



Republic of the Philippines  
**COMMISSION ON AUDIT**

Cordillera Administrative Region  
La Trinidad, Benguet

May 16, 2019



**THE BOARD OF DIRECTORS**

John Hay Management Corporation  
John Hay Special Economic Zone  
Loakan, Baguio City

Dear Members of the Board,

We are pleased to transmit the Annual Audit Report on the John Hay Management Corporation for the year ended December 31, 2018, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions and we believe that it provided reasonable bases for the results of our audit.

We rendered a qualified opinion on the fairness of presentation of the financial statements due to the following:

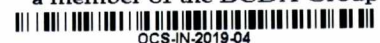
- Assets and liabilities were overstated by ₱3.1 million and ₱11.1 million, respectively, while Equity was understated by ₱7.9 million due to accounting errors and the recognition of invalid obligations; and,
- Property, Plant and Equipment was understated because property units amounting to ₱2.2 million were not recognized in the books; while, unserviceable property units carried at ₱484,405.61 were not derecognized.

The following is a summary of the most significant findings and observations, of which, details and the other findings and observations are discussed in the Observations and Recommendations portion of the Report:

1. Revenues realized from operating lease transactions was short by ₱3.2 million because certain terms and conditions embodied in the Contracts of Lease were not enforced.
2. The timeframe for remitting collections from lease contracts to BCDA was not regularly complied with; thus, cash and liabilities carried in the books as of December 31, 2018 were unreasonably increased by ₱18.9 million.

**John Hay Management Corporation**

a member of the BCDA Group



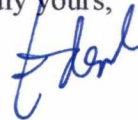
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
3. Opportunity cost of ₱130,688.88 was incurred due to the non-investment of idle cash amounting to ₱19.5 million.
4. Financial resources of the agency were not complemented with development and financial plans resulting in the accumulation of unencumbered cash of ₱111.9 million.

We request that the recommended remedial measures be immediately implemented and we will appreciate being informed of the action(s) taken thereon within 60 days from receipt of this report, pursuant to Section 93 of the General Provisions of the General Appropriations Act for FY 2018 or Republic Act No. 10924.

We acknowledge the assistance and support extended to the Audit Team by the officials and employees of the Corporation.

Very truly yours,



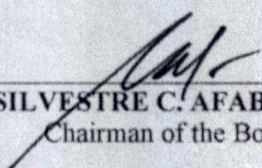
**Atty. EDEN T. RAFANAN**  
Regional Director 

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

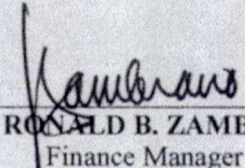
The Management of the JOHN HAY MANAGEMENT CORPORATION is responsible for the preparation of the financial statements as at 31 December, 2018, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

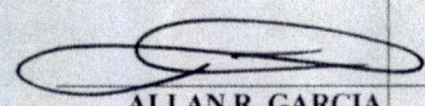
The Commission on Audit has audited the financial statements of the JOHN HAY MANAGEMENT CORPORATION in accordance with the Philippine Public Sector Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

  
SILVESTRE C. AFABLE JR.  
Chairman of the Board

FEB 28 2019  
Date Signed

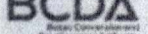
  
RONALD B. ZAMBRANO  
Finance Manager

FEB 28 2019  
Date Signed

  
ALLAN R. GARCIA  
President and CEO

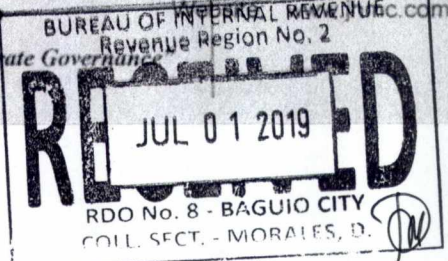
FEB 28 2019  
Date Signed

John Hay Special Economic Zone  
P.O. Box 1088, Baguio City 2600  
Philippines

A member of The  Group

"Catalyst for National Development through Good Corporate Governance"

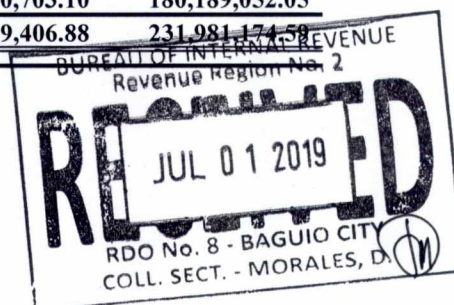
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**JOHN HAY MANAGEMENT CORPORATION**  
(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
As of December 31, 2018

	NOTE	CY 2018	CY 2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	6	105,140,963.56	82,455,140.66
Other Investments	7	58,713,452.43	57,645,726.37
Receivables	8	46,124,457.12	33,536,828.47
Inventories	9	6,781,358.94	6,566,653.60
Other Current Assets	14	4,187,710.61	13,185,063.84
<b>Total Current Assets</b>		<b>220,947,942.66</b>	<b>193,389,412.94</b>
<b>Non-Current Assets</b>			
Financial Assets	10	5,500,000.00	
Other Investments	7	132,000.00	132,000.00
Receivables	8	847,180.76	958,786.55
Investment Property	11	17,489,590.78	18,939,353.71
Property, Plant and Equipment	12	10,673,247.16	10,819,352.23
Intangible Assets	13	567,315.24	860,138.88
Other Non-Current Assets	14	6,882,130.28	6,882,130.28
<b>Total Non-Current Assets</b>		<b>42,091,464.22</b>	<b>38,591,761.65</b>
<b>TOTAL ASSETS</b>		<b>263,039,406.88</b>	<b>231,981,174.59</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	15	46,068,408.75	30,446,792.01
Inter-Agency Payables	16	22,584,276.50	4,130,388.86
Intra-Agency Payables	17	2,724,160.97	14,158,836.02
Trust Liabilities	18	2,726,182.81	2,733,606.50
Deferred Credits/Unearned Income	19	103,806.05	155,128.06
Other Payables	20	401,868.70	167,371.09
<b>Total Current Liabilities</b>		<b>74,608,703.78</b>	<b>51,792,122.54</b>
<b>Total Liabilities</b>		<b>74,608,703.78</b>	<b>51,792,122.54</b>
<b>DEPOSIT FROM PROSPECTIVE INVESTORS</b>			
Balance at beginning of year			
Additional equity/Adjustment			
<b>Balance at year-end</b>			-
<b>EQUITY</b>			
<b>Equity</b>			
Retained Earnings/(Deficit)		(195,383,375.87)	(203,625,026.92)
Stockholders' Equity		383,814,078.97	383,814,078.97
<b>Total Equity</b>		<b>188,430,703.10</b>	<b>180,189,052.05</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>263,039,406.88</b>	<b>231,981,174.59</b>

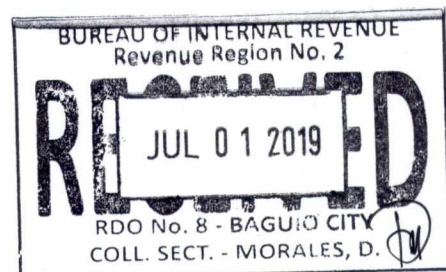
The notes on pages 22 to 35 form part of these statements.



**JOHN HAY MANAGEMENT CORPORATION**  
(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended December 31, 2018

	NOTE	CY2018	CY2017
<b>Income</b>			
Service and Business Income	21	109,877,571.96	84,703,387.77
Gains	25	890,959.03	14,602.81
Other Non-Operating Income	25	175,073.00	7,602.22
<b>Total Income</b>		<b>110,943,603.99</b>	<b>84,725,592.80</b>
<b>Expenses</b>			
Personnel Services	22	(55,707,367.63)	(29,518,131.06)
Maintenance & Other Operating Expenses	23	(33,891,018.16)	(31,319,212.78)
Non-Cash Expenses	24	(3,778,335.59)	(3,014,951.28)
<b>Total Expenses</b>		<b>(93,376,721.38)</b>	<b>(63,852,295.12)</b>
<b>Profit/(Loss) Before Tax</b>		<b>17,566,882.61</b>	<b>20,873,297.68</b>
<b>Income Tax Expense/(Benefit)</b>		<b>(7,054,663.33)</b>	<b>(5,619,810.38)</b>
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>10,512,219.28</b>	<b>15,253,487.30</b>
Assistance and Subsidy		-	-
Other Comprehensive Income/(Loss) for the Period		-	-
<b>COMPREHESIVE INCOME/(LOSS)</b>		<b>10,512,219.28</b>	<b>15,253,487.30</b>

*The notes on pages 36 to 41 form part of these statements.*



**JOHN HAY MANAGEMENT CORPORATION**  
(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)  
**CONDENSED STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2018

	NOTE	CY2018	CY2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>26.1</b>		
<b>Cash Inflows</b>	<b>26.1.1</b>		
Collection of Income/Revenue		114,027,770.21	82,219,641.82
Collection of Receivables		664,779.57	281,197.21
Receipt of Inter-Agency Fund Transfers		104,300,258.55	103,019,132.44
Trust Receipts		284,039.30	99,800.00
Other Receipts		976,375.68	1,652,454.02
<b>Total Cash Inflows</b>		<b>220,253,223.31</b>	<b>187,272,225.49</b>
Adjustments		39,629,957.44	15,215,236.30
<b>Adjusted Cash Inflows</b>		<b>259,883,180.75</b>	<b>202,487,461.79</b>
<b>Cash Outflows</b>	<b>26.1.2</b>		
Payment of Expenses		(74,991,246.26)	(55,207,820.73)
Purchase of Inventories		(813,787.03)	(1,968,692.72)
Grant of Cash Advances		(2,553,812.36)	(2,953,905.75)
Prepayments		(993,358.81)	(242,206.08)
Payment of Accounts Payable		(4,723,290.12)	-
Remittance of Personnel Benefit Contributions and Mandatory Deductions		(17,257,150.26)	(8,313,787.84)
Release of Inter-Agency Fund Transfers		(116,430,374.43)	(98,472,209.62)
Other Disbursements		(95,083.91)	(18,756,198.74)
<b>Total Cash Outflows</b>		<b>(217,858,103.18)</b>	<b>(185,914,821.48)</b>
Adjustments		(19,195,486.46)	(10,845,043.25)
<b>Adjusted Cash Outflows</b>		<b>(237,053,589.64)</b>	<b>(196,759,864.73)</b>
<b>Net Cash Provided By/(Used In) Operating Activities</b>		<b>22,829,591.11</b>	<b>5,727,597.06</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>26.2</b>		
<b>Cash Inflows</b>	<b>26.2.1</b>		
Proceeds from Sale/Disposal of Property, Plant and Equipment		641,721.75	
Collection of COB for Capital Outlay		1,847,500.00	1,605,000.00
<b>Total Cash Inflows</b>		<b>2,489,221.75</b>	<b>1,605,000.00</b>
<b>Cash Outflows</b>	<b>26.2.2</b>		
Purchase/Construction of Property, Plant and Equipment		(1,532,654.70)	(1,213,040.00)
Purchase of Intangible Assets		(1,100,555.54)	(37,500.00)
<b>Total Cash Outflows</b>		<b>(2,633,210.24)</b>	<b>(1,250,540.00)</b>
<b>Net Cash Provided By/(Used In) Investing Activities</b>		<b>(143,988.49)</b>	<b>354,460.00</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>22,685,602.62</b>	<b>6,082,057.06</b>
Effects of Exchange Rate Changes on Cash and Cash Equivalents		220.28	(1.51)
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>		<b>82,455,140.66</b>	<b>76,373,085.11</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>		<b>105,140,963.56</b>	<b>82,455,140.66</b>

The notes on pages 42 to 47 form part of these statements.

**JOHN HAY MANAGEMENT CORPORATION**  
(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended December 31, 2018**

	NOTE	Retained Earnings/ (Deficit)	Share Capital	Share Premium	TOTAL
<b>BALANCE AT 01 JANUARY, 2017</b>		(225,331,302.49)	383,814,000.00	78.97	158,482,776.48
<b>CHANGES IN EQUITY FOR 2017</b>					
Add/(Deduct):					
Issuance of Share Capital					-
Comprehensive Income for the Year		15,253,487.30			15,253,487.30
Other Adjustments		6,452,788.27			6,452,788.27
<b>BALANCE AT 31 DECEMBER, 2017</b>		(203,625,026.92)	383,814,000.00	78.97	180,189,052.05
<b>CHANGES IN EQUITY FOR 2018</b>					
Add/(Deduct):					
Issuance of Share Capital			-		-
Comprehensive Income for the Year		10,512,219.28			10,512,219.28
Other Adjustments	5	(2,270,568.23)			(2,270,568.23)
<b>BALANCE AT 31 DECEMBER, 2018</b>		(195,383,375.87)	383,814,000.00	78.97	188,430,703.10

*The notes on pages 21 to 22 form part of these statements.*