

# JOLLIVILLE HOLDINGS CORPORATION

## SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2003**
2. SEC Identification No. **134800**
3. BIR Tax Identification No. **000-590-608-000**
4. Exact name of registrant as specified in its charter  
**JOLLIVILLE HOLDINGS CORPORATION**
5. Province, Country or other jurisdiction of incorporation or organization:  
**PHILIPPINES**
6. Industry Classification Code (SEC Use Only)
7. Address of principal office and Postal Code:  
**21<sup>ST</sup> Floor, the Taipan Place Bldg. Emerald Avenue, Ortigas Business Center,  
1605, Pasig**
8. Registrant's telephone no. and area code: **(632) 687-4198**
9. Former name, address, and fiscal year, if changed since last report:  
**Not applicable**
10. Securities registered pursuant to Sections 4 & 8 of the RSA:

Title of Each Class	No. of Shares of Common Stock		Amount of Debt
	Outstanding	&/or	
<b>Common Stock, ₱ 1 par value</b>	<b>281,500,000</b>	<b>shares</b>	
11. Are any or all of these securities listed on 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 Securities Regulation Code and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):  
Yes ☒ No ☐
  - (b) has been subject to such filing requirements for the past 90 days:  
Yes ☒ No ☐

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Jollville Holdings Corporation and Subsidiaries  
Consolidated Balance Sheets

	March 31 2003 (Unaudited)	December 31 2002 (Audited)
Cash	P 17,469,421	P 30,271,303
Receivables	22,557,532	22,635,803
Investments (Note 3)	35,712,653	34,737,653
Due from Stockholders (Note 6)	59,963,376	38,070,157
Property and Equipment - Net (Note 4)	419,898,126	338,877,022
Other Assets - Net	48,265,619	48,776,749
<b>TOTAL ASSETS</b>	<b>P 603,866,727</b>	<b>P 513,368,687</b>
Liabilities:		
Loans Payable (Note 5)	P 90,000,000	P -
Accounts Payable and Accrued Expenses	6,926,087	8,788,433
Customers' Deposits (Note 7)	6,744,556	6,104,045
Income Tax Payable	298,053	207,445
	103,968,696	15,099,923
Minority Interest	1,751,834	1,671,068
Stockholders' Equity		
Capital Stock	281,500,000	281,500,000
Additional Paid-in Capital	1,509,533	1,509,533
Revaluation Increment in Land and Improvements	180,193,056	180,193,056
Retained Earnings	34,943,608	33,395,107
Total Stockholders' Equity	498,146,197	496,597,696
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>P 603,866,727</b>	<b>P 513,368,687</b>

See accompanying Notes to Consolidated Financial Statements.

Jolliville Holdings Corporation  
Consolidated Statements of Income and Expenses

**Quarter Ended March 31**  
**2003                      2002**  
**(Unaudited)**

<b>REVENUES</b>			
Rentals	₱	12,313,834	₱ 11,608,045
Management Fees		2,160,000	1,800,000
Water Services		1,486,205	1,469,445
Interest Income		119,832	15,477
Other Income		55,144	60,952
<b>TOTAL</b>		<u>16,135,014</u>	<u>14,953,919</u>
<b>COST AND EXPENSES</b>			
Cost of Sales/Services		8,581,455	8,463,438
Operating Expenses (Note 8)		5,337,868	3,559,640
		<u>13,919,323</u>	<u>12,023,078</u>
<b>INCOME BEFORE INCOME TAX</b>		2,215,691	2,930,841
Provision for Income Tax (Note 7)		(586,424)	(940,660)
<b>INCOME BEFORE MINORITY INTEREST</b>		<u>1,629,267</u>	<u>1,990,181</u>
Minority Interest		(80,766)	55,227
<b>NET INCOME</b>	₱	<u>1,548,501</u>	₱ <u>2,045,408</u>
<b>EARNINGS PER SHARE (Note 9)</b>	₱	<u>0.0055</u>	₱ <u>0.0081</u>

*See accompanying Notes to Consolidated Financial Statements.*

Jolliville Holdings Corporation and Subsidiaries  
 Unaudited Consolidated Statement of Changes in Stockholders' Equity

	Capital Stock	Additional Paid-in Capital	Revaluation Increment in Land and Improvements	Retained Earnings	Total
Balance at December 31, 2001	P 251,500,000	P	P 180,193,056	P 27,747,762	P 459,440,818
Issuance of capital stock	30,000,000	1,509,533			31,509,533
Net income for the period				<u>5,647,345</u>	<u>5,647,345</u>
Balance at December 31, 2002	281,500,000	1,509,533	180,193,056	33,395,107	496,597,696
Net income for the period				<u>1,548,501</u>	<u>1,548,501</u>
Balance at March 31, 2003	<u>P 281,500,000</u>	<u>P 1,509,533</u>	<u>P 180,193,056</u>	<u>P 34,943,608</u>	<u>P 498,146,197</u>

*See accompanying Notes to Consolidated Financial Statements.*

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarter Ended March 31	
	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	P 1,548,501	P 2,045,408
Adjustments for:		
Depreciation and amortization	7,269,944	5,805,837
Provision for income tax	586,424	940,660
Operating income before working capital changes	9,404,869	8,791,905
Decrease (increase) in:		
Receivables	78,271	3,094,345
Due from stockholders	(21,893,219)	(3,213,317)
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,862,346)	(1,130,815)
Customers' deposits	640,511	352,920
Cash generated from (for) operations	(13,631,914)	7,895,038
Income tax paid	(495,816)	(825,423)
Net cash provided by (used in) operating activities	(14,127,730)	7,069,615
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Property and equipment	(87,558,268)	(6,944,163)
Other assets	(221,650)	(1,387,477)
Investments	(975,000)	(945,572)
Minority interest	80,766	(55,227)
Net cash used in investing activities	(88,674,152)	(9,332,439)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans payable	90,000,000	
NET DECREASE IN CASH	(12,801,882)	(2,262,824)
CASH AT BEGINNING OF PERIOD	30,271,303	3,045,376
CASH AT END OF PERIOD	P 17,469,421	P 782,552

See accompanying Notes to Consolidated Financial Statements.

# **JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Basis of Preparation of the Financial Statements**

The accompanying financial statements are prepared under the historical cost convention and in accordance with the generally accepted accounting principles in the Philippines, applied on a consistent basis.

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### **2. Significant Accounting Policies**

#### Basis of Consolidation

The consolidated financial statements include the accounts of the Company and the following subsidiaries:

	<u>Percentage of Ownership</u>
Jolliville Group Management, Inc.	100
Jollideal Marketing Corporation	100
Jolliville Leisure and Resort Corporation (JLRC)	100
Ormina Realty and Development Corp. (ORDC) and Subsidiary Calapan Waterworks System and Development Corporation (CWSDC)	100 92
Uptrend Concepts Management Corporation	100
Granville Ventures, Inc.	100

All significant intercompany accounts and transactions were eliminated. The difference between cost and book values of the investments in consolidated subsidiaries at the time of acquisitions is shown under "Other Assets" account. Upon effectivity on January 1, 2003 of Exposure Draft No. 47 of the Accounting Standards Council (ASC), Business Combinations (revised), the Company amortized any carrying amount of the goodwill over its remaining useful life not exceeding 20 years. Any change is treated in the same way as a change in accounting estimate under ASC SFAS No. 17, Accounting Changes.

#### Revenue Recognition

Rental income is recognized on an accrual basis in accordance with the substance of the lease agreement.

Management fee comprises the value of all services provided and is recognized when rendered.

Water revenues are recognized when the related water services are rendered.

#### Impairment of Assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of any assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have been decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is computed as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the period in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is credited to current operations.

#### Investments in Shares of Stock

The Company and subsidiaries carry their investments in affiliates (where they hold 20 percent or more but not more than 50 percent stock ownership interest or where they have the ability to significantly influence their operating and financial affairs) at equity, increased or decreased by their equity in net earnings or losses of the investees since the dates of acquisition and reduced by cash dividends received.

Other investments in shares of stock are carried at cost.

#### Property and Equipment

Land is carried at appraised values as determined on various dates by an independent firm of appraisers. The appraisal increment resulting from the revaluation was credited to "Revaluation Increment in Land and Improvements" shown under "Stockholders' Equity" in the balance sheets. Subsequent acquisitions are stated at cost. Other property and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives.

Leasehold improvements are amortized over their estimated lives or the term of the lease, whichever is shorter.

Minor repairs and maintenance costs are expensed when incurred; significant renewals and betterment are capitalized. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations.

The useful life and depreciation methods are reviewed periodically to ensure they are consistent with the expected pattern of economic benefits from items of property and equipment.

#### Preoperating Expenses

As required by SFAS No. 38, Intangible Assets, effective January 1, 2003, preoperating expenses will be charged as expense in the year incurred. Any remaining balance will be amortized over 12 months starting January 1, 2003.

#### Income Taxes

Deferred tax assets and liabilities are recognized for (1) the future tax consequences attributable to differences between the financial reporting bases of assets and liabilities and their related tax bases; (2) carryforward benefit of the minimum corporate income tax (MCIT); and (3) carryforward benefit of net operating loss carryover (NOLCO). A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

#### Earnings per Share

Basic earnings per share (EPS) is computed by dividing net income by the weighted average number of shares outstanding during the year including fully paid but unissued shares as of the end of the year.

### 3. Investments

Investments consist of:

	2003	2002
At cost:		
Real estate	<b>₱27,462,653</b>	₱26,487,653
Shares of stock	<b>8,250,000</b>	8,250,000
	<b>₱35,712,653</b>	₱34,737,653

### 4. Property and Equipment

Property and equipment consist of:

	2003	2002
At cost:		
Land and improvements	<b>₱103,731,203</b>	₱16,731,203
Furniture, furnishings and equipment on lease	<b>218,152,338</b>	217,972,574
Furniture and equipment	<b>7,576,342</b>	7,131,036
Transportation equipment	<b>7,193,723</b>	7,193,723
Water utilities and distribution system	<b>2,611,030</b>	2,276,291
Leasehold improvements	<b>46,629</b>	46,629
	<b>339,311,265</b>	251,351,456
Less accumulated depreciation and amortization	<b>101,171,518</b>	94,852,884
	<b>238,139,747</b>	156,768,572
At appraisal:		
Land and improvements	<b>180,193,056</b>	180,193,056
Less accumulated depreciation	<b>1,434,677</b>	1,177,106
	<b>178,758,379</b>	179,015,950
Construction in progress	<b>3,000,000</b>	3,092,500
	<b>₱419,898,126</b>	₱338,877,022

### 5. Loans Payable

These represent short-term loans from a local bank with interest at prevailing market rates.

### 6. Related Party Transactions

In June 2001, the Company sold its investments in shares of stock in Jolliville Realty and Development Co. to its stockholders and two foreign companies. Due from stockholders is non-interest bearing and is payable in three years. The stockholders also avail of cash advances from the Company for their investing activities. These cash advances are non-interest bearing and without definite call dates.

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## 7 Income Taxes

The provision for income tax differs from the amount computed by applying the statutory income tax rate to income before income tax due mainly to interest income already subjected to final tax at a lower rate and depreciation on appraisal increase which is not deductible for tax purposes.

The subsidiary's deferred tax assets of ₱3,782,706 included in "Other Assets" account represent the tax consequences of NOLCO and allowances for doubtful accounts and parts obsolescence. The carryforward benefits of NOLCO can be claimed as a deduction from taxable income up to 2005.

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## 8. Lease Commitment

The Company and subsidiaries lease their office space for a period of three (3) years until September 2004, renewable upon such terms and conditions as may be mutually agreed upon by the parties. Annual lease commitments are as follows:

Year	Amount
2003	₱5,409,947
2004	4,203,847
	₱9,608,794

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## 9. Earnings Per Share (EPS)

Computation of EPS is as follows:

	2003	2002
Net Income	₱1,548,501	₱2,045,408
Divided by weighted average number of common shares	281,500,000	251,500,000
	₱0.0055	₱0.0081

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## 10. Other Matters

There are no material events subsequent to the end of the interim period that has not been reflected in the financial statements. Nor are there any material contingencies and any other events or transactions that are material to an understanding of the current interim period aside from those already included in our report.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

### **Financial Position (Balance Sheet)**

The Company's asset base increased from ₱ 513,368,687 as of December 31, 2002 to ₱ 603,866,727 by March 31, 2003, an increase of about ₱ 90.5 million. Much of the increase represents the cost of acquisition of Prince Plaza, a property located at West Triangle, West Ave., Quezon City, with land area of 1,250 square meters where a building is situated. The property was purchased from the original owner for ₱ 85 million. Said acquisition is also the primary contributor to the increase in property and equipment by ₱ 81 million (24%).

The acquisition of Prince Plaza was financed through drawings from the Company's credit facility with Robinsons Savings Bank of ₱ 90 million. This represents the balance of loans payable for the same amount as of March 31, 2003 and the primary contributor to the increase in liabilities by ₱ 88.9 million.

The Due from Stockholders account increased by 57% from ₱ 38 million to ₱ 60 million. The increase represent additional advances by stockholders which will be paid within the year.

Since the Company had no major improvements or additions related to its leasing business during the first quarter of 2003, it was able to reduce its accounts payable and accrued expenses balance from ₱ 8.8 million to ₱ 6.9 million (21%). Note that last year, credit from suppliers was used to finance the addition of a new client in March of last year and the expansion of existing clients.

Customers' Deposits increased slightly by ₱ 0.6 million (10%) following the absorption of a tenant in Prince Plaza from the previous administration.

Income taxes due for the year 2002 remain unpaid as of March 31, 2003. Said taxes were subsequently settled before April 15, 2003. The increase in income tax payable represent taxes still due for the first quarter of 2003. Income tax payable increased from ₱ 207,445 to ₱ 298,053 (44%).

### **Results of Operations**

Management fees for the quarter grew by 20% from the comparable prior period due to new clients obtained in March and July 2002, respectively.

Interest income grew by 674% or ₱ 104,335. Much of the increase came from the special savings account where proceeds of the IPO was placed starting the second half of 2002.

The other income items are more or less comparable between periods.

Operating expenses have increased in large part to the relocation of the office of a subsidiary to the 9<sup>th</sup> floor of the Taipan Place condominium during the last quarter of 2003. The corporate headquarters, meanwhile, are on the 21<sup>st</sup> floor of the same building. Prior to its relocation, said subsidiary enjoyed free use of office space and utilities cost from a client located in Makati City. Increased business activity and the crowded work environment made it necessary for the subsidiary to procure its own office. In the immediate future, the subsidiary expects gains from additional business and efficiency to outweigh the cost of rent, utilities and association dues.

Another reason for the increase in operating expenses is the adoption of Exposure Draft No. 47 and SFAS No. 38 of the ASC (please see note 1 to the attached financial statements for discussion) wherein amortization charges had to be accelerated.

Resulting from the lower net income, provision for income tax decreased by ₱ 354,000.

## **Outlook for the year**

The slight increase in income was unable to offset increased depreciation charges from the major additions of 2002 and operating expenses as discussed earlier.

On a positive note, Calapan Water is beginning to contribute positively to consolidated results as can be seen in the minority interest account which show a turnaround from a share in net loss of ₱ 55,227 to a share in net income of ₱ 80,766.

Things are expected to get even better and we are glad to report that on February 9, 2003, Republic Act No. 9185, which grants Calapan Water a 25 year legislative franchise to construct, install, operate and maintain a water supply and sewerage system in Calapan City, became effective. Likewise, the NWRB earlier granted Calapan Water a Certificate of Public Convenience on December 18, 2002, which is valid until January 17, 2013.

The NWRB has also granted Calapan Water's request for an increase in water rates in January 2003 for immediate implementation. However, at the request of its subscribers, said increase will be implemented in two tranches the first beginning June 19, 2003 and the second three months thereafter.

## **Liquidity and Solvency**

The Company's cash balance decreased from end-2002 of ₱ 30.3 million to ₱ 17.5 million at March 31, 2003. The Company had already released to Calapan Water the IPO proceeds for use in its rehabilitation program. Liability to equity ratios rose to .212x from 0.034x of end-2002 due to the loan which was used primarily to finance acquisition of Prince Plaza.

The Company can readily draw on its advances to stockholders should the need arise. The loans are short-term in nature and bear interest at market rates. Collections on stockholder advances will be used to pay off the loans to save on interest costs.

JOLLIVILLE HOLDINGS CORPORATION  
AGING OF ACCOUNTS RECEIVABLE  
JUNE 30, 2002

	<u>1-30 days</u>	<u>31-60 days</u>	<u>Over 60 days</u>	<u>Total</u>
UCMC				
Claims			709,405.79	709,405.79
Others			15.00	15.00
Claims			8,608,094.15	8,608,094.15
Others		2,183.57	75.00	2,258.57
ORDC				
Claims			7,744,926.36	7,744,926.36
Trade	638,368.50	489,268.50		1,127,637.00
CWSDC				
Trade	452,714.56			452,714.56
Others			2,925,000.00	2,925,000.00
JGMI				
Claims			987,480.11	987,480.11
	<u>1,091,083.06</u>	<u>491,452.07</u>	<u>20,974,996.41</u>	<u>22,557,531.54</u>

## 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: **JOLLIVILLE HOLDINGS CORPORATION**

Chief Executive Officer: **JOLLY L. TING**

Signature and Title: \_\_\_\_\_

Chief Executive Officer

Chief Financial Officer: **ORTRUD G. TING**

Signature and Title: \_\_\_\_\_

Chief Financial Officer

Date: 14 May 2003