500	<b>807,479</b>	52,380
Transportation and travel	<b>44,659</b>	52,111	<b>108,344</b>	105,951
Repairs and maintenance	<b>331,164</b>	234,029	<b>604,218</b>	509,251
Advertising and promotion	-	37,669	-	353,479
Directors' per diem	<b>180,000</b>	-	<b>500,000</b>	380,000
Utilities	<b>142,273</b>	97,025	<b>376,721</b>	362,987
Stock exchange listing fee	<b>137,138</b>	138,320	<b>414,413</b>	414,960
Membership	-	323,965	-	456,767
Fuel and oil	<b>97,814</b>	51,253	<b>280,242</b>	112,378
Office supplies	<b>141,436</b>	129,952	<b>428,786</b>	346,543
Security and janitorial	-	-	-	40,935
Rent	<b>75,893</b>	91,071	<b>182,143</b>	132,232
Seminar & training	-	21,000	-	21,000
Insurance	<b>4,603</b>	10,317	<b>31,003</b>	10,317
Others	<b>159,558</b>	246,404	<b>799,895</b>	566,408
	<b>₱10,254,377</b>	₱9,142,754	<b>₱22,687,616</b>	₱23,785,040



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## 20. Basic/Diluted Earnings per Share

Basic/diluted earnings per share was computed as follows:

	<u>Quarters Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	2021	2020	2021	2020
Net income attributable to equity holders of the parent company (a)	<b>₱28,836,020</b>	₱1,258,220	<b>₱36,506,687</b>	₱3,625,309
Weighted average number of outstanding common share (b)	<b>690,000,000</b>	690,000,000	<b>690,000,000</b>	690,000,000
Basic earnings per share (a/b)	<b>₱0.042</b>	₱0.002	<b>₱0.053</b>	₱0.005

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

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## 21. Commitments

As of September 30, 2021 and December 31, 2020, 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 ₱9.00 million and ₱12.00 million in 2020 and 2019, respectively (see Note 15). As of September 30, 2021, there were no remaining contractual obligations.
  - 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. During the year, the Group has no income from consultancy services due to the end of the contract. The Group recognized income amounting to nil and ₱35.14 million in 2020 and 2019, respectively, arising from these consultancy service contracts. (see Note 15).
  - c. In 2020, BEST entered into a Joint Venture Agreement (JVA) with IPMCDC for the purpose of collection, hauling and disposal of municipal solid wastes including street sweeping in Cagayan de Oro City (CDO) for twelve (12) months beginning February 1, 2020. The agreement was renewed for another 12 months until January 31, 2022. The JV between BEST and IPM CDC was registered as a taxable entity in 2020.

The capital contribution, participation interest in the net profits of the Joint Venture shall be shared by parties equally (50% -BEST, 50% - IPMCDC).

On August 28, 2020, IPMCDC and BEST's JV has entered into a service agreement with BEST for hauling services in CDO from February 1, 2020 to January 31, 2021 at a price not to exceed ₱13.50 million (VAT inclusive) per month. In 2020, BEST reported an income from this agreement which amounted to ₱132.59 million.

On August 28, 2020, BEST has entered into a service agreement with IPMCDC to supply the necessary equipment and manpower requirements of the Group in order to efficiently

undertake the works and services for collection, hauling and disposal of Municipal Solid Waste in Cagayan de Oro from February 1, 2020 to January 31, 2021 at a price not to exceed ₱12.50 million (VAT inclusive) per month. The Group incurred ₱122.77 million in 2020 (see Note 17).

- On June 19, 2019, BEST entered into a contract of lease with Megaxcess IT Solutions for a period of two (2) years beginning July 1, 2019 until September 30, 2021 whereby the latter shall lease a portion of BEST's office space. The rent income recognized during 2020 and 2019 from this agreement amounted to ₱2.45 million and ₱1.63 million, respectively.
- The Group entered into contractual commitments with various municipalities of Rizal for tipping and disposal of residual wastes. Each agreement is effective for one year, renewable every year under the same terms and conditions unless, otherwise, mutually agreed upon by the parties.

In 2018, the Group entered into the contract agreement for garbage disposal services for the municipality of Baras and Cardona. Contract terms was for ten (10) months beginning March 2018 until December 31, 2018. These contracts were renewed in 2019 with the same terms in 2018. The contract covers the Group'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. In 2020, the Group continued to extend its services after bidding in December 2019 for municipality of Baras.

Beginning March 22, 2018, the Group has renewed its contract of solid waste disposal and service of a sanitary landfill with the municipality of Binangonan. The term of the contract shall be for nine months until December 31, 2018 unless sooner terminated. In 2020, the Group continued to extend its services after bidding in January 2020 and an extension of contract was awarded.

The contract with municipality of Teresa was entered into by the Group in August 2016. Under this agreement, the Group allows these municipalities to dump residual wastes to its landfill in Morong. The agreement took effect on September 1, 2016 and shall end on June 30, 2019 unless sooner terminated. The Group renewed its contract with Teresa on July 1, 2019 with no changes in the terms and conditions from the previous contract. The Group renewed its contract with Teresa on March 9, 2020 with changes in the terms and conditions from the previous contract.

In 2020 and 2019, the amount of income recognized by the Group from these contractual commitments amounted to ₱78.27 million and ₱75.66 million, respectively, lodged under "Service Income" of the statements of comprehensive income of the Group. As of September 30, 2021 and December 31, 2020, outstanding balance of receivables from LGUs amounted to ₱25.03 million and ₱44.76 million, respectively (see Note 5).

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

The Group shall prepare, carry out and complete a Closure Action Plan, which shall be approved by the Department of Environment and Natural Resources – Environmental

Management Bureau (DENR-EMB). The implementation of the approved Closure Action Plan shall include the following:



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

In addition, the Group shall be responsible and shall provide for the post-closure management and post-closure land use of the Facility, including maintenance and rehabilitation activities after the physical closure of the sanitary landfill. The Group shall also continuously monitor the implementation of the Closure Action Plan of the landfill for a period of ten (10) years. As of September 30, 2021 and December 31, 2020, the Group's ARO-liability has a carrying value of ₱31.96 million.

For the period ended December 31, 2020, 2019 and 2018, the related interest expense recognized to accrete the liability amounted to ₱2.27 million, ₱2.11 million and ₱1.96 million, respectively. In 2020 and 2019, nondeductible amortization expenses resulted to recognition of deferred tax asset amounting to ₱0.68 million and ₱0.63 million, respectively. The corresponding ARO-Asset amounted to ₱14.20 million with accumulated amortization amounting to ₱14.20 million and ₱13.49 million as of September 30, 2021 and December 31, 2020, respectively (see Note 10).

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## 22. Financial Risk Management Objectives and Policies

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

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

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

### Credit risk

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

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

**30-Sep-2021**

	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Financial assets at amortized cost				
Cash*	₱9,008,557	₱-	₱9,008,557	₱-
Receivables:				
Trade	975,996,004	1,039,175,388	63,179,384	912,816,619
Loan	31,000,000	-	31,000,000	-
Interest	8,275,420	-	8,275,420	-
Deposits	1,988,034	-	1,988,034	-
	<b>₱1,026,268,014</b>	<b>₱1,039,175,388</b>	<b>₱113,451,395</b>	<b>₱912,816,619</b>

\*Excluding cash on hand.

**31-Dec-2020**

	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Financial assets at amortized cost				
Cash*	₱36,699,591	₱-	₱36,699,591	₱-
Receivables:				
Trade				
Related parties	940,993,733	1,214,918,285	54,198,265	886,795,468
LGUs	41,207,144	-	41,207,144	-
Private Entities	13,755,202	-	13,755,202	-
Loan	31,000,000	-	31,000,000	-
Interest	7,390,180	-	7,390,180	-
Deposits	1,988,034	-	1,988,034	-
	<b>₱1,073,033,884</b>	<b>₱1,214,918,285</b>	<b>₱186,238,416</b>	<b>₱886,795,468</b>

\*Excluding cash on hand.

On April 26, 2018, BEST entered into a Memorandum of Agreement with IPMESI and IPMRDC wherein the latter assigned 65,000,000 shares and 35,000,000 shares of the Parent Company, respectively, to guaranty BEST's receivables from IPMESI amounting to ₱693.74 million (see Notes 5 and 15). The agreement is valid, binding and in full force and effect until the secured obligations are fully paid by IPMESI. IPMESI committed to pay its total liability to BEST.

The fair value of the collateral pertaining to the shares of IPMHI, net of costs to sell, as September 30, 2021 and December 31, 2020, amounted to ₱1,039.18 million and ₱1,214.92 million, respectively.

In March 2020, BEST entered into a Memorandum of Agreement with IPMCDC wherein the latter assigned 54,200,000 shares of the Parent Company, to guaranty BEST's receivables from IPMCDC amounting to ₱314.45 million.

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 September 30, 2021 and December 31, 2020.

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

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

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

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

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

	30-Sep-2021			
	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL
<b>Financial Assets at Amortized Cost</b>				
Cash*	<b>₱9,008,557</b>	<b>₱9,008,557</b>	<b>₱-</b>	<b>₱-</b>
Receivables				
Trade	<b>989,325,183</b>	<b>63,297,036</b>	<b>917,062,536</b>	<b>8,965,611</b>
Loans	<b>31,000,000</b>	<b>-</b>	<b>31,000,000</b>	<b>-</b>
Interest	<b>8,275,420</b>	<b>885,240</b>	<b>7,390,180</b>	<b>-</b>
Deposits	<b>1,988,034</b>	<b>1,988,034</b>	<b>-</b>	<b>-</b>
	<b>₱1,039,597,194</b>	<b>₱75,178,866</b>	<b>₱955,452,716</b>	<b>₱8,965,611</b>

\*excluding cash on hand

	31-Dec-2020			
	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL
<b>Financial Assets at Amortized Cost</b>				
Cash*	<b>₱36,699,591</b>	<b>₱36,699,591</b>	<b>₱-</b>	<b>₱-</b>
Receivables				
Trade	<b>1,009,285,258</b>	<b>40,211,520</b>	<b>960,108,127</b>	<b>8,965,611</b>
Loans	<b>31,000,000</b>	<b>-</b>	<b>31,000,000</b>	<b>-</b>
Interest	<b>7,390,180</b>	<b>-</b>	<b>7,390,180</b>	<b>-</b>
Deposits	<b>1,988,034</b>	<b>1,988,034</b>	<b>-</b>	<b>-</b>
	<b>₱1,086,363,063</b>	<b>₱78,899,145</b>	<b>₱998,498,307</b>	<b>₱8,965,611</b>

\*excluding cash on hand

### 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 June 30, 2021 and December 31, 2020 based on contractual undiscounted payments:

	30-Sep-2021				Total
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	
<b>Financial assets</b>					
At amortized cost					
Cash	<b>₱9,095,767</b>	<b>₱-</b>	<b>₱-</b>	<b>-</b>	<b>₱9,095,767</b>
Receivables:					
Trade	<b>23,311,426</b>	<b>55,659,114</b>	<b>910,354,643</b>	<b>-</b>	<b>989,325,183</b>
Loan	<b>-</b>	<b>-</b>	<b>17,400,000</b>	<b>13,600,000</b>	<b>31,000,000</b>
Interest	<b>-</b>	<b>-</b>	<b>885,240</b>	<b>7,390,180</b>	<b>8,275,420</b>
Deposits	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,988,034</b>	<b>1,988,034</b>
	<b>₱32,407,193</b>	<b>₱55,659,114</b>	<b>₱928,639,883</b>	<b>₱22,978,214</b>	<b>₱1,039,684,403</b>

	30-Sep-2021				Total
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	
<b>Financial liabilities</b>					
Trade and other payables (excluding payable to government agencies)	P-	P52,181,663	P-	P-	P52,181,663
Loan payable	-	-	89,000,000	-	89,000,000
	P-	P52,181,663	P89,000,000	P-	P141,181,663
<hr/>					
	31-Dec-2020				Total
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	
<b>Financial Assets</b>					
At amortized cost					
Cash	P36,786,801	P-	P-	P-	P36,786,801
Receivables:					
Trade	24,347,134	62,850,308	922,087,816	-	1,009,285,258
Loan	-	-	17,400,000	13,600,000	31,000,000
Interest	-	-	-	7,390,180	7,390,180
Deposits	-	-	-	1,988,034	1,988,034
	P61,133,935	P62,850,308	P939,487,816	P22,978,214	P1,086,450,273
<hr/>					
<b>Financial liabilities</b>					
Trade and other payables (excluding payable to government agencies)	P-	P42,434,774	P-	P-	P42,434,774
Loan payable	-	-	90,000,000	-	90,000,000
	P-	P42,434,774	P90,000,000	P-	P132,434,774

### 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 ₱1,262.18 million and ₱1,212.76 million as of September 30, 2021 and December 31, 2020, respectively, as capital.

### Fair Value Information

Due to the short-term nature of the Group's financial instruments except for noncurrent loan receivables, the carrying amount of the noncurrent loan receivables as of September 30, 2021 and December 31, 2020 amounted to ₱13.6 million.

### Fair Value Hierarchy

As of September 30, 2021 and December 31, 2020, the Group has no financial instrument carried in the books at fair value. There were no transfers between Level 1 and Level 2 financial instruments, and no transfers into or out of Level 3 fair value instrument.

## 23. Segment Information

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

30-Sep-2021					
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income					
Revenue from external customers	P-	P204,236,472	P204,236,472	P-	P204,236,472
Intersegment revenue	-	120,536	120,356	(120,356)	-
Interest income	266	895,770	896,036	-	896,036
Equity earnings	-	39,764,160	39,764,160	-	39,764,160
Interest expense	-	4,028,396	4,028,396	-	4,028,396
Income (loss) before tax	(2,212,037)	56,817,204	54,606,167	-	54,606,167
Provision for income tax	53	5,192,168	5,192,221	-	5,192,221
Net income (loss)	(2,212,090)	51,625,036	49,412,947	-	49,412,947
Segment assets	486,185,440	1,570,228,782	2,056,414,221	(497,925,000)	1,558,489,220
Segment liabilities	17,830,360	296,282,773	314,113,133	(17,800,000)	296,313,133
Depreciation and amortization	-	21,577,595	21,577,595	-	21,577,595
31-Dec-2020					
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income					
Revenue from external customers	P-	P258,647,657	P258,647,657	P-	P258,647,657
Intersegment revenue	-	160,714	160,714	(160,714)	-
Interest income	1,352	1,223,257	1,224,609	-	1,224,609
Equity earnings	-	36,344,541	36,344,541	-	36,344,541
Interest expense	-	8,091,402	8,091,402	-	8,091,402
Income (loss) before tax	(3,175,713)	55,491,975	52,316,262	-	52,316,262
Provision for income tax	270	8,168,311	8,168,581	-	8,168,581
(Forward)	(3,175,983)	47,323,664	44,147,681	-	44,147,681
Net income (loss)	485,879,323	1,514,804,418	2,000,683,742	(495,125,000)	1,505,558,742
Segment assets	15,312,154	292,483,447	304,795,601	(15,000,000)	292,795,601
Segment liabilities	-	38,956,410	39,596,410	-	39,596,410
Depreciation and amortization	P-	P258,647,657	P258,647,657	P-	P258,647,657

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

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

**IPM HOLDINGS, INC. AND SUBSIDIARY****Financial Soundness Indicators  
September 30, 2021**

<b>FSI</b>	<b>Calculation</b>	<b>31-Sep-2021</b>	<b>31-Dec-2020</b>
Current Ratio	Current Assets/Current Liabilities	<b>3.91x</b>	4.10x
Quick Ratio	Cash + Marketable Securities + Receivables/Current Liabilities	<b>3.86x</b>	4.08x
Solvency Ratio	Total Assets/Total Liabilities	<b>5.26x</b>	5.14x
Debt Ratio	Total Debts/Total Assets	<b>0.19x</b>	0.19x
Debt to Equity Ratio	Liabilities/ Stockholders' Equity	<b>0.23x</b>	0.24x
Asset to Equity Ratio	Assets/Stockholders' Equity	<b>1.23x</b>	1.24x
Interest Coverage Ratio	Earnings Before Interest & Taxes/ Interest Expense	<b>14.56</b>	7.47
Return on Equity	Net Income/Total Stockholders' Equity	<b>0.04</b>	0.04
Return on Assets	Net Income/Total Assets	<b>0.03</b>	0.03
Net Profit Margin	Net Income/Revenue	<b>0.24</b>	0.17
Gross Profit Margin	Gross Profit/Revenue	<b>19.91%</b>	25.16%
Book Value per share	Stockholders Equity/ Outstanding Shares	<b>1.83</b>	1.76
Net Income per Share	Net Income/Outstanding Shares	<b>0.07</b>	0.06
Net Income per Share-Parent	Net Income Attributable to Equity Holders of Parent/Outstanding Shares	<b>0.05</b>	0.05

	<b>30-Sep-2021</b>	<b>31-Dec-2020</b>
Current Ratio	<b>1,025,039,151/261,904,453</b>	1,059,317,512/258,386,921
Quick Ratio	<b>1,011,848,259/261,904,453</b>	1,053,560,813/258,386,921
Solvency ratio	<b>1,558,489,220/296,313,133</b>	1,505,558,742/292,795,601
Debt Ratio	<b>296,313,133/1,558,489,220</b>	292,795,601/1,505,558,742
Debt-to-Equity Ratio	<b>296,313,133/1,262,176,087</b>	292,795,601/1,212,763,141
Interest Coverage Ratio	<b>58,633,562/4,028,396</b>	60,407,664/8,091,402
Asset to Equity Ratio	<b>1,558,489,220/1,262,176,087</b>	1,505,558,742/1,212,763,141
Gross Profit Margin	<b>40,660,983/204,236,472</b>	65,080,355/258,647,657
Net Profit Margin	<b>49,412,946/204,236,472</b>	44,147,681/258,647,657
Return on Asset	<b>49,412,946/1,558,489,220</b>	44,147,681/1,505,558,742
Return on Equity	<b>49,412,946/1,262,176,087</b>	44,147,681/1,212,763,141
Book Value per share	<b>1,262,176,087/690,000,000</b>	1,212,763,141/690,000,000
Net Income per Share	<b>49,412,946/690,000,000</b>	44,147,681/690,000,000
Net Income per Share-Parent	<b>36,506,687/690,000,000</b>	32,316,765/690,000,000

**IPM HOLDINGS, INC. AND SUBSIDIARY****AGING OF RECEIVABLES****September 31, 2021**

<b>Nature/Description</b>	<b>Current</b>	<b>1 to 30 days</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>Over 90 days</b>	<b>Total</b>
Income from Tipping Fee	7,419,840	5,163,158	3,753,660	1,034,590	5,094,742	22,465,989
Hauling Income	2,517,548	2,336,684	1,807,841	1,161,018	5,787,743	13,610,834
Waste Collection	13,258,929	13,258,929	13,258,929	13,258,929	32,876,737	85,912,452
Consultancy/Field Services	-	-	-	-	613,745,655	613,745,655
Rental	81,970	206,357	200,052	218,968	240,586,759	241,294,105
Loans Receivable	-	-	-	-	31,000,000	31,000,000
Interest Receivable	98,360	98,360	98,360	196,720	7,783,620	8,275,420
Others	2,475,403	979,886	493,042	383,576	3,106,311	7,438,217
<b>Total</b>	<b>25,852,049</b>	<b>22,043,373</b>	<b>19,611,884</b>	<b>16,253,800</b>	<b>939,981,567</b>	<b>1,023,742,672</b>