

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 2019 and 2018.

The following table summarizes the maturity profile of the Corporation's financial assets and financial liabilities as of December 31, 2019 and 2018, based on contractual undiscounted cash flows:

	2019			Total
	<1 year	>1 to <5 years	>5 years	
Financial Assets				
Cash	134,697,373			134,697,373
Short term Investment	1,186,189,230			1,186,189,230
Receivables	125,762,019	40,160,313	217,278,417	383,200,749
	1,446,648,622	40,160,313	217,278,417	1,704,087,352

	2019			Total
	<1 year	>1 to <5 years	>5 years	
Financial Liabilities				
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
	518,596,808	1,032,008,800	8,518,766,399	10,069,372,007
Liquidity gap	928,049,771	(991,848,487)	(8,301,487,982)	(8,365,284,655)

	2018			Total
	<1 year	>1 to <5 years	>5 years	
Financial Assets				
Cash	205,158,385	0	0	205,158,385
Short term Investment	730,179,490	0	0	730,179,490
Receivables	290,917,155	54,820,887	120,959,930	466,697,972
	1,226,255,030	54,820,887	120,959,930	1,402,035,847

Financial Liabilities				
Accounts payable	1,623,918	0	0	1,623,918
Accrued Expense	10,462,228	0	0	10,462,228
Other accounts payable	1,804,520	0	0	1,804,520
Inter-agency payables	19,115,429	0	0	19,115,429
Customer deposit	39,363,786	0	0	39,363,786
Unearned Income	25,501,119	0	0	25,501,119
Other financial liabilities	258,002,200	1,032,008,900	8,257,995,416	9,548,006,516
Other payables	0	0	3,789,629	3,789,629
	355,873,200	1,032,008,900	8,261,785,045	9,649,667,145
Liquidity gap	870,381,830	(977,188,013)	(8,140,825,115)	(8,247,631,298)

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, 2019 and 2018:

	2019	2018
Cash	134,697,373	205,158,385
Receivables	393,200,749	466,697,972
	527,898,122	671,856,357

As of December 31, 2019 and 2018, the aging analysis per class of receivables is as follows:

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		
Accounts Receivable:							
Contract related receivables	6,114,608	7,033,717	3,824,821	1,589,350	90,894,977	0	109,457,473
Advances to the Bureau of the Treasury (BTr)	150,000,000	0	0	0	0	0	150,000,000
Accounts receivable - trade	0	0	0	0	0	0	0
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	97,237,013	0	0	834,143	21,987,452	0	120,058,608
	254,729,415	7,638,282	3,828,254	2,424,344	114,040,412	0	382,860,707
Receivables from officers and employees:							
Officers and employees	121,962	8,898	(60)	(1,486)	398,419	0	527,734
Directors	0	0	0	0	12,309	0	12,309
	121,962	8,898	(60)	(1,486)	410,728	0	540,042
	254,851,377	7,647,180	3,828,194	2,422,858	114,451,140	0	383,200,749

2018

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Impaired Financial Assets	Total
		<30 days	30-60 days	60-90 days	>90 days		
Accounts Receivable:							
Contract related receivables	27,432,138	0	0	0	178,236,820	0	205,668,958
Advances to the Bureau of the Treasury (BTr)	150,000,000	0	0	0	0	0	150,000,000
Accounts receivable - trade	4,674,391	6,985	3,417,982	1,215,601	3,429,173	0	12,744,132
Accounts receivable - subsidiaries and affiliates	15,021,636	6,252,771	6,196,714	5,951,316	48,007,970	0	81,430,407
Advances to suppliers	93,040	237,310	28,695	86,800	182,596	0	628,441
Advances to CESLA	13,690	4,230	6,964	6,035	89,193	0	120,112
Advances for SSS/EC benefits	5,255	0	0	0	0	0	5,255
Other accounts receivable	4,340,850	31,510	0	0	10,750,790	0	15,123,150
	201,581,000	8,532,806	9,650,355	7,259,752	240,696,542	0	465,720,455

Receivables from officers and employees:							
Officers and employees	389,950	11,242	2,229	0	512,371	0	915,792
Directors	61,725	0	0	0	0	0	61,725
	451,675	11,242	2,229	0	512,371	0	977,517
	202,032,675	6,544,048	9,652,584	7,259,752	241,208,913	0	466,697,972

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, 2019 and 2018.

	Carrying Amount		Fair Value	
	2019	2018	2019	2018
Financial assets				
Cash	134,697,373	205,158,385	134,697,373	205,158,385
Short-term investments	1,186,189,230	730,179,490	1,186,189,230	730,179,490
Receivables	383,200,749	466,697,972	383,200,749	466,697,972
	1,704,087,352	1,402,035,847	1,704,087,352	1,402,035,847
Financial liabilities				
Accounts payable	1,786,180	1,623,918	1,786,180	1,623,918
Accrued expense	13,064,321	10,462,228	13,064,321	10,462,228
Other accounts payable	14,987	1,804,520	14,987	1,804,520
Inter-agency payable	1,885,302	19,115,429	1,885,302	19,115,429
Customer deposit	125,553,334	39,363,786	125,553,334	39,363,786
Unearned income	118,290,484	25,501,119	118,290,484	25,501,119
Other financial liabilities	9,806,008,816	9,548,006,516	9,806,008,816	9,548,006,516
Other payables	2,768,583	3,789,629	2,768,583	3,789,629
	10,069,372,007	9,649,667,145	10,069,372,007	9,649,667,145

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.