



111142016001629



## SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Company Name IPM HOLDINGS, INC.  
Industry Classification Metallic Core Mining  
Company Type Stock Corporation

Document Information

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

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

Atty. Ana Katigbak  
Contact Person

817 6791/897-5257  
Company Telephone Number

1	2	3	1
Month		Day	
Fiscal Year			

SEC Form 17-Q  
**September 30, 2016**  
FORM TYPE  
Annual Meeting

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

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Secondary License Type, If Applicable

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Dept Requiring this Doc

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Amended Articles Number / Section

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Total No. of Stockholders

Total Amount of Borrowings	
[Empty box]	[Empty box]
Domestic	Foreign

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

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

1. For the quarterly period ended: **September 30, 2016**
2. SEC Identification Number: AS095-008557
3. BIR Tax Identification Number: 004-636-077
4. **IPM HOLDINGS, INC.**  
Exact name of issuer as specified in its charter
5. Pasig City, Philippines  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. Unit 103 G/F, Prestige Tower, Condominium F, Ortigas Jr., Avenue  
Ortigas Center, Ortigas Center, Pasig City  
Address of issuer's principal office                      Postal Code: 1605
8. (632) 897-5257/817-6791  
Issuer's telephone number, including area code

MINERALES INDUSTRIAS CORPORATION

9. 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
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Common	690,000,000 shares
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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        No   

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

Yes        No

## **PART I – FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

Please see attached.

### **Item 2. Management's Discussion and Analysis of Financial Condition and Plan of Operations**

#### **PLAN OF OPERATIONS**

The Company's controlling stake in Basic Environmental Systems Technologies, Inc. (BEST) continues to provide a steady stream of revenues and income. In the next several years, the Company intends to focus on growing BEST through the expansion of its municipal solid waste contracting business and establishment of additional facilities for the processing and conversion of solid waste into alternative fuel for the cement and power generation industries. BEST is also targeting to tap the specialized waste handling and disposal requirements of the various industrial zones located all over the country.

The Company also intends to venture in developing BEST's business in other branches of waste management, including the following:

- Bio medical waste treatment
- Hazardous waste management
- Construction and demolition waste management
- Commercial and industrial waste management
- Providing consultancy and monitoring services to waste collection systems to comply with Republic Act No. 9003 and professionalize the industry.

#### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's discussion and analysis of the Company and subsidiary financial position and results of operations should be read in conjunction with the attached consolidated financial statements of the Company and its subsidiary.

#### **Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015**

##### Income

Total consolidated revenues for the nine-month period ending September 30, 2016 amounted to Php267.24 million, Php43.07 million or 19.21% higher than the Php224.17 million posted in the same period of 2015. This is attributable mainly to the increase in service income of Php12.80 million and rental income of Php30.39 million.

##### Cost of Services

Cost of services for the nine-month period ending September 30, 2016 amounted to Php128.49 million for an increase of 4.23% over the Php123.28 million in the same period of 2015. This is mainly due to the increase in expenses for truck and equipment rental from a related party.

General and administrative expenses rose by 32.23%, from Php21.89 million in 2015 to Php28.94 million this year, on the back of increased volume of business and the need to beef up the management team.

#### Net Income

The nine-month period ending September 30, 2016 resulted in a net income after tax of Php78.18 million, including the Php20.14 million net income attributable to non-controlling interests, as compared to the net income of Php52.52 million, including the Php13.56 million net income attributable to non-controlling interests reported for same period in 2015. This increase is in line with the significant growth in revenues for the period.

#### Liquidity and Capital Resources

For the first nine months of 2016, net cash used in operations totaled Php68.61 million including the net income before tax of Php112.01 million and the depreciation and amortization expense of Php15.2 million. Trade and other receivables increased by Php238.25 million while prepaid and other current assets increased by Php2.48 million. Trade and other payables increased by Php9.87 million as well as due to related parties by Php69.48 million. Income tax paid for 2016 amounted to Php35.21 million. Net cash used in investing activities totaled Php0.08 million while net cash used by financing activities amounted to Php1.96 million.

In the same period of 2015, net cash used in operations totaled Php16.14 million including the net income before tax of Php78.72 million, depreciation and amortization expense of Php16.25 million and equity in net losses of an associate and a joint venture of Php0.29 million. Trade and other receivables increased by Php102.92 million while prepaid and other current assets increased by Php1.37 million. Trade and other payables increased by Php25.38 million while due to related parties went down by Php13.89 million. Income tax paid amounted to Php18.60 million. Net cash provided by investing activities amounted to Php0.52 million after deducting the Php0.68 million acquisition of equipment from the Php1.20 million dividends received from the investment in an associate.

### **Third Quarter Ended September 30, 2016 Compared to Third Quarter Ended September 30, 2015**

#### Income

Total consolidated revenues for the quarter ending September 30, 2016 amounted to Php90.14 million, almost unchanged from the Php90.12 million posted in the same period of 2015.

#### Cost of Services

Cost of services for the third quarter of 2016 totaled Php41.33 million, down by Php1.21 million or 2.84% from the Php42.54 million reported in the same period of 2015.

General and administrative expenses decreased by Php1.73 million or 22.05% year-on-year.

#### Net Income

The third quarter of 2016 resulted to a net income after tax of Php29.85 million, including the Php7.70 million net income attributable to non-controlling interests. This is 4.53% higher than the net income of Php28.56 million, including the Php7.30 million net income attributable to non-controlling interest posted in the same period last year.

## Liquidity and Capital Resources

For the quarter ended September 30, 2016, net cash used in operation totaled Php0.30 million including the net income before tax of Php42.84 million and the depreciation and amortization expense of Php5.06 million. Trade and other receivables rose by Php71.18 million while prepaid and other current assets increased by Php0.05 million. Trade and other payables increased by Php8.46 million while due to related parties also increased by Php23.86 million. Net cash used by financing activities amounted to Php0.04 million. Net cash provided by financing activities amounted to Php0.29 million including the proceeds from loan of Php1.0 million and the payment of interest amounting to Php0.71 million.

In the same period of 2015, net cash provided by operation totaled Php0.53 million including the net income before tax of Php44.03 million, depreciation and amortization expense of Php5.17 million and equity in net earnings of an associate and joint venture of Php4.31 million and interest income of php1.07 million. Trade and other receivables rose by Php9.10 million while prepaid and other current assets increased by Php0.11 million. On the other hand, trade and other payables increased by Php3.10 million while due to related parties decreased by Php29.57 million. Income tax paid amounted to Php8.66 million and interest earned of Php1.04 million. Net cash provided by investing activities amounted to Php0.61 million, after deducting the Php0.59 million acquisition of equipment from the Php1.20 million dividend received from the investment in an associate.

### **Financial Position as of September 30, 2016 Compared to Financial Position as of December 31, 2015**

<b>Statements of financial position data</b>	<b>30-Sep-2016</b>	<b>31-Dec-2015</b>	<b>% Inc/ (Dec)</b>
Total Current Assets	862,011,638	692,749,113	24.43%
Total Assets	1,233,401,178	1,078,527,900	14.36%
Total Current Liabilities	281,422,949	204,729,820	37.46%
Total Liabilities	282,129,068	205,435,939	37.33%
Total Stockholders' Equity	951,272,110	873,091,961	8.95%

The Company's consolidated total assets grew by 14.36% from Php1.08 billion as of December 31, 2015 to Php1.23 billion million as of September 30, 2016.

- Cash and cash equivalents dropped by 86.71% from Php81.48 million as of December 31, 2015 to Php10.83 million as of September 30, 2016. The decrease was mainly due to the settlement of long term liabilities.
- Trade and other receivables increased by 40% from Php593.57 million as of December 31, 2015 to Php831.00 million as of September 30, 2016. This is mainly attributable to the increase in contract services the company entered into during the nine-month period of 2016.
- Other current assets rose by 14% from Php17.70 million as of December 31, 2015 to Php20.18 million as of September 30, 2016.
- Noncurrent assets slightly went down by 3.73% from Php385.78 million as of December 31, 2015 to Php371.39 million as of September 30, 2016 due to the annual set-up of depreciation and amortization.

Total consolidated liabilities posted a 20.78% increase, from Php205.44 million as of December 31, 2015 to Php248.13 million as of June 30, 2016. This was mainly due to the increase in advances from related parties.

Total stockholders' equity was up by 8.95% from P873.09 million as of December 31, 2015 to Php951.27 million as of September 30, 2016, including the noncontrolling interest of Php315.50 million as of September 30, 2016 and Php295.35 million as of December 31, 2015.

Current ratio decreased from 3.38x as of December 31, 2015 to 3.06x as of September 30, 2016 due to the settlement of the Company's short term obligations. Net working capital thus stood at Php580.59 million as of September 30, 2016 versus the Php488.02 million as of December 31, 2015.

### Key Performance Indicators

The company's key performance indicators are as follows:

<b>KPI</b>	<b>Calculation</b>	<b>30-Sep-2016</b>	<b>31-Dec-2015</b>
Current Ratio (1)	Current Assets/Current Liabilities	3.06x	3.38x
Quick Ratio (2)	Current Assets-Inventory-Prepaid Expenses /Current Liabilities	3.05x	3.37x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	0.30x	0.24x
Book Value per share (4)	Total Assets –Total Liabilities/ Outstanding Shares	1.38	1.27
Net Income per Share (5)	Net Income/Weighted Average Number of Shares Outstanding	0.11	0.11

	<u>30-Sep-2016</u>	<u>31-Dec-2015</u>
(1) Current Ratio	862,011,638/281,422,949	692,749,113/204,729,820
(2) Quick Ratio	857,120,193/281,422,949	689,167,642/204,729,820
(3) Debt to Equity	282,129,068/951,272,110	205,435,939/873,091,961
(4) Book Value/Share	951,272,110/690,000,000	873,091,961/690,000,000
(5) Income per Share	78,180,149/690,000,000	77,712,687/690,000,000

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

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

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

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

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

#### Other Matters

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

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

#### **PART II – OTHER INFORMATION**

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

Not Applicable



## SIGNATURES

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

Issuer : **IPM HOLDINGS, INC.**

  
**ISABEL P. MERCADO**  
Chairman

  
**FRANCIS NEIL P. MERCADO**  
Treasurer

November   , 2016

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

	<b>30-Sep-2016</b>	<b>31-Dec-2015</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	<b>₱10,825,519</b>	₱81,476,440
Receivables (Notes 5 and 14)	<b>831,004,510</b>	593,570,193
Other current assets (Note 6)	<b>20,181,609</b>	17,702,480
Total Current Assets	<b>862,011,637</b>	692,749,113
<b>Noncurrent Assets</b>		
Deferred tax asset	<b>1,210,385</b>	1,210,385
Investments in an associate and a joint venture (Note 7)	<b>90,013,977</b>	89,274,864
Deposits (Notes 8 and 20)	<b>3,285,485</b>	3,285,485
Investment property (Note 9)	<b>34,361,352</b>	35,199,433
Property and equipment (Note 10)	<b>242,518,341</b>	256,808,620
Total Noncurrent Assets	<b>371,389,540</b>	385,778,787
Total Assets	<b>₱1,233,401,178</b>	1,078,527,900
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 11 and 20)	<b>₱101,895,225</b>	₱91,064,073
Due to related parties (Notes 14 and 20)	<b>69,475,577</b>	2,239,931
Loans payable (Note 12)	<b>100,000,000</b>	100,000,000
Income tax payable	<b>10,052,147</b>	11,425,816
Total Current Liabilities	<b>281,422,949</b>	204,729,820
<b>Noncurrent Liability</b>		
Net pension liability (Note 17)	<b>706,119</b>	706,119
Total Liabilities	<b>282,129,068</b>	205,435,939
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock (Note 13)	<b>690,000,000</b>	690,000,000
Retained earnings (Note 13)		
Unappropriated	<b>244,494,911</b>	171,655,226
Appropriated	-	14,803,219
Other reserves (Note 1)	<b>(298,717,962)</b>	(298,717,962)
Total Equity	<b>635,776,949</b>	577,740,483
<b>Noncontrolling Interests</b>		
Total Equity	<b>315,495,161</b>	295,351,478
Total Equity	<b>951,272,110</b>	873,091,961
Total Liabilities and Equity	<b>₱1,233,401,178</b>	₱1,078,527,900

*See accompanying Notes to Consolidated Financial Statements*

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

	<b>Quarters Ended September 30</b>	
	<b>2016</b>	<b>2015</b>
<b>REVENUE AND OTHER INCOME</b>		
Service income (Note 14)	<b>₱69,027,894</b>	₱73,495,003
Rental income (Notes 9 and 14)	<b>20,775,178</b>	15,548,709
Interest income (Notes 4 and 6)	<b>335,957</b>	1,072,153
	<b>90,139,029</b>	90,115,865
<b>EXPENSES</b>		
Cost of services (Note 15)	<b>41,334,220</b>	42,543,081
General and administrative expenses (Note 16)	<b>6,123,779</b>	7,855,601
Equity in net losses of an associate and a joint venture (Note 7)	<b>(161,514)</b>	(4,309,298)
	<b>47,296,485</b>	46,089,384
<b>INCOME BEFORE INCOME TAX</b>	<b>42,842,544</b>	44,026,481
<b>PROVISION FOR INCOME TAX</b>	<b>12,991,584</b>	15,468,635
<b>NET INCOME</b>	<b>29,850,960</b>	28,557,846
<b>OTHER COMPREHENSIVE INCOME(LOSS)</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱29,850,960</b>	₱28,557,846
Net income attributable to:		
Equity holders of the parent	<b>₱22,150,801</b>	₱21,253,827
Noncontrolling interest	<b>7,700,159</b>	7,304,019
	<b>₱29,850,960</b>	₱28,557,846
Total comprehensive income attributable to:		
Equity holders of the parent	<b>₱22,150,801</b>	₱21,253,827
Noncontrolling interest	<b>7,700,159</b>	7,304,019
	<b>₱29,850,960</b>	₱28,557,846
<b>EARNING PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 18)</b>	<b>₱0.032</b>	₱0.031

*See accompanying Notes to Consolidated Financial Statements*

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

	<b>Nine Months Ended September 30</b>	
	<b>2016</b>	<b>2015</b>
<b>REVENUE AND OTHER INCOME</b>		
Service income (Note 14)	<b>₱204,858,396</b>	₱192,061,206
Rental income (Notes 9 and 14)	<b>61,405,815</b>	31,015,397
Interest income (Notes 4 and 6)	<b>977,869</b>	1,094,554
	<b>267,242,080</b>	224,171,157
<b>EXPENSES</b>		
Cost of services (Note 15)	<b>128,494,578</b>	123,281,591
General and administrative expenses (Note 16)	<b>28,939,157</b>	21,886,201
Equity in net losses of an associate and a joint venture (Note 7)	<b>(2,205,779)</b>	285,969
	<b>155,227,956</b>	145,453,761
<b>INCOME BEFORE INCOME TAX</b>	<b>112,014,124</b>	78,717,396
<b>PROVISION FOR INCOME TAX</b>	<b>33,833,975</b>	26,196,659
<b>NET INCOME</b>	<b>₱78,180,149</b>	52,520,737
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱78,180,149</b>	₱52,520,737
Net income attributable to:		
Equity holders of the parent	<b>₱58,036,466</b>	₱38,957,231
Noncontrolling interest	<b>20,143,683</b>	13,563,506
	<b>₱78,180,149</b>	₱52,520,737
Total comprehensive income attributable to:		
Equity holders of the parent	<b>₱58,036,466</b>	₱38,957,231
Noncontrolling interest	<b>20,143,683</b>	13,563,506
	<b>₱78,180,149</b>	₱52,520,737
<b>EARNING PER SHARE ATTRIBUTABLE TO</b>		
<b>EQUITY HOLDERS OF THE PARENT (Note 18)</b>	<b>₱0.084</b>	₱0.056

*See accompanying Notes to Consolidated Financial Statements*

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

	Capital Stock	Retained Earnings - Unappropriated	Retained Earnings - Appropriated	Other Reserves Equity Reserve	Actuarial Losses on Defined Benefit Obligation	Noncontrolling Interests	Total Equity
At June 30, 2016	₱690,000,000	₱222,344,110	₱	(₱298,498,391)	(₱219,571)	₱307,795,002	₱921,421,150
Net income for the third quarter	–	22,150,801	–	–	–	7,700,159	29,850,960
At September 30, 2016	<b>₱690,000,000</b>	<b>₱244,494,911</b>	<b>₱</b>	<b>(₱298,498,391)</b>	<b>(₱219,571)</b>	<b>₱315,495,161</b>	<b>₱951,272,110</b>
At June 31, 2015	₱690,000,000	₱131,820,247	₱14,803,219	(₱298,498,391)	(₱222,060)	₱281,435,831	₱819,338,846
Net income for the third quarter	–	21,253,827	–	–	–	7,304,019	28,557,846
At September 30, 2015	<b>₱690,000,000</b>	<b>₱153,074,074</b>	<b>₱14,803,219</b>	<b>(₱298,498,391)</b>	<b>(₱222,060)</b>	<b>₱288,739,850</b>	<b>₱847,896,692</b>
At January 1, 2015	₱690,000,000	₱114,116,843	₱14,803,219	(₱298,498,391)	(₱222,060)	₱275,176,344	₱795,375,955
Net income	–	57,538,383	–	–	–	20,174,304	77,712,687
Other comprehensive income	–	–	–	–	2,489	830	3,319
At December 31, 2015	<b>₱690,000,000</b>	<b>₱171,655,226</b>	<b>₱14,803,219</b>	<b>(₱298,498,391)</b>	<b>(₱219,571)</b>	<b>₱295,351,478</b>	<b>₱873,091,961</b>

*See accompanying Notes to Consolidated Financial Statements.*

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

	Capital Stock	Retained Earnings - Unappropriated	Retained Earnings - Appropriated	Other Reserves Equity Reserve	Actuarial Losses on Defined Benefit Obligation	Noncontrolling Interests	Total Equity
At January 1, 2016	₱690,000,000	₱171,655,226	₱14,803,219	(₱298,498,391)	(₱219,571)	₱295,351,478	₱873,091,961
Net income for the nine months period	–	58,036,466	–	–	–	20,143,683	78,180,149
Reversal of appropriated retained earnings	–	14,803,219	(14,803,219)	–	–	–	–
At September 30, 2016	<b>₱690,000,000</b>	<b>₱244,494,911</b>	<b>₱</b>	<b>(₱298,498,391)</b>	<b>(₱219,571)</b>	<b>₱315,495,161</b>	<b>₱951,272,110</b>
At January 1, 2015	₱690,000,000	₱114,116,843	₱14,803,219	(₱298,498,391)	(₱222,060)	₱275,176,344	₱795,375,955
Net income for the nine months period	–	38,957,231	–	–	–	13,563,506	52,520,737
At September 30, 2015	<b>₱690,000,000</b>	<b>₱153,074,074</b>	<b>₱14,803,219</b>	<b>(₱298,498,391)</b>	<b>(₱222,060)</b>	<b>₱288,739,850</b>	<b>₱847,896,692</b>
At January 1, 2015	₱690,000,000	₱114,116,843	₱14,803,219	(₱298,498,391)	(₱222,060)	₱275,176,344	₱795,375,955
Net income	–	57,538,383	–	–	–	20,174,304	77,712,687
Other comprehensive income	–	–	–	–	2,489	830	3,319
At December 31, 2015	<b>₱690,000,000</b>	<b>₱171,655,226</b>	<b>₱14,803,219</b>	<b>(₱298,498,391)</b>	<b>(₱219,571)</b>	<b>₱295,351,478</b>	<b>₱873,091,961</b>

See accompanying Notes to Consolidated Financial Statements.

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

	<b>Quarters Ended September 30</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱42,842,543</b>	₱44,026,481
Adjustments for:		
Depreciation and amortization	<b>5,064,550</b>	5,165,026
Interest expense	<b>712,313</b>	
Equity in net losses of an associate and a joint venture (Note 7)	<b>(161,514)</b>	(4,309,298)
Interest income	<b>(335,957)</b>	(1,074,343)
Operating income before changes in working capital	<b>48,121,935</b>	43,807,866
Decrease (increase) in:		
Receivables	<b>(71,185,255)</b>	(9,104,843)
Prepaid and other current assets	<b>(48,678)</b>	(111,954)
Increase (decrease) in:		
Trade and other payables	<b>8,455,728</b>	3,098,292
Due to related parties	<b>23,859,972</b>	(29,569,940)
Net cash generated from (used in) operations	<b>9,203,702</b>	8,119,421
Interest received	<b>335,957</b>	1,074,343
Income tax paid	<b>(9,836,339)</b>	(8,662,681)
Net cash provided by (used in) operating activities	<b>(296,680)</b>	531,083
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment (Note 10)	<b>(43,121)</b>	(593,891)
Investment in joint venture (Note 7)	<b>-</b>	1,200,000
Net cash provided by (used in) investing activities	<b>(43,121)</b>	606,109
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from loan	<b>1,000,000</b>	
Interest paid	<b>(712,313)</b>	
Net cash provided by (used by) financing activities	<b>287,687</b>	-
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(52,114)</b>	1,137,192
<b>CASH AT BEGINNING OF PERIOD</b>	<b>10,877,634</b>	4,561,623
<b>CASH AT END OF PERIOD (Note 4)</b>	<b>₱10,825,520</b>	₱5,698,815

*See accompanying Notes to Consolidated Financial Statements.*

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

	<b>Nine Months Ended September 30</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱112,014,125</b>	₱78,717,396
Adjustments for:		
Depreciation and amortization	<b>15,208,745</b>	16,254,559
Interest expense	<b>2,956,229</b>	-
Equity in net losses (earnings) of an associate and a joint venture (Note 7)	<b>(2,205,779)</b>	285,969
Interest income	<b>(977,869)</b>	(1,100,134)
Operating income before changes in working capital	<b>126,995,451</b>	94,157,790
Decrease (increase) in:		
Receivables	<b>(238,247,343)</b>	(102,919,263)
Prepaid and other current assets	<b>(2,479,130)</b>	(1,368,211)
Increase (decrease) in:		
Trade and other payables	<b>9,870,913</b>	25,377,771
Due to related parties	<b>69,475,577</b>	(13,891,609)
Net cash generated from (used in) operations	<b>(34,384,532)</b>	1,356,477
Interest received	<b>977,869</b>	1,100,134
Income tax paid	<b>(35,207,644)</b>	(18,599,535)
Net cash used in operating activities	<b>(68,614,307)</b>	(16,142,924)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment (Note 10)	<b>(80,384)</b>	(679,784)
Investment in joint venture (Note 7)	-	1,200,000
Net cash provided by (used in) investing activities	<b>(80,384)</b>	520,216
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from loan	<b>1,000,000</b>	-
Interest paid	<b>(2,956,229)</b>	-
Net cash used in financing activities	<b>(1,956,229)</b>	-
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(70,650,920)</b>	(15,622,708)
<b>CASH AT BEGINNING OF PERIOD</b>	<b>81,476,440</b>	21,321,523
<b>CASH AT END OF PERIOD (Note 4)</b>	<b>₱10,825,520</b>	₱5,698,815

*See accompanying Notes to Consolidated Financial Statements.*



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

	<b>30-Sep-2016</b>	<b>31-Dec-2015</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	<b>₱1,054,947</b>	2,437,836
Other current assets	<b>367,256</b>	28,000
Total Current Assets	<b>1,422,203</b>	2,465,836
<b>Noncurrent Asset</b>		
Investment in a subsidiary	<b>485,375,000</b>	485,375,000
Total Assets	<b>₱486,797,203</b>	487,840,836
<b>LIABILITIES ANDEQUITY</b>		
<b>Current Liabilities</b>		
Loans payable	<b>₱1,000,000</b>	₱-
Accrued expenses and other payables	<b>780,269</b>	429,317
Total Liabilities	<b>1,780,269</b>	429,317
<b>Equity</b>		
Capital stock	<b>690,000,000</b>	690,000,000
Deficit	<b>(204,983,066)</b>	(202,588,481)
Total Equity	<b>485,016,934</b>	487,411,519
Total Liabilities and Equity	<b>₱486,797,203</b>	487,840,836

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

	<b>Quarters Ended September 30</b>	
	<b>2016</b>	<b>2015</b>
<b>INCOME</b>		
Interest	<b>₱53</b>	₱2,190
<b>EXPENSES</b>		
Professional fees	<b>437,728</b>	79,691
Salaries and wages	<b>137,000</b>	135,333
Stock exchange listing fee	<b>172,215</b>	106,933
Directors' per diem	<b>70,000</b>	140,000
Entertainment, amusement and recreation	<b>10,500</b>	34,481
Utilities	<b>45,000</b>	45,000
Rent	<b>40,179</b>	40,179
Office supplies and printing costs	<b>14,832</b>	53,815
Transportation	<b>8,470</b>	9,881
Advertising	<b>7,171</b>	-
Miscellaneous	<b>6,626</b>	14,669
	<b>949,720</b>	659,982
<b>LOSS BEFORE INCOME TAX</b>	<b>949,667</b>	657,792
PROVISION FOR INCOME TAX	11	438
<b>NET LOSS</b>	<b>949,678</b>	658,230
OTHER COMPREHENSIVE LOSS	-	-
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>₱949,678</b>	₱658,230
<b>Basic/Diluted Loss Per Share</b>	<b>₱0.0014</b>	₱0.0010

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

	<b>Nine Months Ended September 30</b>	
	<b>2016</b>	<b>2015</b>
<b>INCOME</b>		
Interest	<b>₱1,304</b>	<b>₱7,770</b>
<b>EXPENSES</b>		
Professional fees	<b>628,205</b>	247,129
Salaries and wages	<b>411,000</b>	409,333
Stock exchange listing fee	<b>521,695</b>	300,598
Directors' per diem	<b>290,000</b>	230,000
Entertainment, amusement and recreation	<b>113,431</b>	100,921
Rent	<b>120,536</b>	120,536
Utilities	<b>135,000</b>	135,000
Office supplies and printing costs	<b>82,744</b>	108,411
Transportation	<b>28,707</b>	28,417
Taxes and licenses	<b>15,616</b>	14,616
Advertising	<b>7,171</b>	-
Postage & telegram	<b>8,587</b>	10,010
Miscellaneous	<b>32,936</b>	34,535
	<b>2,395,628</b>	1,739,504
<b>LOSS BEFORE INCOME TAX</b>	<b>2,394,324</b>	1,731,734
PROVISION FOR INCOME TAX	<b>261</b>	1,554
<b>NET LOSS</b>	<b>2,394,585</b>	1,733,288
OTHER COMPREHENSIVE LOSS	-	-
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>₱2,394,585</b>	<b>₱1,733,288</b>
<b>Basic/Diluted Loss Per Share</b>	<b>₱0.0035</b>	<b>₱0.0025</b>

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

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	<b>Capital Stock</b>	<b>Deficit</b>	<b>Total</b>
At June 30, 2016	₱690,000,000	(₱204,033,388)	₱485,966,612
Net loss for the third quarter		(949,678)	(949,678)
<b>At September 30, 2016</b>	<b>₱690,000,000</b>	<b>(₱204,983,066)</b>	<b>₱485,016,934</b>
<hr/>			
At June 30, 2015	₱690,000,000	(₱200,679,012)	₱489,320,988
Net loss for the third quarter	-	(658,230)	(658,230)
At September 30, 2015	₱690,000,000	(₱201,337,242)	₱488,662,758

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

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	<b>Capital Stock</b>	<b>Deficit</b>	<b>Total</b>
At January 1, 2016	₱690,000,000	(₱202,588,481)	₱487,411,519
Net loss for the nine months period	–	(2,394,585)	(2,394,585)
<b>At September 30, 2016</b>	<b>₱690,000,000</b>	<b>(₱204,983,066)</b>	<b>₱485,016,934</b>
<hr/>			
At January 1, 2015	₱690,000,000	(₱199,603,954)	₱490,396,046
Net loss for the nine months period	–	(1,733,288)	(1,733,288)
<b>At September 30, 2015</b>	<b>₱690,000,000</b>	<b>(₱201,337,242)</b>	<b>₱488,662,758</b>

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

	<b>Quarters Ended September 30</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	<b>(₱949,667)</b>	(₱657,792)
Adjustments for:		
Interest income	<b>(53)</b>	(2,190)
Operating loss before changes in working capital	<b>(949,720)</b>	(659,982)
Changes in operating assets and liabilities		
Increase in other current assets	<b>120,020</b>	59,324
Decrease in accrued expenses and other payables	<b>719,279</b>	(78,833)
Net cash used in operations	<b>(110,421)</b>	(679,491)
Interest received	<b>53</b>	2,190
Income tax paid	<b>(11)</b>	(438)
Net cash used in operating activities	<b>(110,379)</b>	(677,739)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from loan	<b>1,000,000</b>	-
Net cash provided by financing activities	<b>1,000,000</b>	-
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>889,621</b>	(677,739)
<b>CASH AT BEGINNING OF PERIOD</b>	<b>165,326</b>	3,772,823
<b>CASH AT END OF PERIOD</b>	<b>₱1,054,947</b>	₱3,095,084

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

	<b>Nine Months Ended September 30</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	<b>(₱2,394,324)</b>	(₱1,731,734)
Adjustments for:		
Interest income	<b>(1,304)</b>	(7,770)
Operating loss before changes in working capital	<b>(2,395,628)</b>	(1,739,504)
Changes in operating assets and liabilities		
Increase in other current assets	<b>(339,256)</b>	(214,497)
Decrease in accounts and other payables	<b>350,951</b>	(212,322)
Net cash used in operations	<b>(2,383,932)</b>	(2,166,323)
Interest received	<b>1,304</b>	7,770
Income tax paid	<b>(261)</b>	(1,554)
Net cash used in operating activities	<b>(2,382,889)</b>	(2,160,107)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from loan	<b>1,000,000</b>	–
Net cash provided by financing activities	<b>1,000,000</b>	–
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(1,382,889)</b>	(2,160,107)
<b>CASH AT BEGINNING OF PERIOD</b>	<b>2,437,836</b>	5,255,191
<b>CASH AT END OF PERIOD</b>	<b>₱1,054,947</b>	₱3,095,084

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

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**1. Corporate Information**

IPM Holdings, Inc., formerly Minerale Industrials Corporation (the Parent Company) and its subsidiary, Basic Environmental Systems and Technologies, Inc. (BEST) (collectively referred to as “the Group”), were incorporated in the Philippines. The Group’s registered office address is Unit 103 G/F, Prestige Tower Condominium, F. Ortigas Jr. Avenue, Ortigas Center, Pasig City.

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

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

On December 20, 1999, the stockholders approved the increase in the authorized capital stock of the Parent Company from ₱240,000,000 divided into 240,000,000 shares with a par value of ₱1 per share to ₱740,000,000 divided into 740,000,000 shares with a par value of ₱1 per share.

On August 31, 2007, the stockholders approved the delegation to the Board of Directors (BOD) of the prerogative to determine the investors to whom the shares may be issued amounting to an aggregate of ₱560,000,000 (₱500,000,000 coming from the increase in authorized capital stock and ₱60,000,000 from the unissued capital stock of the Parent Company). In 2010, the Parent Company issued additional 10,000,000 shares to private investors.

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

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

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



the Parent Company to revert to being a holding company and give it more flexibility in looking for suitable investments.

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

On March 4, 2013, the Parent Company acquired 615,000,000 shares in BEST representing 75% interest and paid ₱462,500,000, ₱12,500,000 of which was paid to the original shareholders of BEST as consideration to the subscription rights acquired. Subscription payable as of December 31, 2013 amounted to ₱152,500,000.

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

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

On February 10, 2014, the BOD approved the payment to BEST of ₱22,875,000 representing 15% of the remaining subscription payable. Subscription payable as of June 30, 2016 amounted to ₱129,625,000.

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

On March 25, 2016, the stockholders approved the amendment of the Articles of Incorporation to increase the authorized capital stock to an amount of up to ₱7.5 billion consisting of common and/or preferred shares as may be determined by the Board of Directors.

The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE) under the ticker (MIC). As of September 30, 2016, the top four beneficial shareholders of the Parent Company are the following:

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

IPMCDC, IPMESI and IPMRDC were all incorporated in the Philippines.

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

*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 PFRS 3, *Business Combination*, paragraph B7, 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 reflects 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.

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## 2. Summary of Significant Accounting Policies

### Basis of Preparation

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

### Statement of Compliance

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

### Basis of Consolidation

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

accompanying consolidated financial statements comprise the financial statements of the Parent Company and BEST.

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

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

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

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

*Assessment of Control*

Control is achieved when the accounting acquirer 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.

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

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

As of September 30, 2016 and December 31, 2015, 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 inter-company eliminations.

	<b>30-Sep-2016</b>	31-Dec-2015
Current assets	<b>₱861,589,434</b>	₱690,470,251
Noncurrent assets	<b>371,389,541</b>	385,778,787
Total assets	<b>₱1,232,978,975</b>	₱1,076,249,038
Current liabilities	<b>₱280,642,680</b>	₱204,487,477
Noncurrent liabilities	<b>706,119</b>	706,119
Total liabilities	<b>₱281,348,799</b>	₱205,193,596

	<b>30-Sep-2016</b>	31-Dec-2015
Revenue	<b>₱267,361,312</b>	₱318,653,791
Net income	<b>80,574,735</b>	80,697,214
Total comprehensive income	<b>80,574,735</b>	80,700,533
Cash flows from:		
Operating activities	<b>(66,231,418)</b>	(36,842,624)
Investing activities	<b>(80,384)</b>	424,807
Financing activities	<b>(2,956,229)</b>	99,390,089
Net increase in cash and cash equivalents	<b>(₱69,268,031)</b>	₱62,972,272
Accumulated balance of material NCI	<b>315,495,161</b>	295,351,478
Net income attributable to material NCI	<b>20,143,683</b>	20,174,304

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

#### Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended PFRS, which became effective on January 1, 2015. Except as otherwise indicated, the adoption of these new accounting standards and amendments have no material impact on the consolidated financial statements.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
- *Annual Improvements to PFRSs (2010-2012 cycle)*  
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:
  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  - PAS 24, *Related Party Disclosures - Key Management Personnel*
- *Annual Improvements to PFRSs (2011-2013 cycle)*  
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:
  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
  - PAS 40, *Investment Property*

There are new PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2015 and these will be adopted on their effectivity dates in accordance with the transition provisions. Except as otherwise stated, these amendments and improvements to PFRS and new standard are not expected to have any significant impact on the consolidated financial statements.

*Effective in 2016*

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
- PAS 27, *Separate Financial Statements-Equity Method in Separate Financial Statements* (Amendments)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have an impact on the Group's consolidated financial statements since the Group is already using equity accounting. The Group is currently assessing the impact of these amendments in the separate financial statements of the Parent Company.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
- PFRS 14, *Regulatory Deferral Accounts*
- *Annual Improvements to PFRSs (2012-2014 cycle)*  
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016.
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - PAS 19, *Employee Benefits - regional market issue regarding discount rate*
  - PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*

*Effective in 2018*

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
- PFRS 9, *Financial Instruments-Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39* (2013 version)
- PFRS 9, *Financial Instruments* (2014 or final version)

The following new standard issued by the International Accounting Standards Board (IASB) has not yet been adopted by Financial Reporting Standards Council (FRSC), Board of Accountancy (BOA) and Professional Regulation Commission (PRC)

- IFRS 15, *Revenue from Contracts with Customers*  
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more

structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- IFRS 16, *Leases*

This standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under PAS 17. Lessees recognize a liability to pay rentals with a corresponding asset, and recognize interest expense and depreciation separately. The new standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less). Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events. Lessor accounting is substantially the same as today's lessor accounting, using PAS 17's dual classification approach. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date, once adopted locally.

#### Cash

Cash includes cash on hand and deposits held on demand with banks that are carried in the consolidated statement of financial position at face amount and earn interest based on the prevailing bank deposit rates. Cash equivalents are short term, highly liquid investments that are already convertible to known amounts of cash with maturities of three months or less from the date of placement and are subject to an insignificant risk of changes in value.

#### Financial Instruments

##### *Date of recognition*

The Group recognizes a financial asset or a financial liability on 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 trade date.

##### *Initial recognition*

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

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

As of September 30, 2016 and December 31, 2015, the Group's financial instruments are in the nature of loans and receivables and other financial liabilities.

*Day 1 profit*

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

*Loans and receivables*

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

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

This accounting policy relates to the Group's "Cash", "Receivables", "Deposits" and "Due from a joint venture".

*Other financial liabilities*

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

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

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will

enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Loans and receivables*

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

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

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

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

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

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



### Derecognition of Financial Assets and Liabilities

#### *Financial asset*

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

- a. the right to receive cash flows from the asset has expired;
- b. the Group retains the right to receive cash flows from the asset, but has assumed as obligation to pay them in full without material delay to a third party under a “pass-through” arrangement;  
or
- c. the Group has transferred its right to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

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

#### *Financial liability*

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

### Offsetting of 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 amount and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### Fair Value

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

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

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

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

#### *Fair value hierarchy*

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

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

#### *Financial instruments*

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

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

#### *Nonfinancial asset*

Fair value measurement of nonfinancial asset 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 properties. 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 re-assessed 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

Other current assets, including 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.

#### Deposits

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

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

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

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

Under the equity method, the investments in associate and joint venture are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate and joint venture, less dividends declared and impairment in value. If the Group's share of losses of an associate and joint venture equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses. The interest in an associate and a joint venture is the carrying amount of the investment in the associate and joint venture under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate and joint venture. After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to the Group's net investments in the associate and joint venture. The consolidated statement 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 statement 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 statement 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 retaining 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 is stated at cost, less any accumulated depreciation and amortization and any accumulated impairment in value.

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, except land, 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. Land is carried at cost less any impairment in value.

Depreciation 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

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

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

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

#### Impairment of Nonfinancial Asset

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

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

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

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

#### 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 (see Note 1).

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Regardless of when the payment is being made,

revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

*Service income*

Service income is recognized when the related services are rendered.

*Rental income*

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

*Interest income*

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

Costs and Expenses

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

*Cost of services*

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

*General and administrative expenses*

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

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date whether the fulfillment 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 fulfillment is dependent on a specified asset; or
- (d) there is a substantial change to the asset.

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

*Finance Lease Commitments - Group as a Lessee*

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

*Group as a lessor*

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

Retirement Cost

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

Defined retirement costs comprise the following:

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

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset 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 or interest income 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 recycled 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.

#### Income tax

##### *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.

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)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the tax authority is included as part of “Other current assets” in the consolidated statement of financial position.



#### Other Comprehensive Income

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

#### Operating Segment

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

#### 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 common shareholders by the weighted average number of common shares issued and outstanding during the year, with retroactive adjustments for any stock dividends declared.

#### Events After the Reporting Date

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

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

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

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

#### Judgments

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

##### *Assessment of control*

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

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

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

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

As of September 30, 2016 and December 31, 2015, BEST holds 60% interest in Ecoedge Resources Corporation (ERC). 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 5 directors (3 nominated by BEST and 2 nominated by LIEI), whereby 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, 2016 and December 31, 2015, the Group holds 16% interest in Metro Clark Waste Management Corporation (MCWM). The Group exercise significant influence in MCWM due to the presence of BEST's President in the Board of MCWM. Hence, the President of BEST, effectively has a participation in the policy-making processes of MCWM.

*Distinction between investment properties and owner occupied properties*

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

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

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

*Determining Finance Lease Commitments - Group as a Lessee*

The Group has entered into commercial lease of transportation equipment. The Group has determined that it acquires all the significant risks and rewards of ownership on this equipment since the ownership of the asset will be transferred to the Group at the end of the lease term. Therefore, the Group accounts for these under finance lease.

*Operating lease - Group as lessor*

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

Estimates and Assumptions

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

*Estimated useful lives of investment property and property and equipment*

The useful life of each of the Group's investment property and property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each item of investment property and property and equipment is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any investment property and property and equipment would increase the recorded general and administrative expenses and decrease noncurrent assets. Based on the management estimates, there is no need to update the estimated useful lives of investment property and property and equipment. As of September 30, 2016 and December 31, 2015, the carrying value of the Group's

investment properties amounted to ₱34.61 million and ₱35.20 million, respectively (see Note 9). As of September 30, 2016 and December 31, 2015, the carrying value of the Group's property and equipment amounted to ₱242.52 million and ₱256.81 million, respectively (see Note 10).

*Impairment of non-financial assets*

The Group assesses impairment on non-financial 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.

*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 for the specific country. Net pension liability amounted to ₱0.71 million as of September 30, 2016 and December 31, 2015. Further details about the assumptions used are provided in Note 17.

*Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models such as discounted cash flow technique. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. Further details on fair value of financial instruments are provided on Note 20.

*Recoverability of deferred tax assets*

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

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#### 4. Cash and Cash Equivalents

This account consists of:

	<b>30-Sep-2016</b>	31-Dec-2015
Cash on hand	<b>5,000</b>	₱65,000
Cash in banks	<b>10,820,519</b>	81,411,440
Cash equivalents	-	-
	<b>10,825,519</b>	₱81,476,440

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents have original maturities of three months or less from dates of placement and earned interest of 1% per annum in 2016.

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#### 5. Receivables

This account consists of:

	<b>30-Sep-2016</b>	31-Dec-2015
Trade receivables		
Related parties (Note 14)	<b>₱746,683,593</b>	₱529,693,744
Local government units (LGUs)	<b>20,611,031</b>	20,705,005
Private entities	<b>13,650,563</b>	10,378,788
	<b>780,945,188</b>	560,777,537
Loans receivable (Note 14)	<b>31,000,000</b>	31,000,000
Advances to officers and employees	<b>19,422,431</b>	493,053
Interest receivable (Note 14)	<b>2,373,820</b>	1,488,580
Advances to suppliers	<b>591,568</b>	339,520
Others	<b>1,066,172</b>	3,866,172
	<b>835,399,179</b>	597,964,862
Less allowance for impairment losses on trade receivables from LGUs	<b>4,394,669</b>	4,394,669
	<b>831,004,510</b>	₱593,570,193

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

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#### 6. Other Current Assets

This account consists of:

	<b>30-Sep-2016</b>	31-Dec-2015
Input VAT	<b>₱18,901,263</b>	₱17,692,929
Prepayments	<b>4,891,445</b>	3,581,471
Creditable withholding taxes	<b>1,137,430</b>	1,176,609
Miscellaneous deposits	<b>15,669</b>	15,669
	<b>24,945,805</b>	22,466,678
Less allowance for impairment losses	<b>4,764,198</b>	4,764,198
	<b>₱20,181,609</b>	₱17,702,480

## 7. Investments in an Associate and a Joint Venture- at equity

The details of the Group's investments in an associate and a joint venture accounted for under the equity method as of September 30, 2016 and December 31, 2015 follow:

	Associate		Joint Venture		Total	
	Metroclark Waste Management Corporation (MWMC)		Ecoedge Resources Corporation (ERC)			
	30-Sep-2016	31-Dec-2015	30-Sep-2016	31-Dec-2015	30-Sep-2016	31-Dec-2015
Investments	<b>₱32,393,358</b>	₱32,393,358	<b>₱51,412,499</b>	₱51,412,499	<b>₱83,805,857</b>	₱83,805,857
Additional investment	-	-	-	-	-	-
	<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>15,604,605</b>	12,548,066	<b>(10,135,598)</b>	(5,152,788)	<b>5,469,007</b>	7,395,278
Equity in net earnings (losses) of an associate and joint venture	<b>6,982,927</b>	4,256,539	<b>(4,777,147)</b>	(4,982,810)	<b>2,205,779</b>	(726,271)
Dividend received	<b>(1,466,667)</b>	(1,200,000)			<b>(1,466,667)</b>	(1,200,000)
	<b>21,120,865</b>	15,604,605	<b>(14,912,746)</b>	(10,135,598)	<b>6,208,119</b>	5,469,007
Balance at end of year	<b>₱53,514,223</b>	₱47,997,963	<b>₱36,499,754</b>	₱41,276,901	<b>90,013,977</b>	89,274,864

### 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, 2016, the Group holds 16% interest in MCWM. The Group exercise significant influence in MCWM due to the presence of BEST's President in the Board of MCWM. The President of BEST, hence, effectively has a participation in the policy-making processes of MWMC.

### 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 Unit 103, GF Prestige Tower Condominium, F. Ortigas Jr. Road, Ortigas Center, Pasig City.

As of September 30, 2016, BEST holds 60% interest in ERC. Joint control exists as decisions about the relevant activities of ERC require the unanimous consent of both BEST and LIEI, which is supported by the contractual agreement of the parties to the following:

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

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## 8. Deposits

As of September 30, 2016 and December 31, 2015, BEST made deposits to GSIS as surety bond amounting to ₱3.29 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.

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## 9. Investment Property

BEST own two condominium units located in Pasig City. One unit is being used by BEST while the other unit is being leased out. The allocated cost and accumulated depreciation of the transferred condominium units are allocated based on the area (in square meters) of the space leased out.

Cost and accumulated depreciation of the Group's investment property follow:

	<b>30-Sep-2016</b>	31-Dec-2015
Cost:		
Transfer from property and equipment (Note 10)	<b>₱38,535,329</b>	₱38,535,329
Accumulated depreciation:		
Balance at beginning of year	<b>3,335,895</b>	2,218,453
Depreciation (Note 16)	<b>838,082</b>	1,117,443
	<b>4,173,977</b>	3,335,896
Net book value	<b>₱34,361,352</b>	₱35,199,433

No rental income was recognized in 2016 since BEST's lease agreement with related parties was terminated in December 2015.

The investment property has an aggregate fair value of ₱37.49 million based on an appraisal made by an independent appraiser on December 4, 2015.

## 10. Property and Equipment

This account consists of:

	Land	Condominium unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Cost	Total
<b>2016</b>						
<b>Cost</b>						
At January 1, 2016	₱115,252,700	₱36,962,660	₱123,814,371	₱3,836,216	₱104,146,099	₱384,012,046
Additions	—	—	—	80,384	—	80,384
At September 30, 2016	115,252,700	36,962,660	123,814,371	3,916,600	104,146,099	384,092,430
<b>Accumulated Depreciation and Amortization</b>						
At January 1	—	3,398,626	51,586,556	2,934,223	69,284,021	127,203,426
Depreciation and amortization (Notes 15 and 16)	—	865,198	8,559,823	316,019	4,629,623	14,370,663
At September 30, 2016	—	4,263,824	60,146,379	3,250,242	73,913,644	141,574,089
<b>Net Book Value</b>	<b>₱115,252,700</b>	<b>₱32,698,836</b>	<b>₱63,667,992</b>	<b>₱666,358</b>	<b>₱30,232,455</b>	<b>₱242,518,341</b>

	Land	Building and Improvements	Transportation and Heavy Equipment	Office Equipment	Development Cost	Total
<b>2015</b>						
<b>Cost</b>						
At January 1, 2015	₱115,252,700	₱36,962,660	₱123,814,371	₱3,191,142	₱104,146,099	₱383,366,972
Additions	—	—	—	645,073	—	645,073
At December 31, 2015	115,252,700	36,962,660	123,814,371	3,836,215	104,146,099	384,012,045
<b>Accumulated Depreciation and Amortization</b>						
At January 1	—	2,245,029	40,173,458	1,341,918	63,111,191	106,871,596
Depreciation and amortization (Notes 15 and 16)	—	1,153,597	11,413,098	1,592,304	6,172,830	20,331,829
At December 31, 2015	—	3,398,626	51,586,556	2,934,222	69,284,021	127,203,425
<b>Net Book Value</b>	<b>₱115,252,700</b>	<b>₱33,564,034</b>	<b>₱72,227,815</b>	<b>₱901,993</b>	<b>₱34,862,078</b>	<b>₱256,808,620</b>



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## 11. Trade and Other Payables

This account consists of:

	30-Sep-2016	31-Dec-2015
Trade payable		
Related parties (Note 14)	₱-	₱10,950,231
Third parties	4,958,011	6,069,166
	<b>4,958,011</b>	17,019,397
Payable to government agencies	93,952,060	72,535,043
Accrued expenses	2,862,282	1,509,633
Others	122,872	
	<b>₱101,895,225</b>	<b>₱91,064,073</b>

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

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

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

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## 12. Loans Payable

On November 5, 2015, BEST obtained a new loan from a local bank for working capital requirements amounting to ₱100,000,000 and is due for settlement on October 20, 2016. The loan is unsecured and with interest rate of 4.00% per annum.

Interest expense on loans payable amounted to ₱2.37 million and ₱0.62 million, as of September 30, 2016 and December 31, 2015, respectively.

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## 13. Equity

### Capital Stock

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

	30-Sep-2016	31-Dec-2015
<b>Authorized number of shares:</b>		
At the beginning and end of the year	740,000,000	740,000,000
<b>Number of shares issued and outstanding:</b>		
At the beginning and end of the year	690,000,000	690,000,000

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

<b>Common Shares</b>	<b>Number of Shares Registered</b>	<b>Issue/Offer Price</b>	<b>Date of Approval</b>
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
<b>690,000,000</b>	<b>690,000,000</b>		

#### *Subscriptions*

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

The Parent Company received the deposits on stock subscription on February 11, 2013 and February 12, 2013 amounting to ₱50,000,000 and ₱450,000,000, respectively. These deposits for stock subscriptions were then transferred to common shares following the approval of the SEC of the Parent Company's application for increase in authorized capital stock on June 11, 2013.

#### Retained earnings

For purposes of dividend declaration, the retained earnings shall be that of the legal parent presented in the separate financial statements. As of September 30, 2016 and December 31, 2015, the Parent Company is in a deficit position hence no dividends were declared during the years covered.

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

	<b>30-Sep-2016</b>	31-Dec-2015
Balance at beginning of year	<b>₱202,588,481</b>	₱199,603,954
Net loss during the year	<b>2,394,585</b>	2,984,527
	<b>₱204,983,066</b>	₱202,588,481

#### *Appropriations*

BEST's BOD approved the appropriation of retained earnings as follows:

<u>Date of Appropriation</u>	<u>Amount</u>
March 31, 2009	₱7,500,000
April 8, 2010	2,500,000
April 13, 2011	500,000
April 12, 2012	4,303,219
	<b>₱14,803,219</b>

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

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

Noncontrolling Interests

On June 16, 2014, the other stockholders of BEST made additional investments amounting to ₱20,250,000.

**14. Related Party Transactions**

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

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

30-Sep-2016			
Category	Outstanding Balance	Terms	Conditions
Trade receivables (Note 5)			
Parent IPMCDC (a)	₱190,677,789	Non-interest-bearing; within one year	Unsecured, no impairment
Shareholder IPMESI (b)	555,971,117	Non-interest-bearing; within one year	Unsecured, no impairment
Shareholder IPMRDC (c)	34,687	Non-interest-bearing; within one year	Unsecured, no impairment
	<b>₱746,683,593</b>		
Due from Joint Venture			
Loans receivable (Note 5) ERC (f)	₱31,000,000	Interest-bearing; due and demandable	Unsecured, no impairment
Interest receivable (Note 5) ERC (f)	2,373,820	Due and demandable	Unsecured, no impairment
	<b>₱33,373,820</b>		
Due to Parent IPMCDC (e)	₱69,452,497	Non-interest-bearing; on demand	Unsecured
Due to Shareholder IPMRDC (c)	23,080		
	<b>₱69,475,577</b>		

31-Dec-2015			
Category	Outstanding Balance	Terms	Conditions
Trade receivables (Note 5)			
Parent IPMCDC (a)	₱79,658,802	Non-interest-bearing; within one year	Unsecured, no impairment
Shareholder IPMESI (b)	449,790,699	Non-interest-bearing; within one year	Unsecured, no impairment
Shareholder IPMRDC (c)	204,697	Non-interest-bearing; within one year	Unsecured, no impairment
Joint Venture ERC (d)	39,546	Non-interest-bearing; within one year	Unsecured, no impairment
	<b>₱529,693,744</b>		

Category	Outstanding Balance	Terms	Conditions
Due from Joint Venture			
Loans receivable (Note 5) ERC (f)	₱31,000,000	Interest-bearing; due and demandable	Unsecured, no impairment
Interest receivable (Note 5) ERC (f)	1,488,580	Due and demandable	Unsecured, no impairment
	<u>₱32,480,580</u>		
Trade payables (Note 11)			
Parent IPMCDC (e)	₱10,944,876	Non-interest-bearing; within one year	Unsecured
Shareholder IPMRDC (e)	5,355	Non-interest-bearing; within one year	Unsecured
	<u>₱10,950,231</u>		
Due to Parent IPMCDC (e)	₱2,239,931	Non-interest-bearing; on demand	Unsecured
	<u>₱2,239,931</u>		

- a) BEST provides composting of waste materials services to IPMCDC and charges tipping fees, and composting and waste processing fees based on the cubic meters of waste processed for the period. In 2016 and 2015, BEST charged IPMCDC for transportation and heavy equipment rental fees.
- b) BEST has an existing contract with IPMESI for the operation and maintenance of an Integrated Solid Waste Management Facility for a fixed monthly fee of ₱15.58 million. In 2016 and 2015, BEST charged IPMESI for the rental of transportation and heavy equipment.
- c) Starting January 2013, BEST leases part of its office space to IPMRDC for a monthly rental fee of ₱0.12 million. No rental income was recognized in 2016 since BEST's lease agreement with related parties was terminated in December 2014 (see Note 18).
- d) BEST provided advances to ERC in line with its start-up operations. The advances are non-interest-bearing and payable on demand.
- e) IPMCDC and IPMRDC charges BEST for the rental of equipment, subcontracted services, salaries and wages, fuel and oil and repairs and maintenance expenses incurred in line with the operations of BEST.
- f) Due to IPMCDC and IPMESI are for various reimbursable expenses advanced by the related parties on behalf of BEST. These advances are non-interest bearing and are due on demand.
- g) In 2014, the Group granted one-year loans to ERC amounting to ₱19.00 million with 3.8640% interest rate which will be due on November 1, 2015 and ₱12.00 million with 3.718% interest which will be due on July 31, 2015. These loans remained outstanding at year end and accrued interest receivable amounted to ₱2.4 million and ₱1.49 million as of September 30, 2016 and December 31, 2015, respectively.

Transactions with related parties are based on terms agreed to by the parties. Outstanding balances as of reporting date are unsecured, non-interest bearing and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. Based on management's assessment, no provision for impairment for receivables for related parties is necessary due to regular settlements made by the related parties in 2016 and 2015. This assessment is done on a regular basis.

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15. **Cost of Services**

This account consists of:

	<b>Quarters Ended September 30</b>	
	<b>2016</b>	<b>2015</b>
Rent	<b>₱20,550,829</b>	₱22,199,062
Contract costs	<b>7,314,643</b>	6,934,880
Depreciation and amortization	<b>4,396,482</b>	4,396,482
Chemical sprays	<b>2,277,823</b>	2,250,000
Materials and tools	<b>820,676</b>	543,750
Fuel and oil	<b>2,316,491</b>	1,577,689
Repairs and maintenance	<b>1,345,563</b>	2,925,037
Salaries and wages	<b>1,852,575</b>	1,316,810
Security and janitorial	<b>250,410</b>	208,675
Transportation and travel	<b>32,715</b>	80,078
Supplies	<b>135,207</b>	20,078
Utilities	<b>14,221</b>	29,164
Others	<b>26,585</b>	61,376
	<b>₱41,334,220</b>	₱42,543,081

	<b>Nine Months Ended September 30</b>	
	<b>2016</b>	<b>2015</b>
Rent	<b>69,323,515</b>	₱62,355,816
Contract costs	<b>21,166,292</b>	20,513,526
Depreciation and amortization	<b>13,189,446</b>	14,111,650
Chemical sprays	<b>6,456,395</b>	6,008,036
Materials and tools	<b>820,676</b>	1,089,782
Fuel and oil	<b>6,137,429</b>	5,675,006
Repairs and maintenance	<b>4,958,761</b>	7,987,866
Salaries and wages	<b>4,634,897</b>	3,320,111
Security and janitorial	<b>500,820</b>	691,456
Transportation and travel	<b>70,527</b>	87,926
Taxes and licenses	<b>935,388</b>	1,012,998
Supplies	<b>142,997</b>	106,360
Utilities	<b>68,618</b>	74,047
Entertainment, amusement and recreation	<b>67,482</b>	12,023
Professional fees	-	118,650
Others	<b>21,335</b>	116,338
	<b>₱128,494,578</b>	₱123,281,591

## 16. General and Administrative Expenses

This account consists of:

	Quarters Ended September 30	
	2016	2015
Taxes and licenses	<b>₱614,366</b>	₱2,610,568
Salaries, wages and employee benefits	<b>2,462,465</b>	2,409,497
Depreciation	<b>668,067</b>	768,544
Professional fees	<b>537,906</b>	86,410
Utilities	<b>248,556</b>	224,342
Office supplies and printing costs	<b>98,983</b>	391,457
Entertainment, amusement and recreation	<b>18,500</b>	60,751
Repairs and maintenance	<b>89,083</b>	99,046
Stock exchange listing fee	<b>172,215</b>	106,933
Transportation and travel	<b>93,421</b>	52,795
Directors' per diem	<b>70,000</b>	140,000
Interest	<b>712,313</b>	-
Security and janitorial	<b>104,924</b>	105,128
Rent	<b>25,941</b>	40,179
Vat expense	<b>34,592</b>	294,853
Insurance	<b>28,113</b>	-
Fuel and oil	-	7,434
Advertising	<b>7,171</b>	-
Membership	<b>102,150</b>	106,472
Miscellaneous	<b>35,013</b>	351,192
	<b>₱6,123,779</b>	₱7,855,601

	Nine Months Ended September 30	
	2016	2015
Taxes and licenses	<b>₱7,977,013</b>	₱8,362,658
Salaries, wages and employee benefits	<b>6,719,967</b>	6,351,644
VAT expense	<b>2,695,628</b>	294,853
Depreciation	<b>2,019,299</b>	2,142,909
Professional fees	<b>773,884</b>	612,920
Utilities	<b>719,511</b>	694,603
Office supplies and printing costs	<b>243,671</b>	563,323
Entertainment, amusement and recreation	<b>518,075</b>	491,284
Repairs and maintenance	<b>264,563</b>	232,049
Stock exchange listing fee	<b>521,695</b>	300,598
Transportation and travel	<b>246,663</b>	170,754
Directors' per diem	<b>290,000</b>	230,000
Interest	<b>2,956,229</b>	216,466
Security and janitorial	<b>305,744</b>	268,277
Rent	<b>59,119</b>	120,536
Insurance	<b>93,876</b>	-
Fuel and oil	-	5,418
Advertising	<b>7,171</b>	-
Postage and telegram	<b>8,587</b>	10,010
Membership	<b>429,672</b>	194,045
Miscellaneous	<b>2,088,790</b>	603,854
	<b>₱28,939,157</b>	₱21,886,201

## 17. Pension Plan

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

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

The latest actuarial valuation date of the Group's retirement plan is as of December 31, 2015.

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

	2015		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability
At January 1	₱761,474	(₱344,998)	₱416,476
<i>Benefit cost in profit or loss</i>			
Current service cost (Note 17)	273,768	-	273,768
Net interest expense (Note 17)	37,693	-	37,693
Interest income (Note 17)	-	(17,077)	(17,077)
<i>Remeasurements in other comprehensive income</i>			
Remeasurement loss-return on plan asset	-	11,659	11,659
Actuarial gain - changes in financial assumptions	(35,537)	-	(35,537)
Actuarial loss -changes in experience	19,137	-	19,137
At December 31	<b>₱1,056,535</b>	<b>(₱350,416)</b>	<b>₱706,119</b>

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

## 18. Basic/Diluted Loss per Share

Basic earnings per share was computed as follows:

	Quarters Ended September 30	
	2016	2015
Net income attributable to equity holders of the parent (a)	<b>₱22,150,801</b>	₱21,253,827
Weighted average number of outstanding common share (b)	<b>690,000,000</b>	690,000,000
Basic earnings per share (a/b)	<b>0.032</b>	0.031

	<b>Nine Months Ended September 30</b>	
	<b>2016</b>	<b>2015</b>
Net income attributable to equity holders of the parent (a)	<b>₱58,036,466</b>	₱38,957,231
Weighted average number of outstanding common share (b)	<b>690,000,000</b>	690,000,000
Basic earnings per share (a/b)	<b>₱0.084</b>	₱0.056

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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## 19. Commitments

As of September 30, 2016 and December 31, 2015, 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 IPMCDC's sanitary landfill which is being renewed every year. In 2015, the Group entered into a new contract with IPMCDC for the composting of waste from Pasig City amounting to ₱0.56 million per month inclusive of taxes. The contract is renewable every year (Note 14).
  - b. Consultancy and field services in IPMCDC's Materials Recovery Facility (MRF) which is being renewed every year.
- The Group entered into a contractual commitment with IPMESI, a stockholder, to undertake the Operation and Maintenance of Integrated Solid Waste Management Facility for a fixed monthly fee of ₱15.58 million. This agreement was renewed on March 28, 2016 for the period covering January 1, 2016 to December 31, 2016. The agreement was renewed for another year in 2017 (Note 14).
- The Group has entered into a contractual commitment to provide garbage hauling and disposal services for the Municipality of Taytay, Rizal for a consideration of ₱16.00 million at ₱349 per cubic meter for a total of 45,845 cubic meters of waste hauled to the landfill facility.
- The Group has entered into contractual commitments with various municipalities of Rizal for the 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.

On March 2, 2016 and March 16, 2016, the Group entered into contractual commitments with the municipality of Pililla and Jalajala, respectively, for the tipping and disposal of residual wastes.

- The Group has entered into a contractual commitment with Lafarge Republic, Inc. (LRI) to provide trucking and hauling services to transport Refuse-Derived Fuel (RDF) upon request of LRI. The contract is effective from July 1, 2015 to June 30, 2016, renewable upon mutual agreement of the parties. In 2016 and 2015, the agreement was renewed under the same terms.



## 20. Financial Risk Management Objectives and Policies

The Group's principal financial assets and liabilities comprise of cash and cash equivalents, receivables, short-term deposits, due to/from related parties and loans payable. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group has established a risk management function with clear terms of reference and with the responsibility for developing policies on credit risk, liquidity risk, and market risks. It also supports the effective implementation of 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, liquidity risk, and market risks. 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 and cash equivalents, trade receivables and short-term 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:

	<b>30-Sep-2016</b>	31-Dec-2015
Loans and receivables:		
Cash and cash equivalents*	<b>₱10,820,519</b>	₱81,411,440
Receivables:		
Trade	<b>777,616,691</b>	557,449,040
Loan	<b>31,000,000</b>	31,000,000
Interest	<b>2,373,820</b>	1,488,580
Due from a related party		-
Others		2,800,000
Short-term deposit	<b>3,285,485</b>	3,285,485
	<b>₱825,096,515</b>	₱677,434,545

\*excluding cash on hand

The gross maximum exposure to credit risk of the Group approximates its net maximum exposure. There were no amounts that are set-off in accordance with the requirements of PAS 32, *Financial Instruments: Disclosures and Presentations*. There were no amounts subject to an enforceable master-netting arrangement or similar agreement as of September 30, 2016 and December 31, 2015.

The aging analysis of financial assets as of September 30, 2016 and December 31, 2015 follows:

	30-Sep-2016				
	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Total
	High Grade	31 to 60 Days	61 to 90 days		
Financial assets:					
Loans and receivables:					
Cash and cash equivalents*	₱10,820,519	₱-	₱-	₱-	₱10,820,519
Receivables:					
Trade	29,963,054	60,686,065	686,967,572	3,328,497	780,945,188
Loans	-	-	31,000,000	-	31,000,000
Interest	196,720	196,720	1,980,380	-	2,373,820
Others	-	-	-	1,066,172	1,066,172
Deposits	3,285,485	-	-	-	3,285,485
	<b>₱44,265,778</b>	<b>₱60,882,785</b>	<b>₱719,947,952</b>	<b>₱4,394,669</b>	<b>₱829,491,184</b>

\*excluding cash on hand

	31-Dec-2015				
	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Total
	High Grade	31 to 60 Days	61 to 90 days		
Financial assets:					
Loans and receivables:					
Cash*	₱81,411,440	₱-	₱-	₱-	₱81,411,440
Receivables:					
Trade	70,722,530	31,256,380	455,470,130	3,328,497	560,777,537
Loans	-	-	31,000,000	-	31,000,000
Interest	1,180,320	-	308,260	-	1,488,580
Others	2,800,000	-	-	1,066,172	3,866,172
Deposits	3,285,485	-	-	-	3,285,485
	<b>₱159,399,775</b>	<b>₱31,256,380</b>	<b>₱486,778,390</b>	<b>₱4,394,669</b>	<b>₱681,829,214</b>

\*excluding cash on hand

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

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

#### 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 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 and cash equivalents 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 September 30, 2016 and December 31, 2015 based on contractual undiscounted payments:

	30-Sep-2016					Total
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	No Term	
<b>Financial assets</b>						
Loans and receivables:						
Cash and cash equivalents	₱10,820,519	₱-	₱-	₱-	₱-	₱10,820,519
Receivables:						
Trade	29,963,054	32,164,058	58,881,218	656,608,361	-	777,616,691
Loan	-	-	-	31,000,000	-	31,000,000
Interest	-	196,720	393,440	1,783,660	-	2,373,820
Deposits	-	-	-	-	3,285,485	3,285,485
	<b>₱40,783,573</b>	<b>₱32,360,778</b>	<b>₱59,274,658</b>	<b>₱689,392,021</b>	<b>₱3,285,485</b>	<b>₱825,096,515</b>
<b>Financial liabilities</b>						
Trade and other payables (excluding taxes payable)						
	₱676,865	₱635,066	₱447,643	₱3,198,437	₱-	₱4,958,011
Due to related parties						
	-	23,859,972	45,615,605	-	-	69,475,577
Loans payable						
	-	-	-	100,000,000	-	100,000,000
	<b>₱676,865</b>	<b>₱23,859,972</b>	<b>₱46,063,248</b>	<b>₱103,198,437</b>	<b>₱-</b>	<b>₱174,433,588</b>

	December 31, 2015					Total
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	No Term	
<b>Financial assets</b>						
Loans and receivables:						
Cash and cash equivalents	₱81,476,440	₱-	₱-	₱-	-	₱81,476,440
Receivables:						
Trade	35,478,100	84,712,505	437,258,435	-	-	557,449,040
Loan	31,000,000	-	-	-	-	31,000,000
Interest	1,488,580	-	-	-	-	1,488,580
	2,800,000	-	-	-	-	2,800,000
Due from a related party	-	-	-	3,285,485	-	3,285,485
	<b>₱152,243,120</b>	<b>₱84,712,505</b>	<b>₱437,258,435</b>	<b>₱3,285,485</b>	<b>₱-</b>	<b>₱677,499,645</b>
<b>Financial liabilities</b>						
Trade and other payables (excluding taxes payable)						
	₱-	₱18,529,030	₱-	₱-	₱-	₱18,529,030
Due to related parties						
	2,239,931	-	-	-	-	2,239,931
Loans payable						
	-	-	100,000,000	-	-	100,000,000
	<b>₱2,239,931</b>	<b>₱18,529,030</b>	<b>₱100,000,000</b>	<b>₱-</b>	<b>₱-</b>	<b>₱120,768,961</b>

#### Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise risks such as interest rate risk, equity price risk, and foreign currency risk.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans payable with interest rates that are repriced every 30 days at prevailing market rate.

#### Foreign currency risk

The Group is not exposed to foreign currency exchange rate risk since it has no financial instruments denominated in foreign currency.

### 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's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risk to which the Group is exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic statement of financial position and revenue account, are reported to the Group's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

### Fair Value Information

Due to the short term nature of the Group's financial instruments, their fair values approximate their carrying amounts as of September 30, 2016 and December 31, 2015.

### Fair Value Hierarchy

As of September 30, 2016 and December 31, 2015, the Group has no AFS financial assets or any financial assets carried in the books at fair value. There were no transfers between Level 1 and Level 2 financial instruments, and no transfers into or out of Level 3 fair value instrument.

## 21. Segment Information

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

	30-Sep-2016				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue	₱1,304	₱267,361,312	₱267,362,616	(₱120,536)	₱267,242,080
Income (loss) before tax	(2,394,324)	114,408,449	112,014,124	–	112,014,124
Provision for income tax	261	33,833,714	33,833,975	–	33,833,975
Net income (loss)	(2,394,585)	80,574,735	78,181,149	–	78,180,149
<b>Other Information</b>					
Segment assets	616,422,203	1,232,978,975	1,849,401,178	(616,000,000)	1,233,401,178
Segment liabilities	131,405,269	281,348,799	412,754,068	(130,625,000)	282,129,068
Depreciation and amortization	–	15,208,745	15,208,745	–	15,208,745
	31-Dec-2015				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income	₱–	₱317,152,911	₱317,152,911	(₱160,714)	₱316,992,197
Interest income	9,539	1,500,880	1,510,419	–	1,510,419
Interest expense	–	909,911	909,911	–	909,911
Equity interest	–	726,271	726,271	–	726,271
Income (loss) before tax	(2,982,619)	118,182,213	115,199,594	–	115,199,594
Provision for income tax	1,908	37,484,999	37,486,907	–	37,486,907
Net income (loss)	(2,984,527)	80,697,214	77,712,687	–	77,712,687
<b>Other Information</b>					
Segment assets	₱617,465,836	₱1,076,249,038	₱1,693,714,874	(₱615,186,974)	₱1,078,527,900
Segment liabilities	130,054,317	205,193,596	335,247,913	(129,811,974)	205,435,939
Depreciation and amortization	–	21,449,272	21,449,272	–	21,449,272

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expenses and segment results include transfers between business segments. Those transfers are eliminated in consolidation.

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

**IPM HOLDINGS, INC. AND SUBSIDIARY**  
**FINANCIAL SOUNDNESS INDICATORS**

<b>FSI</b>	<b>Calculation</b>	<b>30-Sep-2016</b>	<b>31-Dec-2015</b>
Current Ratio	Current Assets/Current Liabilities	3.06x	3.38x
Quick Ratio	Current Assets-Inventory- Prepayments/Current Liabilities	3.05x	3.37x
Debt to Equity Ratio	Liabilities/ Stockholders' Equity	0.30x	0.24x
Asset to Equity Ratio	Assets/Stockholders' Equity	1.30x	1.24x
Interest Coverage Ratio	Earnings Before Interest & Taxes/Interest Expense	38.89	127.60
Gross Profit Margin	Gross Profit/Net Sales	0.37	0.34
Book Value per share	Total Assets –Total Liabilities/ Outstanding Shares	1.38	1.27
Net Income per Share	Net Income/Weighted Average Number of Shares Outstanding	0.11	0.11

	<u><b>30-Sep-2016</b></u>	<u><b>31-Dec-2015</b></u>
Current Ratio	862,011,638/281,422,949	692,749,113/204,729,820
Quick Ratio	857,120,193/281,422,949	689,167,642/204,729,820
Debt to Equity	282,129,068/951,272,110	205,435,939/873,091,961
Asset to Equity Ratio	1,233,401,178/951,272,110	1,078,527,900/873,091,961
Interest Coverage Ratio	114,970,353/2,956,229	116,109,505/909,911
Gross Profit Margin	76,363,818/204,858,396	89,101,332/260,447,907
Book Value/Share	951,272,110/690,000,000	873,091,961/690,000,000
Net Income per Share	78,180,149/690,000,000	77,712,687/690,000,000

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

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<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>&gt; 90 days</b>	<b>Total</b>
Income from Tipping Fee	875,330	572,816	533,002	-	18,629,883	20,611,031
Hauling Income	901,813	1,200,103	33,751	165,744	2,632,672	4,934,083
Composting / Waste Process	1,100,000	1,100,000	2,200,000	3,300,000	20,900,000	28,600,000
Consultancy / Field Services	27,085,911	29,291,139	25,755,254	26,893,467	614,445,807	723,471,578
Loans Receivable	-	-	-	-	31,000,000	31,000,000
Interest Receivable	98,360	98,360	196,720	196,720	1,783,660	2,373,820
Others	432,093	159,199	15,489	59,470	19,347,747	20,013,998
<b>TOTAL</b>	<b>30,493,507</b>	<b>32,421,617</b>	<b>28,734,216</b>	<b>30,615,401</b>	<b>708,739,769</b>	<b>831,004,510</b>