

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### *Financial risk*

The Corporation's principal financial instruments comprise of cash and cash equivalents, restructured debt and advances to and from related parties. The main purpose of these financial instruments is to finance the Corporation's operations. The Corporation has various other financial assets and liabilities such as receivables and vouchers payable and accrued expenses (excluding statutory payables), which arise directly from its operations. The main risks arising from the Corporation's financial instruments are credit risk and liquidity risk. The Corporation's Board of Directors (BOD) and Management review and approve the policies for managing each of this risk.

The Corporation monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.

The Corporation's risk management policies are summarized below. The exposure to risk and how they arise, as well as the Corporation's objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior years.

### *Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Corporation maintains a level of cash deemed sufficient to finance its cash requirements. Operating expenses and working capital requirements are sufficiently funded through cash collections.

The extent and nature of exposures to liquidity risk and how they arise as well as the Corporation's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2020 and 2019.

The following table summarizes the maturity profile of the Corporation's financial assets and financial liabilities as of December 31, 2020 and 2019, based on contractual undiscounted cash flows:

	2020			Total
	<1 year	>1 to <5 years	>5 years	
<b>Financial Assets</b>				
Cash	124,993,787	0	0	124,993,787
Short term Investment	1,333,066,028	0	0	1,333,066,028
Receivables	93,248,652	21,863,711	241,395,214	356,507,577
	<b>1,551,308,467</b>	<b>21,863,711</b>	<b>241,395,214</b>	<b>1,814,567,392</b>
<b>Financial Liabilities</b>				
Accounts payable	4,069,829			4,069,829
Accrued Expense	14,658,878			14,658,878
Other accounts payable	504,685			504,685
Inter-agency payables	1,151,861			1,151,861
Customer deposit		125,548,854		125,548,854
Unearned Income		120,647,452		120,647,452
Other financial liabilities	258,002,200	1,032,008,800	8,774,000,016	10,064,011,016
Other payables	0	0	2,768,583	2,768,583
	<b>278,387,453</b>	<b>1,278,205,106</b>	<b>8,776,768,599</b>	<b>10,333,361,158</b>
<b>Liquidity gap</b>	<b>1,272,921,014</b>	<b>(1,256,341,395)</b>	<b>(8,535,373,385)</b>	<b>(8,518,793,766)</b>
<b>2019</b>				
	<1 year	>1 to <5 years	>5 years	Total
<b>Financial Assets</b>				
Cash	134,697,373			134,697,373
Short term Investment	1,186,189,230			1,186,189,230
Receivables	133,291,580	40,160,313	217,278,417	390,730,310
	<b>1,454,178,183</b>	<b>40,160,313</b>	<b>217,278,417</b>	<b>1,711,616,913</b>
<b>Financial Liabilities</b>				
Accounts payable	1,786,180			1,786,180
Accrued expenses	13,064,321			13,064,321
Other accounts payable	14,987			14,987
Inter-agency payables	1,885,302			1,885,302
Customer deposit	125,553,334			125,553,334
Unearned Income	118,290,484			118,290,484
Other financial liabilities	258,002,200	1,032,008,800	8,515,997,816	9,806,008,816
Other payables	0	0	2,768,583	2,768,583
	<b>518,596,808</b>	<b>1,032,008,800</b>	<b>8,518,766,399</b>	<b>10,069,372,007</b>
<b>Liquidity gap</b>	<b>935,581,375</b>	<b>(991,848,487)</b>	<b>(8,301,487,982)</b>	<b>(8,357,755,094)</b>

## Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers and suppliers.

Credit risk management involves dealing only with institutions or individuals for which credit limits have been established, and with suppliers whose paying and performance capabilities are rigorously screened.

The table below shows the maximum exposure to credit risk for the components of the statements of financial position as of December 31, 2020 and 2019:

	2020	2019 (As restated)
Cash	124,993,787	134,697,373
Receivables	356,507,577	390,730,310
	<b>481,501,364</b>	<b>525,427,683</b>

As of December 31, 2020, and 2019, the aging analysis per class of receivables is as follows:

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Impaired Financial Assets	Total
		<30 days	30-60 days	60-90 days	>90 days		
<b>2020</b>							
<b>Accounts Receivable:</b>							
Contract related receivables	42,987,436	0	0	0	12,790,451	78,178,474	133,956,361
Advances to the Bureau of the Treasury (BTr)	150,000,000	0	0	0	0	0	150,000,000
Accounts receivable - trade	28,416,976	677,777	0	0	20,922,986	0	50,017,739
Accounts receivable - subsidiaries and affiliates	0	2,042	0	0	0	899,754	901,796
Advances to suppliers	62,438	17,740	0	0	58,214	3,690	142,082
Advances to CESLA	10,250	1,081	2,770	5,754	129,627	0	149,482
Advances for SSS/EC benefits	0	61,250	0	0	8,160	0	69,410
Other accounts receivable	5,962,131			500,000	1,592,500	12,310,840	20,365,471
	<b>227,439,231</b>	<b>759,890</b>	<b>2,770</b>	<b>505,754</b>	<b>35,501,938</b>	<b>91,392,758</b>	<b>355,602,341</b>
<b>Receivables from officers and employees:</b>							
Officers and employees	112,465	136,000	3,564	7,300	643,451	2,455	905,236
	<b>112,465</b>	<b>136,000</b>	<b>3,564</b>	<b>7,300</b>	<b>643,451</b>	<b>2,455</b>	<b>905,236</b>
	<b>227,551,696</b>	<b>895,890</b>	<b>6,334</b>	<b>513,054</b>	<b>36,145,389</b>	<b>91,395,214</b>	<b>356,507,577</b>

2019

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Impaired Financial Assets	Total
		<30 days	30-60 days	60-90 days	>90 days		
<b>Accounts Receivable:</b>							
Contract related receivables	8,507,185	7,033,717	3,824,821	1,589,350	90,894,977	0	111,850,050
Advances to the Bureau of the Treasury (BTr)	150,000,000	0	0	0	0	0	150,000,000
Accounts receivable - subsidiaries and affiliates	1,356,624	4,764	2,032	0	899,754	0	2,263,174
Advances to suppliers	6,000	588,002	0	0	128,888	0	722,890
Advances to CESLA	1,445	9,046	1,401	851	121,181	0	133,924
Advances for SSS/EC benefits	13,725	2,753	0	0	8,160	0	24,638
Other accounts receivable	102,030,075	0	0	834,143	21,987,452	0	124,851,670
	<b>261,915,054</b>	<b>7,638,282</b>	<b>3,828,254</b>	<b>2,424,344</b>	<b>114,040,412</b>	<b>0</b>	<b>389,846,346</b>
<b>Receivables from officers and employees:</b>							
Officers and employees	121,962	8,898	(60)	332,656	408,199	0	871,655
Directors	0	0	0	0	12,309	0	12,309
	<b>121,962</b>	<b>8,898</b>	<b>(60)</b>	<b>332,656</b>	<b>420,508</b>	<b>0</b>	<b>883,964</b>
	<b>262,037,016</b>	<b>7,647,180</b>	<b>3,828,194</b>	<b>2,757,000</b>	<b>114,460,920</b>	<b>0</b>	<b>390,730,310</b>

### Fair Values

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the statements of financial position as of December 31, 2020 and 2019.

	Carrying Amount		Fair Value	
	2020	2019	2020	2019
<b>Financial assets</b>				
Cash	124,993,787	134,697,373	124,993,787	134,697,373
Short-term investments	1,333,066,028	1,186,189,230	1,333,066,028	1,186,189,230
Receivables	356,507,577	390,730,310	356,507,577	390,730,310
	<b>1,814,567,392</b>	<b>1,711,616,913</b>	<b>1,814,567,392</b>	<b>1,711,616,913</b>
<b>Financial liabilities</b>				
Accounts payable	4,069,829	1,786,180	4,069,829	1,786,180
Accrued expense	14,658,878	13,064,321	14,658,878	13,064,321
Other accounts payable	504,685	14,987	504,685	14,987
Inter-agency payable	1,151,861	1,885,302	1,151,861	1,885,302
Customer deposit	125,548,854	125,553,334	125,548,854	125,553,334
Unearned income	120,647,452	118,290,484	120,647,452	118,290,484
Other financial liabilities	10,064,011,016	9,806,008,816	10,064,011,016	9,806,008,816
Other payables	2,768,583	2,768,583	2,768,583	2,768,583
	<b>10,333,361,158</b>	<b>10,069,372,007</b>	<b>10,333,361,158</b>	<b>10,069,372,007</b>

*Cash and Accounts and Other Payables* – carrying amounts approximate fair values due to the relatively short-term maturities of these investments.

*Receivables* – carrying amounts approximate fair values due to the short-term nature of the receivables.