


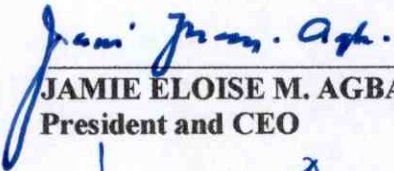
## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of JOHN HAY MANAGEMENT CORPORATION is responsible for the preparation and fair presentation of the financial statements for the year ended **December 31, 2016**, in accordance with the prescribed financial reporting framework indicated therein. This 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 and submits the same to the stockholders.

The Commission on Audit, in pursuance of its mandate under Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree 1445, has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.

  
\_\_\_\_\_  
**SILVESTRE C. AFABLE JR.**  
Chairman of the Board

  
\_\_\_\_\_  
**JAMIE ELOISE M. AGBAYANI, M.D.**  
President and CEO

  
\_\_\_\_\_  
**RONALD B. ZAMBRANO**  
Finance Manager

Signed this \_\_\_\_\_ day of \_\_\_\_\_



**TRIAL BALANCE**  
**As of 31 December 2016**

RCA CODE	ACCOUNT NAME	DEBIT	CREDIT
10101010	Cash-Collecting Officer	149,876.35	
10102020.1	Cash in Bank-LCCA-OPEX	39,373,714.88	
10102020.2	Cash in Bank-LCCA-Generated Fund	15,334,148.33	
10102020.3	Cash in Bank-LCCA-Scout Barrio Fund	215,659.08	
10102020.4	Cash in Bank-LCCA-IHG Fund	7,955,406.06	
10103030	Cash in Bank-FC-Savings Account, PEZA	638,302.79	
10105020.1	Time Deposits-Local Currency, LBP	1,092,920.11	
10105020.2	Time Deposits-Local Currency, GF6M	6,157,144.57	
10105020.3	Time Deposits-Local Currency, IHG4.78M	4,878,369.56	
10105020.4	Time Deposits-Local Currency, Ret. Fund	179,370.19	
10105020.5	Time Deposits-Local Currency, AAT	398,173.19	
10211010.1	Investments in Time Deposits-LC, OF15M	15,539,902.82	
10211010.2	Investments in Time Deposits-LC, OF16M	16,431,326.64	
10211020	Investments in Time Deposits-FC, Ret.	6,578,517.98	
10299010	Investments in Stocks	132,000.00	
10301010	Accounts Receivable	15,014,844.49	
10301011	Allowance for Impairment-Accounts	-	11,107,119.79
10303050	Due from GCs	360,293.34	
10303060	Due from Subsidiaries/Joint	16,000.00	
10304050	Due from Other Funds	4,228,626.36	
10304060	Due from Central Office/Home/Home	21,573,205.87	
10305010	Receivables-Disallowances/Charges	13,504,656.86	
10305020	Due from Officers & Employees	190,696.95	
10404010	Office Supplies Inventory	684,680.56	
10404130	Construction Materials Inventory	5,866,050.09	
10404990	Other Supplies & Materials Inventory	199,404.33	
10602990	Other Land Improvements	2,716,924.97	
10602991	Accumulated Depreciation-Other Land	-	576,855.73
10604010	Buildings	22,111,167.16	
10604011	Accumulated Depreciation- Buildings	-	9,037,233.35
10604990	Other Structures	17,106,399.25	
10604991	Accumulated Depreciation-Other	-	11,846,003.02
10605020	Office Equipment	1,723,236.99	
10605021	Accumulated Depreciation-Office	-	1,437,586.63
10605030	ICT Equipment	8,384,897.73	
10605031	Accumulated Depreciation-ICT Equipment	-	6,402,541.17
10605070	Communication Equipment	944,499.90	
10605071	Accumulated Depreciation-	-	898,153.19
10605090	Disaster Response & Rescue Equipment	742,450.00	
10605091	Accumulated Depreciation-Disaster	-	688,225.80

RCA CODE	ACCOUNT NAME	DEBIT	CREDIT
10605110	Medical Equipment	10,696.00	
10605111	Accumulated Depreciation-Medical	-	10,694.00
10605100	Military, Police & Security Equipment	176,900.00	
10605101	Accumulated Depreciation-Military, Police	-	176,890.00
10605990	Other Machinery & Equipment	2,068,384.19	
10605991	Accumulated Depreciation-Other	-	1,000,530.33
10606010	Motor Vehicles	15,835,917.83	
10606011	Accumulated Depreciation-Motor Vehicles	-	10,508,407.63
10607010	Furniture & Fixtures	3,054,687.99	
10607011	Accumulated Depreciation-Furniture &	-	2,682,110.01
10607020	Books	11,294.00	
10607021	Accumulated Depreciation-Books	-	6,193.34
10699030	Construction in Progress- Buildings &	164,545.00	
10801020	Computer Software	1,744,704.81	
10801021	Accumulated Amortization-Computer	-	1,524,007.27
19901040	Advances to Officers & Employees	4,954.47	
19902050	Prepaid Insurance	159,106.25	
19902060.1	Input Tax-Goods	1,289,011.40	
19902060.2	Input Tax-Services	3,749,706.67	
19902060.3	Input Tax-Capital Goods	81,806.19	
19903020	Guaranty Deposits	2,130,943.41	
19999990	Other Assets	11,272,130.28	
20101010	Accounts Payable		18,184,124.49
20101010.1	Accounts Payable-Accrued Expenses		12,067,013.20
20101020	Due to Officers & Employees		359,609.07
20201010.01	Due to BIR-EWT goods 1%		8,971.00
20201010.02	Due to BIR-EWT services 2%		40,914.72
20201010.10	Due to BIR-EWT prof./consultant 10%		600.00
20201010.15	Due to BIR-EWT prof./consultant 15%		51,027.99
20201010.C	Due to BIR-w/tax compensation		(30,606.31)
20201010.VG	Due to BIR-EVAT goods 5%		32,466.41
20201010.VS	Due to BIR-EVAT services 5%		106,680.62
20201010.P	Due to BIR-Non-VAT services 3%		25,790.58
20201010.D10	Due to BIR-EWT dir.fees<720k 10%		5,200.00
20201010.D15	Due to BIR-EWT dir.fees>720k 15%		1,500.00
20201010.FB	Due to BIR-FBT (32%)		28,235.29
20201030	Due to Pag-IBIG		82,439.74
20201040	Due to PhilHealth		12,332.52
20201110	Due to SSS		145,584.06
20201130	Income Tax Payable		4,726,469.81
20301050	Due to Other Funds		2,146,439.67
20301060	Due to Central/Home/Head Office		4,366,561.72
20301060.1	Due to Central Office-Revenue Collections		8,002,162.85
20301060.2	Due to Central Office-Other Funds		158,451.00
20401040	Guaranty/Security Deposits Payable		703,088.35
20401050	Customers' Deposits Payable		6,000.00
20501990	Other Deferred Credits		1,116,085.00
20502990	Other Unearned Revenue/Income		3,305,815.48
29999990	Other Payables		139,370.89

RCA CODE	ACCOUNT NAME	DEBIT	CREDIT
30801010	Share Capital		383,814,000.00
30801020	Share Premium		78.97
30701010	Retained Earnings/(Deficit)	225,331,302.49	
		<b>497,508,958.38</b>	<b>497,508,958.38</b>

*Prepared by:*



**JOSEPHINE O. TECAN**

*Accountant*

*Certified Correct:*



**RONALD B. ZAMBRANO**

*Finance Manager*

**Comparative STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2016**  
(With comparative figures as of 31 December 2015)

	Notes	CY2015	CY2016
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	4	53,385,133.81	76,373,085.11
Receivables	5	55,489,707.37	40,140,677.24
Inventories	6	7,032,707.50	6,750,134.98
Other Assets	7 & 8	6,269,807.69	7,415,528.39
<b>Total Current Assets</b>		<b>122,177,356.37</b>	<b>130,679,425.73</b>
<b>Non-Current Assets:</b>			
Investments	9	37,931,495.06	38,681,747.44
Property, Plant and Equipment - Net	10	33,348,517.54	29,780,576.81
Intangible Assets	10	210,300.00	220,697.54
Loans & Receivable Accounts- Long Term, Net	11	5,407,945.53	3,640,526.84
Other Assets	12	11,283,253.28	11,272,130.28
<b>Total Non-Current Assets</b>		<b>88,181,511.41</b>	<b>83,595,678.91</b>
<b>TOTAL ASSETS</b>		<b>210,358,867.78</b>	<b>214,275,104.63</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities:</b>			
Financial Liabilities	13	33,072,062.24	30,610,746.76
Inter-Agency Payables	14	4,024,114.60	5,237,606.43
Intra-Agency Payables	15	22,584,865.57	14,673,615.24
Trust Liabilities	16	660,031.55	709,088.35
Deferred Credits/Unearned Revenue Income	17	4,718,005.66	4,421,900.48
Other Payables	18	139,370.89	139,370.89
<b>TOTAL LIABILITIES</b>		<b>65,198,450.51</b>	<b>55,792,328.15</b>
<b>DEPOSIT FROM PROSPECTIVE INVESTORS</b>			
Balance at beginning of year		263,814,078.97	263,814,078.97
Additional equity/Adjustment		0.00	-263,814,078.97
<b>Balance at year-end</b>	19	<b>263,814,078.97</b>	<b>0.00</b>
<b>EQUITY</b>		<b>(118,653,661.69)</b>	<b>158,482,776.48</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>210,358,867.78</b>	<b>214,275,104.63</b>

(See accompanying Notes to Financial Statements)

**COMPARATIVE STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 December 2016**

**(With comparative figures for the year ended 31 December 2015)**

	Notes	CY2015	CY2016
<b>REVENUES</b>			
Management Fee	20	52,852,561.68	50,657,929.89
Management Fee-Rent Income	21	16,799,624.32	19,142,371.11
Total Management Fees		69,652,186.00	69,800,301.00
General Income			
Other Service Income:			
Common Usage Service Area (CUSA)	22	2,235,851.34	5,470,012.23
Other Service Income (SEZAD)	23	552,807.98	518,877.36
Miscellaneous Income	24	368,675.40	-
<b>GROSS INCOME</b>		<b>72,809,520.72</b>	<b>75,789,190.59</b>
<b>LESS: OPERATING EXPENSES</b>			
<b>Personnel Services</b>			
Salaries and Wages-Regular		13,375,367.24	13,287,155.71
Personnel Economic Relief Allowance (PERA)		582,601.09	580,875.93
Representation Allowance (RA)		1,340,185.00	1,335,352.47
Transportation Allowance (TA)		1,208,434.87	1,202,140.80
Clothing/Uniform Allowance		184,000.00	200,000.00
Honoraria-employees		-	-
Cash Gift (DBM Circ. No. 2010-1)		253,500.00	253,000.00
Productivity Incentive Allowance		1,064,344.17	252,000.00
Overtime and Night Pay		626,415.93	563,048.56
Mid-Year Bonus (GCG Circ. No. 2016-01)		1,214,929.69	1,098,401.00
Year-End Bonus (GCG Circ. No. 2016-01)		-	1,162,059.70
Other Bonus and Allowance		245,000.00	250,000.00
Other Bonus & Allowance-Rice Subsidy		1,053,000.00	1,061,509.09
Other Bonus & Allowance-Year-End Benefit		1,661,216.32	1,669,383.00
Other Bonus & Allowance-Performance Based Bonus (PBB)		1,995,000.00	1,995,000.00
Retirement and Life Insurance Premiums		644,744.40	650,895.90
Pag-IBIG Contributions		58,500.00	59,250.00
PhilHealth Contributions		154,762.50	156,487.50
Employees Compensation Insurance Premiums		15,350.00	15,310.00
Separation Incentive Pay		-	115,943.34
Terminal Leave Benefits		1,178,472.60	826,488.04
Other Personnel Benefits-Maternity Benefits		-	139,832.40
Other Personnel Benefit-Business Development and Other Allowance		240,000.00	240,000.00
Overtime Services (Rendered by SEZAD)		296,750.44	168,776.28
Personnel Services	25	27,392,574.25	27,282,909.72

**COMPARATIVE STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 December 2016**

**(With comparative figures for the year ended 31 December 2015)**

	Notes	CY2015	CY2016
<b>Maintenance and Other Operating Expenses:</b>			
Traveling Expenses - Local		2,454,818.38	2,304,067.49
Traveling Expenses - Foreign		63,147.64	-
Training Expenses		2,523,497.86	1,361,397.85
Office Supplies Expenses		1,281,313.78	1,999,679.58
Accountable Forms Expenses		5,250.00	10,850.00
Fuel, Oil and Lubricants Expenses		930,107.43	728,922.73
Other Supplies & Materials Expenses		203,326.14	261,802.28
Water Expenses		147,508.91	134,603.71
Electricity Expenses		81,022.80	21,507.27
Postage and Courier Services		20,333.61	13,658.00
Telephone Expenses		672,047.83	642,799.90
Internet Subscription Expenses		117,695.24	212,774.15
Cable, Satellite, Telegraph and Radio Expenses		-	9,603.21
Miscellaneous Expenses-PRP		79,364.21	98,833.39
Legal Services		108,132.77	249,901.82
Auditing Services		2,138,066.96	2,307,934.71
Consultancy Services		554,044.34	545,268.42
Other Professional Services		2,206,808.35	2,430,000.00
Environment/Sanitary Services		-	-
Janitorial Services		641,108.97	680,634.32
Security Services		1,432,452.91	1,440,144.91
Other General Services		73,025.00	62,963.33
Repairs and Maintenance		1,056,220.41	913,157.27
Taxes, Duties & Licenses		211,259.43	379,897.16
Fidelity Bond Premiums		30,000.00	33,150.00
Insurance Expenses		74,669.33	66,475.05
Advertising & Promotional Expense		913,598.75	647,439.28
Printing & Publication Expenses		221,861.51	316,792.45
Representation Expenses		1,480,051.79	1,383,760.36
Rent/Lease Expense		2,082.00	1,500.00
Membership Dues and Contributions to Organizations		5,000.00	-
Donations		84.00	-
Directors & Committee Members' Fees		6,299,958.94	5,692,011.08
Documentary Stamps Expense		250.00	-
Other Maintenance and Operating Expenses (OMOE)		762,579.11	834,369.85

**COMPARATIVE STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2016**  
**(With comparative figures for the year ended 31 December 2015)**

	Notes	CY2015	CY2016
OMOE - Common Usage Service Area (CUSA)		-	512,137.14
OMOE-Corporate Social Responsibility		72,446.41	67,729.77
OMOE-Gender & Development		322,796.89	399,832.78
OMOE-Quality Management Services		-	677,296.13
Bank charges		-	3.00
Maintenance and Other Operating Expenses	26	27,185,931.70	27,442,898.39
Non-Cash Expenses	27	4,482,667.17	5,341,155.35
<b>Total Operating Expenses</b>		<b>59,061,173.12</b>	<b>60,066,963.46</b>
<b>OPERATING INCOME</b>		<b>13,748,347.60</b>	<b>15,722,227.13</b>
<b>OTHER INCOME/(EXPENSES):</b>			
Interest Income		830,326.09	660,985.67
Gain/Loss on Foreign Exchange (FOREX)		320,771.49	350,688.53
Gain on Sale of Property, Plant & Equipment		156,645.70	-
<b>Total Other Income/(Expenses)</b>	28	1,307,743.28	1,011,674.20
<b>NET INCOME (LOSS) BEFORE INCOME TAX</b>		<b>15,056,090.88</b>	<b>16,733,901.33</b>
<b>Provision for Income Tax</b>		4,397,489.18	5,545,046.64
<b>NET INCOME (LOSS) AFTER INCOME TAX</b>		<b>10,658,601.70</b>	<b>11,188,854.69</b>

*(See accompanying Notes to Financial Statements.)*





**COMPARATIVE STATEMENT OF CHANGES IN EQUITY**  
**As of 31 DECEMBER 2016**  
**(With comparative figures as of 31 December 2015)**

	Notes	CY2015	CY2016
<b>STOCKHOLDERS' EQUITY</b>			
<b>Share Capital</b>	<b>29</b>	120,000,000.00	
Issued and fully paid - 2,638,140 shares			383,814,000.00
Authorized 5,000,000 shares at Php 100.00 par value			
<b>Share Premium</b>		-	78.97
<b>Total Stockholdres' Equity</b>		<b>120,000,000.00</b>	<b>383,814,078.97</b>
<b>RETAINED EARNINGS/(DEFICIT)</b>			
Balance at beginning of year			
As previously reported		(245,591,446.03)	(238,653,661.69)
Prior Years' Adjustment-PYA	<b>30</b>	(3,720,817.36)	2,133,504.51
<i>As restated</i>		(249,312,263.39)	(236,520,157.18)
Net Income		10,658,601.70	11,188,854.69
<b>Balance at end of year</b>		<b>(238,653,661.69)</b>	<b>(225,331,302.49)</b>
<b>TOTAL EQUITY</b>		<b>(118,653,661.69)</b>	<b>158,482,776.48</b>

*(See accompanying Notes to Financial Statements.)*

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 DECEMBER 2016**  
**(With comparative figures for for the year ended 31 December 2015)**

	Notes	CY2015	CY2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Inflows:</b>			
Estate Management Fee/Subsidy from BCDA		67,895,000.00	67,328,301.00
Land Related Cost Reimbursement		56,728,223.46	52,343,231.46
Collection of Generated Income - JHMC		555,005.84	518,877.36
Deferred Collection of Generated Income - JHMC		-	1,196.32
Collection of SC Reservation-IHG CUSA		2,122,565.65	2,062,062.61
Collection of Treetop Adventure CUSA		240,000.00	240,000.00
Collection of Inbound Pacific Inc.-Mile Hi Center CUSA		-	2,620,128.00
Collection of Inbound Pacific Inc.-Cantinetta CUSA		-	122,304.00
Collection of Rustan Coffee Corporation CUSA		-	125,440.00
Collection of Rustan Coffee Corporation-Advanced CUSA		-	15,290.87
Collection from Sale of Terms of Reference (TOR)		300,000.00	-
Collection of Bidder's Documents		20,000.00	158,000.00
Collection of Guaranty Deposits & Performance Bond		665,666.45	153,065.25
Collection of Receivables: Revenues prior to Performance Agreement with BCDA		-	108,922.20
Collection of Receivables: Return of OPEX		620,759.00	3,165,611.44
Cancellation of Checks		112,847.91	924,254.50
Interest Income from Cash and Cash Equivalents		830,326.09	661,202.15
Collection of Administrative Fee for Scout Barrio Housing Project		368,675.40	-
Collection of Fund for Reimbursement of SBHP BIR Penalties		364,238.64	-
<b>Collections For BCDA:</b>			
Collection of Generated Income - BCDA		5,847,000.93	7,187,160.93
Collection of Deferred Generated Income - BCDA		85,500.00	149,525.74
Collection of SC Reservation - IHG Rental		18,230,829.64	17,711,165.79
Collection of Treetop Adventure rental		1,021,250.00	1,045,250.00
Inbound Pacific Inc.-Mile Hi Center Rental			21,042,690.00
Inbound Pacific Inc.-Cantinetta Rental			1,247,388.00
Rustan Coffee Corporation-Starbucks Rental			1,328,298.00
Rustan Coffee Corporation-Starbucks 6 months advance rental			796,978.80
Rustan Coffee Corporation-Starbucks security deposit			744,840.00
Collection of PEZA Rental		6,446,367.22	6,728,861.57
Collection of Purchase Price of Scout Barrio Lots		3,391,039.41	244,817.33
<b>Total Cash Inflows</b>		<b>165,845,295.64</b>	<b>188,774,863.32</b>
<b>Cash Outflows:</b>			
Payment to Suppliers/Creditors and Employees		(54,458,877.30)	(68,338,846.41)
Land Related Costs/Advances for BCDA		(54,708,635.52)	(36,688,312.76)

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 DECEMBER 2016**  
**(With comparative figures for for the year ended 31 December 2015)**

	Notes	CY2015	CY2016
Remittance of PAG-IBIG/SSS/PHIC/BIR		(7,629,421.39)	(6,730,006.27)
Payment of Taxes,Duties and Licenses		(150,280.85)	(273,938.70)
Payment of BAC Honoraria		(43,310.37)	(225,709.24)
Payment for Common Usage Service Area Expenses		-	(213,321.07)
Refund of BIR penalties to beneficiaries of SBHP		-	(228,378.17)
Refund of SBHP Beneficiaries Overpayment		-	-
Refund of Guaranty/Security Deposits & Performance Bond		(323,069.20)	(63,415.60)
Refund of Bidder's Documents/Customer Deposits		-	(6,000.00)
Bank Charges		-	-
<b>Remittances to BCDA:</b>			
Generated Income - BCDA		(5,232,909.30)	(5,854,657.88)
SC Reservation-IHG Rental		(16,799,624.32)	(17,639,605.53)
Treetop Adventure Rental		(1,021,250.00)	(783,750.00)
Inbound Pacific Inc.-Mile Hi Center Rental		-	(19,289,132.50)
Inbound Pacific Inc.-Cantinetta Rental		-	(1,143,439.00)
Rustan Coffee Corporation-Starbucks Rental		-	(2,737,287.00)
Remittance of PEZA Rental		(6,443,818.24)	(6,140,942.70)
Scout Barrio Housing Project (SBHP)		(4,727,478.12)	(258,705.94)
<b>Total Cash Outflows</b>		<b>(151,538,674.61)</b>	<b>(166,615,448.77)</b>
<b>Total Cash Provided(Used) by Operating Activities</b>		<b>14,306,621.03</b>	<b>22,159,414.55</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Inflows:</b>			
Proceeds from Sale of Movable Properties		156,650.70	-
Collection of COB for Capital Outlay		665,000.00	2,472,000.00
<b>Total Cash Inflows</b>		<b>821,650.70</b>	<b>2,472,000.00</b>
<b>Cash Outflow</b>			
Capital Outlay		(621,588.85)	(1,243,899.40)
		(621,588.85)	(1,243,899.40)
<b>Total Cash Provided(Used) by Investing Activities</b>		<b>200,061.85</b>	<b>1,228,100.60</b>
<b>CASH PROVIDED BY OPERATING, INVESTING, AND FINANCING ACTIVITIES</b>		<b>14,506,682.88</b>	<b>23,387,515.15</b>
Add/(Deduct) FOREX Effect		320,771.49	350,688.53
ADD: CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		76,357,174.50	91,184,628.87
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>91,184,628.87</b>	<b>114,922,832.55</b>

(See accompanying Notes to Financial Statements.)

## JOHN HAY MANAGEMENT CORPORATION

A Member of the Bases Conversion and Development Authority Group

### NOTES TO FINANCIAL STATEMENTS *(For the Conversion to the Revised Chart of Accounts (RCA))*

For the Year Ended 31 December 2016  
(With Comparative Figures for 2015)

#### 1. CORPORATE INFORMATION

The John Hay Management Corporation (JHMC) is a wholly-owned subsidiary of the Bases Conversion and Development Authority (BCDA) and is its implementing arm for the development and management of the 625-hectare Camp John Hay Reservation (CJHR), located in the City of Baguio and the Municipality of Tuba, Province of Benguet. The CJHR is comprised of the 301-hectare John Hay Special Economic Zone (JHSEZ) and the 324-hectare John Hay Reservation Area (JHRA), with fourteen (14) barangays within its area of operations.

The mandate of JHMC is to develop Camp John Hay into a premier tourist and investment destination, and a center for human resource development. It enforces efficient and effective regulation in the JHSEZ and the JHRA, and as responsible stewards of about 53% of the forested land of the City of Baguio, the JHMC has strictly implemented programs to maintain forest density, and clean air and water resources.

#### HIGHLIGHTS OF THE CY 2016 JHMC ACCOMPLISHMENT REPORT

The John Hay Management Corporation (JHMC) continues to be a strong catalyst for economic growth and job generation in the Cordillera Region, unwavering in its mandate to develop Camp John Hay as

a premier tourist and investment destination and a center for human resource development, while ensuring sustainable multiple use of the forest watershed and enforcing effective and efficient regulation in the John Hay Special Economic Zone (JHSEZ) and the John Hay Reservation Area (JHRA).

Notwithstanding the unresolved issue of possession of the 247-hectare prime property within the JHSEZ under the pending case filed by the BCDA against the private developer, Camp John Hay Development Corporation (CJH DevCo), which has restricted new business development and the

generation of revenues by the JHMC, the Corporation has proudly achieved many milestones in fidelity to its mandate, that have contributed to its growth and efforts toward financial viability.

The major accomplishments of the JHMC for year 2016 are presented below.

### **ISO 9001:2008 CERTIFICATION**

In March 2016, the JHMC was certified to the ISO 9001:2008 for its Quality Management System in clear recognition of its achievement of an elevated capacity for and quality of public governance.

Ensuring efficient, transparent, and accessible delivery of quality public service are the key elements of the strategic governance framework of the Corporation. JHMC is committed to abide by its accredited Quality Management System that is responsive to the needs of its stakeholders and in CY 2016, attained a 90.9 % satisfaction rating based on the External Customers' Satisfaction Survey.

In November 2016, the JHMC was awarded a Certificate of Recognition by the Government Quality Management Committee chaired by the DBM Secretary Benjamin E. Diokno for its certification to ISO 9001:2008 standards.

### **INCREASE IN AUTHORIZED CAPITAL STOCK**

Among the major accomplishments of the Legal Department, in collaboration with the Offices of the Corporate Secretary, and the Internal Audit include the approval by the BCDA to increase the Authorized Capital Stock of JHMC from 1,200,000 shares to 5,000,000 shares in April 2015. This proposal has been pending since year 2004. The said increase provides a more up to date reflection of the accumulated stock subscriptions and capital infusion of BCDA, and the value of the entire Camp John Hay since JHMC (then JPDC) was incorporated in 1993.

In March 2016, the GCG approved the application of JHMC for the aforesaid, and the Certificate of Approval of Increase of Capital Stock was subsequently issued by the Securities and Exchange Commission (SEC) on 09 June 2016.

With the increased Authorized Capital Stock of JHMC, the liability reflected in its Financial Statement representing BCDA's Deposit for Future Stock Subscriptions that have accumulated through the years, which amounted to ₱263,814,078.97 as of 31 December 2015, will now be considered as Equity.

In September 2016, the JHMC Board approved the issuance of Stock Certificates to the BCDA with a total of 2,638,140 shares with par value of ₱100.00.

The reconstitution of the JHMC Stock and Transfer Book (STB) was likewise accomplished in 2015 and updated in 2016 to reflect the movement and transactions related to JHMC's Equity.



## ASSET MANAGEMENT

### **TOURISM**

The tourism industry remains the primary vehicle for job generation and economic growth in the City of Baguio. In year 2016, there were 85,669 tourists (compared to 69,987 tourists in 2015) who visited the Historical Core alone. The marketing of the Historical Core as a preferred destination for corporate events and family occasions was intensified with 54 marketing events, functions and eco-tours for the year.

### **BUSINESS DEVELOPMENT AND JOB GENERATION**

#### **John Hay Special Economic Zone Locators and Job Generation**

In 2016, employment increased by 9% with a total of 5,523 employed (from 5,090 employees in 2015), with the business processing outsourcing (BPO) facilities of the InterContinental Hotels Group (IHG) and Convergys accounting for 64% or 3,667 of these jobs.

Ninety-five percent (95%) of this workforce in the Zone is sourced from the BLISTT- Baguio City, La Trinidad, Itogon, Sablan, Tuba, Tublay and the Cordillera.

During the period 2011-2016, the number of locators in the JHSEZ increased by 54% with a total of 120 business enterprises. This resulted in an unprecedented increase of 292% in jobs generated in the Zone for the six-year period.

#### **New Businesses and Lease Contracts**

##### **1. Camp John Hay Mini-Hydro Power Plant in the JHRA**

In March 2016, the JHMC and BCDA signed the contract with the consortium of a Turkish company, Vendeka Bilgi Teknolojileri Ticaret Limited Sirketi and Isabela Power Corporation called Riverflow Ventures and Power Energy Corporation for the long-term lease of the 38-hectare BCDA property for the reconstruction, operation and maintenance of the Camp John Hay Mini-Hydro Power Plant that is projected to generate an estimated 3 megawatts of renewable and clean energy. The comprehensive feasibility study is currently being undertaken and the development stage is scheduled to commence in year 2017.

##### **2. Inbound Pacific, Inc. for the Mile-Hi Center and Cantinetta in the JHSEZ**

In December 2015, the Inbound Pacific, Inc. (IPI) signed a two-year contract of lease with the BCDA and JHMC for the Mile-Hi Center and the Cantinetta Restaurant, with areas of 6,275 square meters and 261 square meters, respectively.



### **3. Rustan Coffee Corporation/Starbucks in the JHSEZ**

In March 2016, the Rustan Coffee Corporation/Starbucks signed a five-year contract of lease with the BCDA and JHMC for a 206-square meter property along Sheridan Drive.

#### **Revenue Generation**

It is noteworthy that the Rental Income increased by 62% in CY 2016, which amounted to ₱60,859,681.96 (from an income of ₱31,628,485.94 in 2015). This increase is attributed to the new contracts entered into by the JHMC and BCDA with the IPI for the Mile-Hi Center and Cantinetta, and the Rustan Coffee Corporation/Starbucks. The collections from existing contracts with the InterContinental Hotels Group (IHG)-SC Reservations Philippines, Inc. (SCRPI), the Treetop Adventure Philippines, Inc. (TAPI), the Asian Institute of Management (AIM)-Igorot Lodge, the Philippine Economic Zone Authority (PEZA) and the venue rentals at the Historical Core likewise contributed to the increase in revenues for the year.

#### **Asset Disposition Manual**

In October 2016, the JHMC Board approved the Asset Disposition Manual which contains the guidelines for the disposition of land and other assets of the Corporation to prospective investors for business development.

### **LAND ASSET MANAGEMENT**

#### **Special Patent Application for BCDA Land**

The Special Patent Application (SPA) of the BCDA with the Department of Environment and Natural Resources (DENR), for lands within the CJHR covered by a Presidential Proclamation had been pending for the past 18 years (since 1997).

In 2015, the JHMC undertook the preparation of the complete survey returns for the new Consolidation and Subdivision Survey Plans of the CJHR, which is a requisite to the processing of the said application. All the surveys, which were done in-house through the JHMC's Land and Asset Management Division (LAMD), were jointly validated with the DENR, Land Management Service-CAR.

The SPA for the CJHR resulted in 5 New Consolidation and Subdivision Surveys with 31 Subdivision Lots covering 476 hectares of the JHSEZ and the JHRA. The processing of the applications was done in two phases, wherein the first phase covers the 258.76 hectares without ancestral land claims. The second phase of the SPA will cover the areas with ancestral land claims, and will be processed by the DENR upon the resolution of the related cases.

The first phase of the SPA was favorably endorsed by the Land Management Bureau LMB to the Office of the DENR Secretary in December 2015. The Secretary forwarded the same in March 2016 to the Office of the President for final approval.



### **Ancestral Land Claims**

In 2015, an Inter-Agency Task Force (IATF) on Ancestral Land Claims within the CJHR was created by the Office of the President (OP) which included representatives from the National Commission on Indigenous Peoples (NCIP), the BCDA and JHMC, the DENR and the Land Registration Authority (LRA).

The findings of the IATF were compared with the data obtained from the research work of the JHMC's LAMD in 2014 and the results of the 2013 Joint Technical Working Group (JTWG) on Ancestral Land Claims (with the OP, NCIP, BCDA-JHMC). This revealed an additional 13 Certificates of Ancestral Land Titles (CALTs) issued by the NCIP involving 32.457 hectares. This resulted to a total of 48 CALTs and 1 Certificate of Ancestral Domain Title (CADT) covering 217.5 hectares found overlapping with BCDA land.

In 2016, the JHMC has been coordinating with the Office of the President and the BCDA to resolve the findings on the ancestral land titles within the CJHR.

### **Barangay Segregation Program**

In May 2016, the BCDA Board of Directors approved the draft Executive Order (EO) submitted by the JHMC for the segregation of Barangay Hillside from the CJHR, which include the issuance of residential lot awards to the *bona fide* residents. The draft EO was subsequently submitted to the Office of the President for final approval.

The final Subdivision Survey Plan for Barangay Hillside, which was duly approved by the LRA in March 2015, together with the Transfer Certificate of Title of the BCDA, were submitted to the Registry of Deeds (RD) in the City of Baguio for the issuance of derivative titles for the identified 45 residential structures and reserve areas in the barangay. In 2016, additional documents were submitted to the RD-Baguio for the final release of the said titles.

### **Scout Barrio Housing Project**

The Scout Barrio Housing Project (SBHP) is a socialized housing program of the BCDA and JHMC, and involves the awarding of 163 lot awards to *bona fide* beneficiaries in the barangay. Of these, 160 have been awarded as of December 2016.

### **Project Management Services**

Among the major infrastructure projects undertaken by JHMC in 2016 include the Asphalt Overlay Road Projects of the Cemetery of Negativism Road, the roads leading to the BCDA Cottages, Starbucks, Cantinetta and the AIM-Igorot Lodge along Sheridan Drive, and the VOA Loghomes along Loakan Road covering a total area of 7,843 square meters. The project included the construction of curbs and gutters and protective railings along the roadsides.





## FOREST AND ENVIRONMENT MANAGEMENT

In partnership with the DENR, JHMC maintains a strong forest protection program through strict enforcement of forestry laws, rules and regulations with the apprehension of illegal occupancy, excavation and tree cutting activities in the Reservation.

### **National Greening Program**

The JHMC has consistently complied with Executive Order No. 21, otherwise known as the National Greening Program (NGP) of the government, by planting suitable trees (such as Benguet pine and coffee) within the inadequately stocked areas of Camp John Hay and the City of Baguio. Tree planting activities were conducted regularly with the participation of students, barangay representatives, and environment-oriented organizations. In 2016, a total of 2,670 trees were planted, and a total of 8,000 tree seedlings were propagated in the JHMC Plant Nursery.

### **Deed of Usufruct for the DENR-Watershed and Water Resources Research Center**

In June 2016, a Deed of Usufruct was signed between the BCDA, JHMC and the Office of the Secretary of the DENR, which allows the 33.74-hectare BCDA land to be used by the Watershed and Water Resources Research Center (WWRRC). This is in line with the sustainable Forest Management Program of JHMC wherein the facility shall provide assistance in the preservation and maintenance of the CJHR forest cover and its environs.

### **Barangay-Based Firelines**

The barangay-based firelines established by the JHMC aim to prevent and control the spread of forest fires. A total of 132,526 square meters of firelines within the JHRA were maintained as of year 2016.

### **Establishment of Camp John Hay's Environmental Management System certifiable to ISO 14001:2015**

Among the major accomplishments towards the goal of JHMC to establish its Environmental Management System certifiable to ISO 14001:2015 standards include the Solid Waste Management Manual (SWMM) and Hazardous Waste Management Guidance Manual (HWMGM) which were duly approved by the JHMC Board of Directors in June 2016.

The technical assessment of the Environmental Impact of JHMC's processes and activities were likewise undertaken in consultation with the DENR-EMB, CAR, wherein the need to obtain requisite permits were determined consistent with the implementation of the Philippine Environmental Impact System (PEISS).

In compliance with DENR Administrative Order No. 2013-22, otherwise known as the Revised Procedures and Standards for the Management of Hazardous Wastes, the JHMC has filed its online registration covering Hazardous Waste Number M 506, Waste Electrical and Electronic

Equipment (WEEE) and Hazardous Waste Number I 101, Used or Waste Oil. This is based on an actual hazardous waste inventory conducted by the Environment Management Division (EMD) in coordination with the General Services Division (GSD) in July 2016.

Regulatory and Permitting Review of projects and locators was accomplished to ensure that locators are compliant with applicable environment regulations, standards and permitting requirements.

Further, in August 2016, key personnel attended the ISO 14001:2015 Full Awareness Course.

### **Ambient Air Quality in the JHSEZ**

The JHMC has consistently maintained the Good Air Quality Index (readings from 0-50 ug/cubic meter PM 10) within the JHSEZ, with an average reading of 22.6 ug/cubic meter Particulate Matter 10 (PM 10), as validated by the DENR, Environment Management Bureau (EMB)-CAR in 2016. JHMC has two Pollution Control Officers whose accreditations were renewed by the aforesaid agency.

Further, in support of the Clean Air Initiatives in the Cordillera Region, the JHMC actively participates in various fora on the BLISTT-Airshed Technical Working Group headed by the EMB-CAR.

### **Memorandum of Agreement (MOA) for the Installation of the Continuous Ambient Air Monitoring Station**

The JHMC Board approved the Memorandum of Agreement (MOA) with the Central Office of the DENR-EMB for the Installation of the Continuous Ambient Air Monitoring Station within Camp John Hay. The MOA was duly signed by the two parties in February 2016. This monitoring station will continuously measure air pollutants and detect meteorological conditions such as wind speed and direction, temperature, barometric pressure and humidity, and assist the Corporation in determining the effects on the environment of current and future developments in the Camp.

### **Memorandum of Agreement for the "Adopt-An-Estero / Water body Program" of the DENR-EMB, CAR**

The JHMC Board likewise approved the MOA with the DENR-EMB, CAR for the "Adopt-An-Estero / Water Body Program" along the tributaries of the Bued River and waterways within and outside the CJHR. The MOA was signed by both parties on 27 July 2016 during the 1<sup>st</sup> Cordillera Environmental Summit held in Baguio City, and attended to by officials from the DENR Central and Regional Offices, the LGUs and partner agencies both from the government and private sectors.

Under the program, the partner agencies "adopt" portions of the identified waterway with the goal of improving its water quality through regular clean-up drives, planting of appropriate



species and installation of trash traps. They likewise conduct regular Information and Education Campaigns to increase the awareness and participation of the surrounding communities. The JHMC participated in the National Clean-Up Day on 17 September 2016 covering the areas of the CJHR along Loakan Road.

### **REGULATORY SERVICES**

#### **Special Economic Zone Administration Department/One-Stop-Action Center/Customs Clearance Area**

In CY 2016, the Special Economic Zone Administration Department (SEZAD)/One-Stop-Action Center (OSAC) has shortened the processing time for the issuance of regulatory permits for renewals to an average of eight (8) minutes, and for new applications to an average of one (1) calendar day.

The SEZAD continues to promote an investor-friendly business climate in the JHSEZ and ensures that all goods and articles entering and exiting the Zone are properly documented and inspected. The JHSEZ remains a "Zero- Smuggling Zone" as certified by the Bureau of Customs (BOC).

#### **Establishment of the Business Center**

The establishment of the Business Center at the SEZAD was approved by the JHMC Board in 2016. The purpose of which is to provide the JHSEZ locators a centralized office for payment of lease rentals and CUSA, as well as the issuance of all requisite permits in the Zone.

#### **JHMC-Office of the Building Official (OBO) / Project Management Division (PMD)**

The JHMC-OBO ensures compliance of all locators with the National Building Code and the Comprehensive Fire Code of the Philippines. In 2016, the OBO issued 12 Building Permits and 50 annual Mechanical and Electrical Permits in the JHSEZ. For the JHRA, there were 50 House Repair Permits issued by the PMD.

#### **Environment Management Services**

The EMD continues to implement a Comprehensive Environmental Management plan for all the locators through the conduct of inspections and monitoring of their compliance to applicable Environmental and Sanitation Laws, Rules, Regulations and Standards within the JHSEZ.

The EMD processed applications and issued the Certificates of Environmental Compliance (CEC) to the 69 locators that were due for renewal in 2016.



### **Citizen's Charter and Transparency Seal**

The Citizen's Charter, a comprehensive and detailed guide on the frontline services and process flows of JHMC was established in November 2012 and updated in CY 2016. The JHMC continues to enhance the Charter by shortening the processing time for the issuance of regulatory permits, and through its Quality Management System (QMS) certified to ISO 9001:2008 standards.

JHMC has likewise been consistently compliant with the Good Governance and Transparency requirements being monitored by the Inter-Agency Task Force (IATF) and the Governance Commission for GOCCs.

### **Advocacy for Related Legislation in Congress**

The JHMC collaborated with the House of Representatives for the filing of House Bill (HB) No. 4881 – *“An Act Providing for a Uniform Rate and Method of Incentives Among Subsidiaries of the Bases Conversion and Development Authority, Amending for the Purpose Republic Act No. 7227, As Amended, otherwise known as the “Bases Conversion and Development Act of 1992,” and for Other Purposes.”* This HB was previously approved by the Special Committee on Bases Conversion in December 2014, and subsequently referred to the Committee on Ways and Means. In 2016, the JHMC continues to participate and coordinate with other government agencies for the refiling of the HB in Congress.

The passage of this bill into law will allow JHMC to fully administer, monitor, and implement the uniform incentive schemes of the BCDA for its registered enterprises within the JHSEZ.

## **RISK MANAGEMENT**

### **Camp John Hay Development Corporation Legal Cases**

A continuing challenge of the JHMC are the pending cases filed by the BCDA against CJH DevCo, the private developer of the 247-hectare property within the JHSEZ, due to the non-payment of lease rentals amounting to about P3.7 Billion. The case is currently pending before the Supreme Court.

JHMC played a major role in the arbitration case in the Philippine Dispute Resolution Center, Inc. (PDRCI) when its officers took the stand as principal witnesses of the government.

### **Establishment of the Directors' and Officers' Liability Fund**

The Legal Department was instrumental in the establishment of the Directors' and Officers' Liability Fund (DOLF). The DOLF, which was duly approved by the GCG on 14 December 2015, will accord the Members of the Board of Directors and Officers of the JHMC the means to accomplish their fiduciary duties and obligations and act in the best interest of the



Corporation. This Fund will allow the proper recovery of the costs of litigation and judgment liability should these arise during the exercise of their official duties.

Subsequently, in April 2016, a Trust Agreement was executed between JHMC and the Land Bank of the Philippines (LBP) to administer the DOLF and ensure that said fund will be managed prudently and replenished accordingly.

## COMMUNITY RELATIONS

### **CORPORATE SOCIAL RESPONSIBILITY PROGRAMS**

#### **Educational Centers within the JHRA**

The JHMC, in its commitment to contribute to uplifting the education of the less fortunate school children, undertook various Corporate Social Responsibility (CSR) projects which included the annual participation in the Department of Education's "*Brigada Eswela*" wherein five schools within the City of Baguio and the JHRA benefitted in year 2016. This program includes clean-up drives, painting works and fabrication of student tables, chairs and book shelves.

Further, the JHMC submitted a proposed Road Map for the infrastructure development of schools within the JHRA to the Office of the DepEd Secretary. Relative to this, the construction of a 3-storey, 6-classroom building for the Country Club Village Elementary School (CCVES) was approved through the initiatives of the JHMC and the barangay, which was subsequently completed in December 2016.

#### **Outreach Program**

In November 2016, the JHMC conducted an Outreach Program in Banaue, Province of Ifugao in coordination with the PNP and the Provincial and Municipal Health Offices. Aside from the assistance of JHMC personnel in the Medical and Dental Missions, multivitamin supplements and medicines, various learning materials, toys, clothing, slippers and food items were provided to two indigent communities in barangays San Fernando and Gohang. There were a total of 212 school children and 294 households who benefited from the program.

### **PUBLIC RELATIONS**

The JHMC, in coordination with the BCDA, conducted public relations fora in 2016 to engage the stakeholders' participation in the various plans and programs of the BCDA and JHMC for Camp John Hay.

A "*Kapihan*" forum with the local press was likewise conducted during the year to apprise them on the efforts of the government relative to the legal cases against the CJH DevCo, and the protection of the interests of the general public who may have been affected by the aforesaid cases.



## GENDER AND DEVELOPMENT PROGRAM

To do its share in the administration's gender and development initiative, JHMC has strived to promote the significant role of women in advancing national development.

The JHMC conducted Awareness Seminars on Anti-Violence Against Women and Children, and Anti-Sexual Harassment and Gender Sensitivity with the assistance of the Civil Service Commission (CSC). The participants included JHMC personnel, student leaders and teachers from the Baguio City High School, barangay officials from the JHRA and the JHSEZ locators.

In July 2016, a GAD-Photo Contest with the theme: "*The Role of Women in a Growing Economy*" was sponsored by JHMC. There were 32 entries submitted and the awarding ceremony was done in December 2016.

In August 2016, the JHMC Board approved the establishment of a Lactation Station in the Workplace that is compliant with the provisions of Republic Act No. 10082. The station is made available for all employees, stakeholders and visitors of Camp John Hay.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation

The accompanying financial statements of JHMC have been prepared on the historical cost basis. The financial statements are presented in Philippine Pesos, which is the company's functional and reporting currency. All amounts are rounded off to the nearest Philippine Peso, except when otherwise indicated.

### Statement of Compliance

The accompanying financial statements have been prepared in conformity with the accounting principles generally accepted in the Philippines as set forth in the Philippine Financial Reporting Standards (PFRS).

The PFRSs issued by the Financial Reporting Standard Council consist of the following:

- a. PFRSs – correspond to International Financial Reporting Standards Issued by International Accounting Standards Board;
- b. Philippine Accounting Standards (PAS) – correspond to International Accounting Standards Issued by International Accounting Standards Committee and adopted by International Accounting Standards Board.
- c. Interpretations of International Financial Reporting Interpretations Committee (IFRIC) - Work closely in developing interpretations on;
  1. Newly identified financial reporting issues not specifically dealt with in IFRSs; and
  2. Issues where unsatisfactory or conflicting interpretations have developed, or seem likely to develop in the absence of authoritative guidance.



- d. Philippine Interpretations Committee (PIC) – correspond with Standing Interpretations Committee (SIC) developed by IASC to develop interpretations on reporting issues not dealt with IAS and unsatisfactory or conflicting interpretations.

From its incorporation, up to CY2012, the JHMC applied the NGAS Standard Chart of Accounts codes in recording journal entries. In CY2013 however, BCDA's Financial Management Services Department (FMSD) issued Accounting Memo No. AF-AM-2013-012 dated March 6, 2013, prescribing a new Standard Chart of Accounts codes. This was done to facilitate the consolidation of all the financial reports of the BCDA Subsidiaries, and was based on the International Financial Reporting Standards (IFRS) on home-office accounting. In compliance to the COA Circular No. 2015-010 dated 01 December 2015 and No. 2016-006 dated 29 December 2016, the financial statements balances as at 31 December 2015 and transactions covering the period 01 January 2016 to 31 December 2016 were converted to the Revised Chart of Accounts (RCA).

Accounting Policies Adopted

The following generally accepted accounting standards in the Philippines, amendments, and interpretations to existing standards that have been published by the International Accounting Standards Board (IASB) and adopted by the Financial Reporting Standards Council (FRSC) which became effective for accounting periods beginning on or after January 1, 2006 were adopted by the Company:

PFRS 7	Financial Instruments: Disclosures
IFRS 9	Financial Instrument
PFRS 13	Fair Value Measurement
PAS 1	(Presentation of Financial Statement)
PAS 2	Inventories
PAS 7	Cash Flow Statements
PAS 8	Accounting Policies, Changes in Accounting Estimates, and Errors
PAS 10	Events After the Statement of Financial Position Date (Events After the Reporting Period retitled 2007)
PAS 12	Income Taxes
PAS 16	Property, Plant and Equipment
PAS 17	Leases
PAS 18	Revenue
PAS 19	Employee Benefits
PAS 24	Related Party Disclosures
PAS 32	Financial Instruments: Disclosures and Presentation
PAS 36	Impairment of Assets
PAS 37	Provisions, Contingent Liabilities and Contingent Assets
PAS 39	Financial Instruments: Recognition and Measurement

These new standards, amendments and interpretations prescribe new accounting measurement and disclosure requirements applicable to the Company. When applicable, the

adoption of the new standards was made in accordance with the transitional provisions of the standards, otherwise the adoption of the new standards is accounted for as change in accounting policy under PAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors". The effects of these new standard, amendments and interpretations on the Company's accounting policies and on the amounts disclosed in the financial statements are summarized as follows:

**PAS 1, "Presentation of Financial Statements,"** This Standard prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owners changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements

#### Capital Stock

Common stock is the Securities and Exchange Commission (SEC) authorized capital shares issued and unissued by the Corporation to its stockholders.

#### Retained Earnings

Is the accumulated net earnings retained by the Corporation not declared as dividends as stated in Stockholders Equity Section of the Statement of Financial Position.

**PAS 2, "Inventories",** The objective of this Standard is to prescribe the accounting treatment for inventories. A primary issue in accounting for inventories is the amount of cost to be recognized as an asset and carried forward until the related revenues are recognized. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realisable value. It also provides guidance on the cost formulas that are used to assign costs to inventories and limits the alternatives for measurement of inventories. Inventories are measured at the lower of cost or net realizable value.

#### **Cost Formula**

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects shall be assigned by using specific identification of their individual costs.

The cost of inventories, other than those dealt with in using the specific identification, shall be assigned by using the first-in, first-out (FIFO) or weighted average cost formula. An entity shall use the same cost formula for all inventories having a similar nature and use to the entity. For inventories with a different nature or use, different cost formulas may be justified.





The use of the Last In, First Out (LIFO) formula to measure the cost of inventories is no longer acceptable.

JHMC uses the cost formula Moving Average Method.

**PAS 7, "Cash Flow Statements"**, requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement which classifies cash flows during the period from operating, investing and financing activities.

**PAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors,"** eliminates the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. The standard defines material omissions and misstatements and describes how to apply the concept of materiality when applying accounting policies and correcting errors.

**PAS 10, "Events after the Reporting Period,"** The objective of this Standard is to prescribe:

- (a) When an entity should adjust its financial statements for events after the reporting period; and
- (b) The disclosures that an entity should give about the date when the financial statements were authorized for issue and about events after the reporting period.

The Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.

#### Events after the Reporting Period

Post year-end events that provide additional information about the company's position at the Statement of Financial Position date (adjusting entries) are reflected in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes when material.

Clarifies that dividends declared after Statement of Financial Position date are not to be recognized as a liability at the Statement of Financial Position date.

**PAS 12, "Income Taxes,"** The objective of this Standard is to prescribe the accounting treatment for income taxes. The principal issue in accounting for income taxes is how to account for the current and future tax consequences of:

- (a) The future recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in an entity's statement of financial position; and
- (b) Transactions and other events of the current period that are recognized in an entity's financial statements.



### Income Tax

Income Tax expense comprises current and deferred tax. Income tax expense is recognized in the statements of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable with respect to previous years.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible differences, to the extent that is probable that taxable profit will be available against which the deductible differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply 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 at the Statement of Financial Position date.

### Value-added tax

Revenues, expenses and assets are recognized net of the amount of value-added tax except:

- Where the value-added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value-added tax is recognized as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value-added tax are included

### Input Tax

Input tax represents value added tax (VAT) paid to suppliers that can be claimed as credit against the Company's VAT liabilities.

### **PAS 16, "Property, Plant and Equipment,"**

Prescribes the accounting treatment for property, plant and equipment and related disclosure requirements. The Standard contains a limited revision to provide additional guidance and clarification on recognition and measurement of items of property, plant and equipment. It provides guidance on initial and subsequent recognition as well as measurement after recognition. It requires depreciation for each significant part of an item of property, plant and equipment. The standard also provides guidance on the determination of the carrying amount of the assets, the residual value, and depreciation period and de-recognition principles to be observed.

Property and equipment are carried at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and impairment losses, if any. Cost of an item of property and equipment consists of its purchase price and any cost attributable in bringing the asset to its intended location and working condition. Costs also include any asset retirement obligation and interest on borrowed funds used.



Subsequent costs are capitalized as part of Property and Equipment account, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation commences when the property and equipment are available for use and is computed on the straight line basis over the following estimated useful lives of the assets regardless of utilization. The useful life of the property and equipment is established by the Commission on Audit (COA) under COA Circular No. 2003-007 dated December 11, 2003. A residual value equivalent to ten percent (10%) of the acquisition cost/appraised value shall be deducted before dividing the same by the Estimated Useful Life.

The carrying value of property and equipment are reviewed for impairment when events or changes indicate that the carrying value may not be recovered.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income and expenses in the year the asset is derecognized.

Construction-in-Progress.

Construction in Progress is stated at cost. This consists of the actual costs to date of the unfinished project to include labor, materials and other direct costs. Construction in Progress is reclassified as an asset upon final completion and acceptance; and the depreciation thereon commences upon actual use in the operations.

**PAS 17, "Leases"** The objective of this Standard is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases. Provides limited revision to clarify the classification of a lease of land and buildings and prohibits expensing of initial direct costs in the financial statements of lessors.

**PAS 18, "Revenue"** Income is defined in the *Framework for the Preparation and Presentation of Financial Statements* as increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants. Income encompasses both revenue and gains. Revenue is income that arises in the course of ordinary activities of an entity and is referred to by a variety of different names including sales, fees, interest, dividends and royalties. The objective of this Standard is to prescribe the accounting treatment of revenue arising from certain types of transactions and events. The primary issue in accounting for revenue is determining when to recognise revenue. Revenue is recognized when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. This Standard identifies the circumstances in which these criteria will be met and, therefore, revenue will be recognized. It also provides practical guidance on the application of these criteria.



### Revenue and Expense Recognition

The Corporation adopts the accrual method of accounting for revenue and is recognized in the period when actually earned.

### Prepayments

Prepayments include expenses already paid for but not yet incurred. These are measured at amortized cost less any impairment, if any. Creditable taxes, performance bonds and security deposits are included in this category.

### **PAS 19, "Employee Benefits",**

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognise:

- (a) A liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- (b) An expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

Applies to all employee benefits offered by an employer to employees and their dependents and beneficiaries. This standard applies to employee benefits under: (i) formal plans and agreements between an enterprise and its employees, (ii) national, local, industry or multi-employer plans; and informal practices giving rise to a constructive obligation. This standard also identifies the following categories of employee benefits such as short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits.

### **PAS 24, "Related Party Disclosures,"**

The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

Provides additional guidance and clarity to the scope of the Standard, the definitions and the disclosures for related parties. It requires disclosure of the compensation of key management personnel.

### Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Transactions between related parties are based on terms similar to those offered to non-related parties.



### **PAS 32, "Financial Instruments: Disclosures and Presentation"**

The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset.

The principles in this Standard complement the principles for recognising and measuring financial assets and financial liabilities in IFRS 9 *Financial Instruments*, and for disclosing information about them in IFRS 7 *Financial Instruments: Disclosures*.

### **Financial Assets**

#### Cash and Cash Equivalents

Cash includes Petty Cash fund, Cash-on-Hand and in-Banks. Cash in bank in savings accounts earn interest at the respective bank deposit rates and these are deposits held at call with banks. Petty cash and technical funds are intended as working funds for a small amount of expenses such as periodicals, reproduction cost, transportation, etc. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement.

The Petty Cash Fund is being maintained under the Imprest Fund System.

Foreign Currency deposits are revalued at the exchange rate prescribed by the Bangko Sentral ng Pilipinas (BSP) as of Statement of Financial Position date.

#### Receivables

Receivable are initially measured at fair value plus or minus transaction cost that are directly attributable to the acquisition or issue of the receivable.

Receivables are carried subsequently at amortized cost, less any impairment loss. Gains and losses due to impairment are recognized in the profit or loss statement.

### **Financial Liabilities**

#### Payables

Payables are initially measured at fair value plus or minus transaction cost that are directly attributable to the acquisition or issue of the payable.

Payables are subsequently measured at amortized cost using the *effective interest method*.

**PAS 36 (Revised 2004), "Impairment of Assets"**, prescribes the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described to be impaired and the standard requires the entity to



recognize an impairment loss. The standard also specifies when an entity should reverse an impairment loss previously recognized. The revised standard clarifies the elements that should be reflected in the calculation of an asset's value in use. PAS 36 prescribes the frequency of impairment testing for intangible assets.

**PAS 37, "Provisions, Contingent Liabilities and Contingent Assets"**, ensures that appropriate recognition criteria and measurement basis are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to financial statements to enable users to understand their nature, timing and amount.

**PAS 39 (IFRS 9), "Financial Instruments: Recognition and Measurement"**,  
The objective of this IFRS is to establish principles for the financial reporting of *financial assets* and *financial liabilities* that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

#### *Initial Recognition of Financial Asset or Financial Liability*

At initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### **Subsequent Recognition**

After Initial recognition, an entity shall measure a Financial Asset at amortized cost or fair value.

An entity shall measure Financial Liabilities after initial recognition at amortized cost using effective interest method.

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### **3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

#### **3.1 Judgments**

The preparation of the Company's financial statements in conformity with Financial Reporting Framework (with reference to the Generally Accepted Accounting Principles of the Philippines) requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based on management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates, 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.

### **3.2 Estimates**

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the Company's financial statements:

- **Allowance for Doubtful Accounts**  
The Company assesses whether objective evidence of impairment exist for receivables and due from related parties that are individually significant and collectively for receivables that are not individually significant. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables.
- **Impairment of Inventories**  
The Company recognizes impairment on inventories whenever net realizable value of inventories become lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The impairment is reviewed on a monthly basis to reflect the accurate valuation in the financial records.
- **Estimated Useful Lives of Property and Equipment and Investment Property**  
The Company estimates the useful lives of property, plant and equipment based on the period over which the property, plant and equipment are expected to be available for use. The estimated useful lives of the property, plant and equipment are reviewed periodically and are 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 property, plant and equipment. In addition, the estimation of the useful lives of property, plant and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible; however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:



Land Improvements	10-40years
Building and Other Structures	10-30 years
Office & IT Equipment	5 years
Furniture and Fixtures	10 years
Books	5 years
Machineries and Equipment	7-10 years
Land Transportation Equipment	7 years
Intangible Assets	1 year

The foregoing estimated useful lives and depreciation method are based on COA Circular No. 2003-2007 dated December 11, 2003.

- **Impairment of Financial Asset and Liabilities**  
Accounts Receivable (AR) and Accounts Payable (AP) are periodically reviewed to determine its value for the period and to determine if there is impairment due to credit risk of debtors.
- **Impairment of Non-Financial Assets**  
The Company assesses the value of property, plant and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, and require the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property, plant and equipment and other long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges.

#### 4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	<b>CY2015</b>	<b>CY2016</b>
Cash on Hand	1,808,520.45	149,876.35
Cash in Bank-Local Currency	28,883,363.75	62,878,928.35
Cash in Bank-Foreign Currency	49,429.03	638,302.79
Cash Equivalents	22,643,820.58	12,705,977.62
<b>TOTAL</b>	<b>53,385,133.81</b>	<b>76,373,085.11</b>

*Cash in Bank - Local Currency, Current Account (LCCA)* consists of the OPEX Fund, Generated Fund, and Scout Barrio Fund which earns interest at the respective bank deposit rates. It also includes the lease rentals and Common Usage Service Area (CUSA) Fees from SC Reservations (Philippines), Inc. (SCRPI) or the InterContinental Hotels Group (IHG), Treetop Adventure Philippines, Inc. (TAPI), Inbound Pacific, Inc. (IPI) – Mile-Hi Center,



Inbound Pacific, Inc. (IPI)-Cantinetta and Rustan Coffee Corporation/Starbucks which is a non-interest bearing account. The above-stated accounts are deposited in the Development Bank of the Philippines (DBP).

The *Foreign Currency, Savings Account (FCSA)* represents the dollar collections from BCDA-PEZA Lease Agreement directly deposited by PEZA to JHMC's account at LBP. Monthly collections were regularly remitted to BCDA before the fifth day of the succeeding month.

*Cash Equivalents* consists of placements of cash in local currency with Authorized Government Depository Banks (AGDB), which are the DBP and LBP, for a period of 90 days or less.

Dollar depository accounts are restated at the year-end rate of ₱47.166:\$1.00 for CY 2015 and 49.813 PHP:1 USD for CY 2016.

## 5. RECEIVABLES

The account consists of the following:

	CY2015	CY2016
Loans and Receivable Accounts	254,885.28	281,260.91
Allowance for Impairment-Accounts Receivable	(1,105.78)	(14,063.05)
Inter-Agency Receivable	195,983.33	376,293.34
Intra-Agency Receivable	42,618,556.77	25,801,832.23
Other Receivables	12,421,387.77	13,695,353.81
<b>TOTAL</b>	<b>55,489,707.37</b>	<b>40,140,677.24</b>

*Loans and Receivable Accounts* includes various receivables from clients with age of less than 1 year with an *Allowance for Impairment* of 5% based on the approved policy on ageing of AR.

*Inter-Agency Receivables* are amounts due from the other GOCCs and consists mainly of receivables from the Social and Security System (SSS) for the advance payments made for the maternity benefits of JHMC employees.

*Intra-Agency Receivables* are amounts due from BCDA and due from other funds maintained by JHMC. Amounts that are *Due from BCDA* consist of Land-Related Costs advanced by the JHMC on behalf of the BCDA for CY2015 and CY2016. These are regularly billed to BCDA for reimbursement.

The *Due from Other Funds* consist of funds for transfer from other bank accounts. This account also includes the ₱4,000,000.00 Trust Fund deposited with the LBP for the Directors' and Officers' Liability Fund (DOLF). The DOLF, which was duly approved by the GCG in December 2015, will accord the Members of the Board of Directors and Officers of the JHMC the means to accomplish their fiduciary duties and act in the best interest of the Corporation. This Fund is exclusively earmarked for the payment of the costs of litigation

and the judgment liability should these arise in the course of the exercise of their official duties and on matters where business judgment has been exercised in good faith. It also includes Value Added Tax (VAT) added by suppliers for the goods and services procured by JHMC in the amount of ₱2,849.47, however no final billing statements have been submitted. This account has been included in the accrued expenses of CY 2016.

*Other Receivables* consist of *Due from Officers and Employees* which consist of receivables from former members of the Board of Directors and separated and/or current officers and employees of JHMC for telephone charges and miscellaneous receivables that are being deducted from their respective salaries on a monthly basis. This account also consists of *Disallowances/Charges* totaling ₱13,504,656.86 with the following breakdown:

- missing properties that were included in the Lease Agreement between the CJH DevCo and BCDA in 1996 with a net book value of ₱2,793,547.50;
- employer's share on Employees' Provident Fund for the years 2002-2003 in the amount of ₱1,336,358.57;
- other benefits granted to personnel of JPDC in the amount of ₱1,125,751.05;
- other benefits granted to previous employees of JHMC in the amount of ₱235,000.00;
- benefits granted to former BODs in the amount of ₱572,000.00;
- Notices of Final Disallowances for CY2012 in the amount of ₱1,395,151.61 is recorded for the disallowed benefits of the Board of Directors and Office of the Government Corporate Counsel (OGCC) lawyers covering the CYs 1996 to 2001;
- under collection of the redemption book value of car plan on March 1997 from previous Directors in the amount of ₱186,291.77; and
- Grant of Life and Health Insurance benefits to the employees of JHMC for the period 1997 to 2004 amounting to ₱4,043,733.64.
- Salary increases of the JHMC employees covering the period May 2006 to September 2007 in the amount of ₱1,263,962.02

## 6. INVENTORIES

This account consists of the following:

	<b>CY2015</b>	<b>CY2016</b>
Office Supplies Inventory	959,992.08	684,680.56
Other Supplies Inventory	206,665.33	199,404.33
Construction Materials Inventory	5,866,050.09	5,866,050.09
<b>TOTAL</b>	<b>7,032,707.50</b>	<b>6,750,134.98</b>

*Office and Other Supplies Inventory* consists cost or value of purchased/acquired office supplies used in the daily operations of the Corporation.

*Other Supplies Inventory* consists of supplies and materials not falling under any of the specific inventory accounts held for consumption including prepaid mobile card loads for issuance to authorized employees in subsequent periods.

*Construction Materials Inventory* consists of unused steel fences for the perimeter fencing of Camp John Hay. The project was however discontinued in previous years due to the opposition from the residents in the CJHR barangays.

Further, half of the remaining inventory of these steel fencing materials was supposed to be used for the perimeter fence of the PEZA-MOOG Controls leased area in CY 2016. However, due to failure in the bidding process conducted by the PEZA, the project has remained pending and may be due for completion in year 2017 upon approval of the Commission on Audit (COA).

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**7. OTHER ASSETS (Current)**

*This account consists of the following:*

	<b>CY2015</b>	<b>CY2016</b>
Advances to Officers and Employees	2,798.97	4,954.47
Prepaid Insurance	43,030.32	159,106.25
Input tax - Goods	1,036,197.98	1,289,011.40
Input tax - Services	3,055,740.44	3,749,706.67
Input tax - Capital Goods	-	81,806.19
Guaranty Deposits	2,132,039.98	2,130,943.41
<b>TOTAL</b>	<b>6,269,807.69</b>	<b>7,415,528.39</b>

*Advances to Officers and Employees* are cash advances for travelling expenses and for other special purposes to be liquidated after the purpose for which it was availed have been served.

*Prepaid Insurance* consists of unexpired portions of the fire and earthquake insurance premiums of the Bell House, warehouses and JHMC Cottages including its contents, and motor vehicle insurance premiums.

*Input Tax for Goods, Services and Capital Goods* are Value Added Tax (VAT) added by suppliers to their invoices paid by the corporation.

*Guaranty Deposits* (see Note 8)

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**8. GUARANTY DEPOSITS**

This account consists of the following deposits with:



	<b>CY2015</b>	<b>CY2016</b>
Philippine Fuji Xerox	5,390.00	5,390.00
BENECO	1,096.57	-
Feliza Ronquillo	12,216.37	12,216.37
Smart Communications	8,260.00	8,260.00
DENR-CENRO	14,750.00	14,750.00
National Labor Relations Commission	2,090,327.04	2,090,327.04
<b>TOTAL</b>	<b>2,132,039.98</b>	<b>2,130,943.41</b>

A deposit equivalent to a two-month rental was made to Ms. Feliza Ronquillo for the lease of her property currently being occupied as an outpost by the Forest Patrol Guards of JHMC.

The amounts due from DENR-CENRO are performance bonds for duly authorized tree cutting and/or pruning activities.

Deposits made to the National Labor Relations Commission (NLRC) are appeal bonds which are required pending the resolution of various labor cases filed against the JHMC.

## 9. INVESTMENTS

This account consists of the following:

	<b>CY2015</b>	<b>CY2016</b>
Investments in Time Deposits	37,799,495.06	38,549,747.44
Other Investments	132,000.00	132,000.00
<b>TOTAL</b>	<b>37,931,495.06</b>	<b>38,681,747.44</b>

*Investments in Time Deposits* are authorized placements of cash in local and foreign currency with AGDBs for a *period* of 91 days or more. There are 2 *local currency time deposits (LCTD)* at DBP with maturity period of ninety (90) days and a *foreign currency time deposits (FCTD)* deposited at LBP which is a dollar fund earmarked for the JHMC Retirement Fund with placement period of two hundred seventy one (271) days.

This account consists of 6,600 shares with ₱1.00 par value Common Stock with Pilipino Telephone Company (PILTEL). On 7 May 2010, PILTEL was renamed PLDT *Communications and Energy Ventures, Inc.* New stock certificates in the name of JHMC were reissued in August 2011.

## 10. PROPERTY, PLANT AND EQUIPMENT (PPE) and INTANGIBLE ASSET

PPE records are in place and actual physical count of existing properties was conducted in CY 2016. The concise and accurate record for each Property Ledger Card and Property Card is being fully implemented.

*Land and Other Improvements* are the various land improvements made within area of the JHSEZ.



*Building and Other Structures* is inclusive of the building currently being leased by the SCRPI / IHG, in the amount of ₱22 million. The earnings from the lease rentals is classified as EMF-Rent Income by JHMC in its Statement of Profit or Loss and is deducted from the Estate Management Fee paid for by the BCDA.

*Land Transport Equipment* includes the Company vehicles designated for official purposes and those assigned to the Corporation's President and Chief Executive Officer and the Vice President and Chief Operations Officer.

*Construction-in-Progress* account consists of the cost of construction of the Carport in the JHMC Office Complex undertaken in CY 2010 and CY 2011, which is due for reconciliation in CY 2017.

	Land Improvements	Building and Other Structures	Office Equipment	Land Transport Equipment	Other Machinery and Equipment	Furnitures and Fixtures	Books	Construction in progress	TOTAL PPE	Intangible Assets
<b>At December 31, 2015</b>										
Cost	2,716,924.97	39,479,750.21	11,742,330.27	15,835,917.83	4,134,359.09	4,437,753.59	11,294.00	1,143,151.63	79,501,481.59	1,350,441.42
Accumulated Depreciation	(456,281.89)	(19,689,068.11)	(9,234,451.20)	(9,691,393.62)	(3,094,978.34)	(3,982,630.59)	(4,160.30)	-	(46,152,964.05)	(1,140,141.42)
<b>Net carrying Amount</b>	<b>2,260,643.08</b>	<b>19,790,682.10</b>	<b>2,507,879.07</b>	<b>6,144,524.21</b>	<b>1,039,380.75</b>	<b>455,123.00</b>	<b>7,133.70</b>	<b>1,143,151.63</b>	<b>33,348,517.54</b>	<b>210,300.00</b>
<b>At December 31, 2016</b>										
Cost										
January 1, 2016	2,716,924.97	39,479,750.21	11,742,330.27	15,835,917.83	4,134,359.09	4,437,753.59	11,294.00	1,143,151.63	79,501,481.59	1,350,441.42
Reclassification	-	-	-	-	88,380.00	-	-	-	88,380.00	-
Additions/Acquisitions	-	-	607,680.78	-	271,875.00	30,074.40	-	-	909,630.18	394,263.39
Adjustments/Dispositions	-	(262,183.80)	(2,241,876.33)	-	(551,684.00)	(1,413,140.00)	-	(978,606.63)	(5,447,490.76)	-
	2,716,924.97	39,217,566.41	10,108,134.72	15,835,917.83	3,942,930.09	3,054,687.99	11,294.00	164,545.00	75,052,001.01	1,744,704.81
Accumulated Depreciation										
January 1, 2016	(456,281.89)	(19,689,068.11)	(9,234,451.20)	(9,691,393.62)	(3,094,978.34)	(3,982,630.59)	(4,160.30)	-	(46,152,964.05)	(1,140,141.42)
Reclassification										
Provision	(120,573.84)	(1,194,168.26)	1,394,323.40	(817,014.01)	320,485.02	1,300,520.58	(2,033.04)	-	881,539.85	(383,865.85)
	(576,855.73)	(20,883,236.37)	(7,840,127.80)	(10,508,407.63)	(2,774,493.32)	(2,682,110.01)	(6,193.34)	-	(45,271,424.20)	(1,524,007.27)
<b>Net Carrying Amount</b>	<b>2,140,069.24</b>	<b>18,334,330.04</b>	<b>2,268,006.92</b>	<b>5,327,510.20</b>	<b>1,168,436.77</b>	<b>372,577.98</b>	<b>5,100.66</b>	<b>164,545.00</b>	<b>29,780,576.81</b>	<b>220,697.54</b>

In CY 2016, the JHMC Disposal Committee was able to dispose unserviceable PPEs with Net Book Value (NBV) of ₱1.00 and below. The total cost of the disposed PPE is ₱4,168,002.65 with Accumulated Depreciation of ₱4,167,383.65 and a total NBV of ₱619.00. The disposal of the remaining unserviceable properties is on-going.

*Intangible Assets* (not part of PPE) consists of cost of licenses for computer software amortized over a period of one year.

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## 11. LOANS AND RECEIVABLE – LONG TERM

This account consists of receivables that are due for more than one year in the amount of ₱14,733,583.58, with *Allowance for Doubtful Account* in the amount of ₱11,093,056.74. This includes the unsettled car plans from the former Members of the JHMC Board of Directors (BOD) in CY 1998 and CY 2007, in the amount of ₱3,379,651.09. The reconciliation and validation of the available supporting documents of the individual accounts is on-going. The Motor Vehicle Lease-Purchase Plan of JHMC provides that an officer who avails of the plan has an option to purchase the vehicle upon separation from the service at a redemption book value, provided monthly amortizations have been paid for at least one year.

This account also consists of receivables from various clients and receivables from the Camp John Hay Development Corporation (CJH DevCo) amounting to ₱5,922,515.83 representing the net gain derived from the demolition of cottages and structures in the leased area, and payable to JHMC pursuant to the Agreement dated March 25, 1998. Section 6 of the Agreement provides that *“upon the completion of the above-stated demolition of structures in Camp John Hay, the net gain that may be derived will pertain to the former JPDC and, in case of net loss, the CJH DevCo will solely shoulder the loss. Net gain is equivalent to the appraised value of the structure demolished less the cost of demolition.”*

Other Receivables incorporated in the AR for CY 1996, substantially consists of the uncollected receivables from the use of government facilities by concessionaires, travel agencies, government entities and other corporations during the Resort Operations. Also included are accounts of establishments amounting to ₱2,024,737.53 which have one hundred percent (100%) allowance for doubtful accounts since these have remained outstanding since 1996.

On 13 April 2015, the JHMC Board of Directors (BOD) approved Board Resolution No. 2015-0413-073, authorizing JHMC Management to seek authority from COA to write-off the undocumented AR aged over 10 years, exclusive of the AR from CJH DevCo and former Directors of JHMC, in the amount of ₱2,046,190.96 pursuant to the JHMC Policy on Aging of AR, Setting-up of Allowances for Bad Debts and Writing-Off of Uncollected Accounts. In its letter dated 27 April 2015, JHMC Management sought COA authority for the write-off of the ₱2,046,190.96. Additional documents were submitted in June 2016 to support the request for write-off. The request is pending as of the Financial Statements date.

In CY2016, some of the ARs were adjusted/reclassified with other affected accounts which were found to be recorded erroneously upon validation of prior years' records.

On 23 September 2013, the JHMC Board of Directors approved the policy for setting up of Allowance for Doubtful Accounts and the Writing-Off of uncollectible accounts. The receivables are classified as follows:



<b>Age of Accounts</b>	<b>% of Allow. For Bad Debts</b>
Less than 1 year	5%
Over 1 year to 3 years	10%
Over 3 to 5 years	15%
Over 5 years to 10 years	20%
Over 10 years	100%

The validation and documentation of the ARs are ongoing. About ₱7.3M or 45% of the total ARs as of CY 2014 have been validated with supporting documents. The corresponding demand letters and/or notices of collection to the established ARs have been forwarded to the last known addresses of the concerned individuals/ entities through the Finance Department. These shall be subject to writing-off after all collection efforts have been exhausted and upon approval by the JHMC Board of Directors and the COA. Included in these accounts is the tax due on the retirement benefits given to 12 retired employees amounting to ₱1,062,608 which was not withheld by the previous Finance Officers from 2003 to 2006. Three demand letters were sent to these individuals and the approval for its request for write-off was approved by the BOD through Board Resolution No. 2016-0926-147 dated 26 September 2016.

## 12. OTHER ASSETS (non-current)

This account consists of the following:

	<b>CY2015</b>	<b>CY2016</b>
Hydro - Electric Power Plant	4,390,000.00	4,390,000.00
Unserviceable Machinery and Equipment		
Furniture and Equipment	6,893,253.28	6,882,130.28
<b>TOTAL</b>	<b>11,283,253.28</b>	<b>11,272,130.28</b>

The appraised value of the *Hydro-Electric Power Plant* is based on the Appraisal Report submitted to the BCDA by the eValuePhils. Inc. (eVPI) dated 03 July 2004. This power plant has been unserviceable since Camp John Hay was transferred under the ownership and administration of the BCDA in 1993. In CY 2014, the COA Technical Team assisted the JHMC in evaluating the appraised value of this asset.

In CY 2015 the JHMC Board approved the amended Terms of Reference for the long-term lease of the 38-hectare BCDA Property for the Reconstruction, Operation and Maintenance of the CJH Mini-Hydro Power Plant through public bidding. In December 2015, the project was subsequently awarded to the consortium of a Turkish company, the Vendeka Bilgi Teknolojileri Ticaret Limited Sirketi and Isabela Power Corporation, called Riverflow Ventures and Power Energy Corporation and the lease contract was duly signed with the BCDA and the JHMC on 16 March 2016.



The Riverflow Ventures is currently in the process of securing local government permits as required by the Renewal Energy Act of the 2008.

*Other Assets* In CY2016, the JHMC Disposal Committee undertook the disposal of PPEs recorded under Other Assets with NBV of ₱1.00 and below. The total cost of the disposed Other Assets is ₱18,589,826.67 with Accumulated Depreciation of ₱18,578,685.67 and a total NBV of ₱11,123.00. The disposal of the remaining unserviceable properties with NBV of above ₱1.00 is ongoing.

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### 13. FINANCIAL LIABILITIES

*This account consists of the following:*

	<b>CY2015</b>	<b>CY2016</b>
Accounts Payable	17,786,847.75	18,184,124.49
Accrued Expenses	14,936,848.38	12,067,013.20
Due to Officers & Employees	348,366.11	359,609.07
<b>TOTAL</b>	<b>33,072,062.24</b>	<b>30,610,746.76</b>

*Accounts Payable (AP)* consists mainly of the following:

- Unreleased Checks as of 13 December 2016 totaling ₱10,339,348.68
- Utility Bills recorded as payable to CJH DevCo in the amount of ₱4,142,151.08, for electricity, water, garbage and telephone charges for the period covering years 2000 to 2007; and
- PB Alberto Surveying in the amount of ₱120,000.00 for the survey conducted in the unleased areas of Camp John Hay.

To date, the payable accounts are adjusted and reclassified in accordance with the available documents except for accounts with unverified details which need to be further cross-checked as to its validity and existence.

JHMC has long discontinued the practice of setting up AP with inadequate or no documentation.

*Accrued Expenses* pertain to the expenses incurred in CY2013 to CY2016 but remain unpaid at year end. Among the items included are the unpaid security services, telephone charges, subscriptions, utilities, travelling costs, supplies, gasoline, consultancy services, repair and maintenance and personnel benefits.

*Due to Officers and Employees Account* consists mainly of collections from Bid Documents and reimbursement of expenses of employees in excess of their cash advances.

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### 14. INTER-AGENCY PAYABLES

*This account consists of the following:*





	<b>CY2015</b>	<b>CY2016</b>
Due to BIR	3,816,340.17	4,997,250.11
Due to SSS	125,778.24	145,584.06
Due to PhilHealth	62,275.00	12,332.52
Due to PAGIBIG	19,721.19	82,439.74
<b>TOTAL</b>	<b>4,024,114.60</b>	<b>5,237,606.43</b>

*Due to BIR* consists of withheld taxes from disbursements as of 31 December 2016 and CY2016 4<sup>th</sup> quarter income tax payable in the amount of ₱4,726,469.58.

*Due to SSS, PhilHealth and Pag-IBIG* are deductions withheld from salaries of JHMC employees and employers' share to be remitted to the respective offices.

## 15. INTRA-AGENCY PAYABLES

This account consists of the following:

	<b>CY2015</b>	<b>CY2016</b>
Due to BCDA	4,366,561.72	4,366,561.72
Due to BCDA - Revenue Collection	7,906,220.56	8,002,162.85
Due to BCDA - Other Funds	4,005,929.37	158,451.00
Due to Other Funds	6,306,153.92	2,146,439.67
<b>TOTAL</b>	<b>22,584,865.57</b>	<b>14,673,615.24</b>

*Due to BCDA* account consists of CAPEX funds received for prior years mainly from 2007 projects and also includes lease rentals from the Asian Institute Management (AIM) for 1997.

*Due to BCDA- Revenue Collection* account comprises mainly of rental fees collected from the SCRPI / IHG, TAPI, IPI-Mile-Hi Center and IPI-Cantinetta, Rustan Coffee Corporation, PEZA, the AIM-Igorot Lodge (directly paid to BCDA), the Scout Barrio Housing Project (SBHP) for the sale of lots, and generated revenues from the JHSEZ. The collections under this account are regularly remitted to BCDA in accordance with the prescribed schedule of remittance under our amended Performance Agreement (PA) in 2014.

The SCRPI / IHG lease rental however, was deducted from the Estate Management Fee (EMF) paid for by the BCDA, as this is presented as EMF-Rent Income in the Profit or Loss Statement of JHMC pursuant to the accounting principle of matching recording of assets and revenues.

*Due to BCDA – Other Funds* is a temporary account for uncollected billed revenues to locators and would be reversed upon collection, and amounts to be transferred to other bank accounts upon verification of supporting data.

Breakdown of the *Due to Other Funds* is as follows:

	<b>CY2015</b>	<b>CY2016</b>
Scout Barrio Fund	420,405.99	219,437.36
Adopt a Tree	390,818.93	390,818.93
Disallowances/Charges	652,572.96	652,572.96
Provident Fund	727,419.54	727,419.54
Directors' & Officers' Liability Fund (DOLF)	4,000,000.00	-
Transfer of Funds (Generated & OPEX Funds)	3,700.00	44,954.38
Sale of Disposed Assets Booked by BCDA	111,236.50	111,236.50
<b>TOTAL</b>	<b>6,306,153.92</b>	<b>2,146,439.67</b>

*Scout Barrio Fund* refers to the remaining balance of funds for the reimbursement of BIR penalties to the Scout Barrio Housing Project (SBHP) beneficiaries but deferred due to change of payees' name.

*Due to Other Funds-Adopt-A-Tree* represents collections from sponsors who have committed to provide funds for the preservation of Benguet Pine trees within the CJHR. As of 2009, a total of 97 Pine trees have been adopted by private entities. The project may be revived in CY 2017 and shall form the basis for the utilization of the funds.

*Disallowances/Charges* are those amounts paid in cash and/or deducted from claims of the Separation Incentive Packages (SIP) by former employees from year 2010 and prior years, which were settled even before the Notice for Finality of Decision (NFD) was issued. Reconciliation of this account with the list of payees for the issued NFD for the Grant of Life and Health Insurance benefits to the JHMC employees for the period covering years 1997 to 2004 is currently being undertaken.

## 16. TRUST LIABILITIES

This account consists of the following:

	<b>CY2015</b>	<b>CY2016</b>
Guaranty/Security Deposits Payable	655,456.85	703,088.35
Customers' Deposits Payable	4,574.70	6,000.00
<b>TOTAL</b>	<b>660,031.55</b>	<b>709,088.35</b>

*Guaranty/Security Deposits Payable* are the incurred liability arising from the receipt of cash or cash equivalents to guaranty: (a) that the winning bidder shall enter into contract with JHMC; and (b) performance by the contractor of the terms of the contract. This includes security deposit paid by AIM in 2007 amounting to ₱200,000.00 and other retention fees of contractors.

*Customers' Deposits Payable* are advances paid by clients for future services and venue rentals and were directly deposited to JHMC's bank account.

## 17. DEFERRED CREDITS/UNEARNED REVENUE INCOME



This account consists of the following:

	CY2015	CY2016
Deferred Credits	1,412,190.18	1,116,085.00
1998 Unamortized Portion of Car Plan	313,684.93	313,684.93
2007 Unamortized Portion of Car Plan	2,992,130.55	2,992,130.55
<b>TOTAL</b>	<b>4,718,005.66</b>	<b>4,421,900.48</b>

The Deferred Credits account consists of:

	CY2015	CY2016
Deferred Income Tax	1,062,608.22	1,062,608.22
Bell Amphitheatre Rentals - Advances	349,581.96	53,476.78
<b>TOTAL</b>	<b>1,412,190.18</b>	<b>1,116,085.00</b>

*Deferred Income Tax* pertains to the estimated tax liabilities arising from release of retirement benefits of resigned or retired employees for the period 2003 to 2006, wherein the former Finance Officer did not withhold the taxes due. Collection letters were sent in August 2016 however to date, no responses have been received by JHMC. Some of the letters were returned indicating that the addressee is unknown. A request for write-off will be sent to the COA in CY2017, after verifying the status of the first letter for write-off sent to them in April 2015.

*Unamortized Portion of Car Plan:* In compliance to the recommendations of the Auditor, this account was initially closed into Retained Earnings in CY2013, however in CY2015, it was re-established due to the retrieval of records for the 2007 Car Plan and the analyses of other related accounts.

The project for the analyses and retracing of records of this account was undertaken by the Finance Department in CY2015. This included evaluation of the historical records of the journal entries in order to provide the possible correcting entries after the analyses of the Receivable, Payable and the Equity accounts. Based on the records, two out of the eleven 2007 Car Plans have been settled. The project shall be continued in CY 2017 through a project-based employee.

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## 18. OTHER PAYABLES

This account comprises of deductions from salaries of previous JHMC employees to cover for disallowances previously assessed by the COA and waiting for finality of decision.

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## 19. DEPOSIT FROM PROSPECTIVE INVESTORS

This consists of the equity contribution of BCDA that accumulated through the years, which may be converted into shares of stock of JHMC with a total amount of Two Hundred Sixty



Three Million Eight Hundred Fourteen Thousand Seventy Eight Pesos and Ninety Seven Centavos (P263,814,078.97) in CY 2015.

On 04 November 2015, the BCDA Board of Directors approved the Deed of Assignment for the conversion of BCDA's Deposit for Future Stock Subscriptions (DFSS) (*previous terminology used prior to conversion to RCA*) in the total amount of P263,814,078.97 into 2,638,140 shares of stock with a par value of One Hundred Pesos (P100.00). The BCDA subsequently executed a Deed of Assignment in favor of JHMC to assign and transfer its DFSS to JHMC in exchange for shares of stock in JHMC's increased authorized capital stock.

(See Note 28 for other details)

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## 20. MANAGEMENT FEE

This amount represents JHMC's Estate Management Fee (EMF) for the administration of Camp John Hay. The Amended Performance Agreement between the BCDA and JHMC provides that BCDA shall release in 2016, the amount of P68.56 Million as the EMF, and an additional P1,240,301.00 representing the Supplemental Budget for the year. This account is reduced by the equivalent amount of rent from SCRPI / IHG remitted to BCDA totaling P19,142,371.11.

All revenues generated by the Camp thereafter shall be remitted to BCDA, except collections from the CUSA fees, overtime services of the SEZAD and interest income from money placements and regular savings/current bank accounts.

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## 21. MANAGEMENT FEE-RENT INCOME

This represents the rent received by JHMC, net of taxes withheld, from SCRPI / IHG on behalf of BCDA. This amount is deducted from the Estate Management Fee of JHMC for CYs 2014 to 2016. BCDA reports the IHG rent as their taxable income and JHMC presents it in its Statement of Income and Expenses as Rent Income in compliance to the accounting principle of matching, i.e. recording of assets and revenues, since the building rented by IHG is recorded in the books of JHMC under PPE. On the other hand, the tax for the income is chargeable to the account of BCDA.

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## 22. COMMON USAGE SERVICE AREA (CUSA) FEES

The CUSA Fees are collected for the purpose of ground maintenance in the JHSEZ. These were derived from the existing contracts with the SCRPI/IHG and TAPI, as well as from the new lease contracts with IPI-Mile-Hi Center, IPI-Cantinetta signed in December 2015, and beginning March 2016 for Rustan Coffee Corporation/Starbucks.

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## 23. OTHER SERVICE INCOME



This account consists of collections from clients and locators for overtime services rendered by the employees of JHMC's SEZAD, with overtime rates as follows:

Particulars	Rate per Hour
<i>Weekdays</i>	
8:00 am to 5:00 pm	143.788
10:00 pm to 6:00 am	158.166
<i>Week-ends and Holidays **</i>	
8:00 am to 5:00 pm	149.539
10:00 pm to 6:00 am	164.493

\*\*Request for overtime by locators and clients during weekends and holidays must be for a minimum of 4 hours.

The overtime pay for JHMC personnel rendering services at the SEZAD/CCA are sourced from these collections with the following data analyses:

<i>Analyses of SEZAD Overtime Income vs Expenses:</i>	CY2015	CY2016
Total Service Income from Overtime	552,807.98	518,877.36
Less: Overtime expense paid to employees	296,750.44	168,776.28
<b>Income from SEZAD Overtime Collections</b>	<b>256,057.54</b>	<b>350,101.08</b>

#### 24. MISCELLANEOUS INCOME

*Miscellaneous Income* in CY2015 refers to the administrative fee of JHMC for the Scout Barrio Housing Project (SBHP) released by BCDA.

#### 25. PERSONAL SERVICES

This account consists of the following:

	CY2015	CY2016
Salaries and Wages	13,375,367.24	13,287,155.71
Personnel Economic Relief Allowance	582,601.09	580,875.93
Representation Allowance	1,340,185.00	1,335,352.47
Transportation Allowance	1,208,434.87	1,202,140.80
Clothing/Uniform Allowance	184,000.00	200,000.00

Cash Gift (DBM Circ. No. 2010-1)	253,500.00	253,000.00
Mid-Year Bonus (GCG Circ. No. 2016-01)	1,214,929.69	1,098,401.00
Year-End Bonus (GCG Circ. No. 2016-01)	-	1,162,059.70
Other Bonus and Allowance	245,000.00	250,000.00
Overtime	626,415.93	563,048.56
Rice Subsidy	1,053,000.00	1,061,509.09
Other bonuses and allowances- Productivity Incentive	1,064,344.17	252,000.00
Other bonuses and allowances- Performance Enhancement	1,661,216.32	1,669,383.00
Performance Based Bonus-PBB (GCG MC No. 2013-05 re-issued)	1,995,000.00	1,995,000.00
Life and Retirement Insurance Contributions(SSS)	644,744.40	650,895.90
Pag-IBIG Contributions	58,500.00	59,250.00
PhilHealth Contributions	154,762.50	156,487.50
ECC Contributions (SSS)	15,350.00	15,310.00
Other Personnel Benefits-Vacation & Sick Leave Benefits	1,178,472.60	826,488.04
Separation Incentive Pay	-	115,943.34
Other Personnel Benefits-Maternity Benefits	-	139,832.40
Business Development and Other Allowance	240,000.00	240,000.00
Overtime Services rendered by SEZAD	296,750.44	168,776.28
<b>Total Personal Services</b>	<b>27,392,574.25</b>	<b>27,282,909.72</b>

**26. MAINTENANCE AND OPERATING EXPENSES**

This account consists of the following:

Particulars	CY2015	CY2016
Traveling Expenses – Local	2,454,818.38	2,304,067.49



Traveling Expenses – Foreign	63,147.64	-
Training Expenses	1,737,328.92	1,361,397.85
Office Supplies Expenses	1,281,313.78	1,999,679.58
Accountable Forms Expenses	5,250.00	10,850.00
Fuel, Oil and Lubricants Expenses	930,107.43	728,922.73
Other Supplies Expenses	203,326.14	261,802.28
Water Expenses	47,508.91	134,603.71
Electricity Expenses	81,022.80	21,507.27
Postage and Courier Services	20,333.61	13,658.00
Telephone Expenses	672,047.83	642,799.90
Internet Subscription Expenses	117,695.24	212,774.15
Cable, Satellite, Telegraph and Radio Expenses	-	9,603.21
Miscellaneous Expenses-PRP	79,364.21	98,833.39
Legal Services	108,132.77	249,901.82
Auditing Services	2,138,066.96	2,307,934.71
Consultancy Services	554,044.34	545,268.42
Other Professional Services	2,206,808.35	2,430,000.00
Janitorial Services	641,108.97	680,634.32
Security Services	1,432,452.91	1,440,144.91
Other General Services	73,025.00	62,963.33
Repairs and Maintenance Expenses	1,056,220.41	913,157.27
Taxes, Duties and Licenses	211,259.43	379,897.16



Fidelity Bond Premiums	30,000.00	33,150.00
Insurance Expenses	74,669.33	66,475.05
Advertising & Promotional Expense	913,598.75	647,439.28
Printing & Publication Expenses	221,861.51	316,792.45
Representation Expenses	1,480,051.79	1,383,760.36
Rent/Lease Expense	2,082.00	1,500.00
Membership Dues and Contributions to Organizations	5,000.00	-
Donations	84.00	-
Directors & Committee Members' Fees	6,299,958.94	5,692,011.08
Documentary Stamps Expense	250.00	-
Other Maintenance and Operating Expenses (OMOE)	762,579.11	834,369.85
OMOE - Common Usage Service Area (CUSA)	-	512,137.14
OMOE - Corporate Social Responsibility	72,446.41	67,729.77
OMOE - Gender & Development	322,796.89	399,832.78
OMOE - Quality Management Services	786,168.94	677,296.13
Bank Charges	-	3.00
<b>Total MOOE</b>	<b>27,185,931.70</b>	<b>27,442,898.39</b>

Breakdown of the benefits of the JHMC Board of Directors is as follows:

	<b>CY2015</b>	<b>CY2016</b>
Per diem	1,882,000.00	1,659,000.00
Representation allowance-BOD	816,115.17	959,907.93
Transportation allowance-BOD	431,493.58	374,231.29
Travel allowance-BOD	903,784.01	867,830.96
Communication expense-BOD	130,566.18	159,040.90
Performance Based Bonus	2,136,000.00	1,672,000.00
<b>Total</b>	<b>6,299,958.94</b>	<b>5,692,011.08</b>





The benefits of the JHMC Board of Directors are in compliance with Executive Order (EO) 24 issued on 10 February 2011.

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## 27. NON-CASH EXPENSES

This expense includes periodic allocation of cost for the wear and tear of Property, Plant and Equipment (PPE) and intangible assets in accordance with the prescribed policy on depreciation and amortization, the recognized loss incurred due to impairment of loans and receivables and the recognize amount of loss suffered by the corporation due to theft/fortuitous events/calamities/civil unrest and events of same nature for which relief has been granted. This account is broken down as follows:

	<b>CY2015</b>	<b>CY2016</b>
Depreciation	3,737,409.07	3,293,178.80
Amortization-Intangible Assets	247,619.70	383,865.85
Impairment Loss-Loans & Receivables	451,070.59	1,639,503.70
Loss of assets	46,567.81	24,607.00
	<b>4,482,667.17</b>	<b>5,341,155.35</b>

*Loss of Asset* in CY2015 includes the carrying value of the Panagbenga Marker located in the Historical Core that was damaged by a typhoon in October 2015. Further, in CY2016, the JHMC Board of Directors, through Board Resolution No. 2016-0405-057, approved the disposal of movable properties and its NBV was included in this account. This was validated in the Inventory and Inspection Report of Unserviceable Property (IIRUP) dated 15 March 2016. The disposal of the said properties was undertaken on 24 June 2016 in the presence of the COA representatives. This account includes replaced PPEs during the year which were validated through Waste Material Reports.

## 28. OTHER INCOME/(EXPENSES)

*Interest Income* comes from interests earned on investments/placement of funds to time deposits and from bank deposits.

*Gain/Loss on Foreign Exchange (FOREX)* is the recognized gain/(loss) from the conversion of foreign currency accounts to local currency at balance sheet date.

*Gain on Sale of Property, Plant & Equipment (PPE)* in CY2015 refers to the gain from the disposal of five (5) motor vehicles.

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## 29. SHARE CAPITAL

The shares of stocks are wholly-owned by BCDA and one (1) share is given to each appointed Member of the JHMC Board of Directors. In April 2015, the BCDA and JHMC Board of Directors approved the increase of JHMC's Authorized Capital Stock from 1,200,000 shares to 5,000,000 shares.



In March 2016, the GCG approved the application of the JHMC for the aforesaid and the Certificate of Approval of Increase in Authorized Capital Stock was subsequently issued by the Securities and Exchange Commission (SEC) on 09 June 2016. The Authorized Capital Stock of JHMC has now increased from ₱120,000,000.00 divided into 1,200,000 shares with par value of ₱100.00 per share to ₱500,000,000.00 divided into 5,000,000 shares with par value of ₱100.00 per share.

By virtue of a Deed of Assignment executed between BCDA and JHMC, BCDA's Deposit for Future Stock Subscription valued at Two Hundred Sixty Three Million Eight Hundred Fourteen Thousand Seventy Eight Pesos and Ninety Seven Centavos (₱263,814,078.97) was converted into 2,638,140 shares of Capital Stock thereby increasing BCDA's stock subscription to a total of 3,838,140 shares of stock in JHMC's increased Authorized Capital Stock.

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**30. RETAINED EARNINGS' ADJUSTMENT OF PRIOR YEARS**

This account consists mainly of the salary increases of the JHMC employees covering the period May 2006 to September 2007 which were disallowed with a Notice of Finality of Decision (NFD) from the COA dated 02 June 2016 in the amount of ₱1,263,926.02.

It also includes adjustments of revenues and expenses of prior years that have been established as reconciling items, and the cancellation of various payables that have no supporting documents with a total net amount of ₱869,578.49.

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**31. COMPLIANCE WITH TAX LAWS**

In compliance with the requirements of RR15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

a. Value-Added Tax:	
VAT input taxes	1,028,585.84
VAT output taxes	0.00
<hr/>	
b. Documentary stamps tax:	0.00
<b>Total</b>	<b>1,028,585.84</b>

c. Withholding Taxes:

The withholding taxes paid and accrued for the year are as follows:

Tax on compensation and benefits	2,165,907.10
Creditable withholding tax	
Expanded	590,962.20
G-VAT	901,453.69



Fringe Benefit Tax	112,941.16
<b>Total</b>	<b>3,771,264.15</b>

d. Other taxes and licenses are as follows:

Local	
Business Tax	none
<b>Total</b>	<b>0.00</b>

National	
BIR Annual Registration	500.00
PEZA Administrative Fee	45,000.00
Registration & Renewal of Vehicles	23,896.60
Other Taxes	0.00
<b>Total</b>	<b>69,396.60</b>

### 32. COMPLIANCE WITH DIVIDENDS LAW

John Hay Management Corporation (JHMC) as Government-Owned or -Controlled Corporation is covered by Republic Act 7656 or "AN ACT REQUIRING GOVERNMENT-OWNED OR -CONTROLLED CORPORATIONS TO DECLARE DIVIDENDS UNDER CERTAIN CONDITIONS TO THE NATIONAL GOVERNMENT, AND FOR OTHER PURPOSES", where such law mandates that "All government-owned or -controlled corporations shall declare and remit at least fifty percent (50%) of their annual net earnings as cash, stock or property dividends to the National Government. This section shall also apply to those government-owned or -controlled corporations whose profit distribution is provided by their respective charters or by special law, but shall exclude those enumerated in Section 4 hereof: Provided, That such dividends accruing to the National Government shall be received by the National Treasury and recorded as income of the General Fund. (Section 3 of RA7656)

In the last quarter of 2016, JHMC formally requested the Department of Finance for an exemption or a "downward adjustment" of the required percentage of declaration of dividends to the Philippine National Government with the following provisions:

1. In the interest of national economy and general welfare, the percentage of annual net earnings that shall be declared by a government-owned or -controlled corporation may be adjusted by the President of the Philippines upon recommendation by the Secretary of Finance. (SEC. 5. *Flexible Clause* RA7656)
2. In the interest of the national economy and general welfare, and in consideration of the viability of the GOCCs and the purposes for which these were established, the percentage of annual Net Earnings that shall be declared by the GOCC may be adjusted by the President of the Philippines below the minimum of 50% Dividend rate, upon recommendation by the Secretary of Finance.



3. Subject to Section 7 (a) of these Rules, a downward adjustment in dividends rate below the minimum of 50% may be allowed for the following cases: (i) where there is presence of a deficit as reflected in the GOCC's latest Statement of Equity, (ii) where the GOCC's viability or the purpose for which the GOCC has been established will be impaired by the payment of the required Dividends; (iii) where the declaration and remittance of Dividends at the minimum dividends rate will breach the minimum regulatory requirements (e.g. capital level and ratios as may be required by the BSP; (iv) for GOCCs governed by Batas Pambansa Blg. 68 (or the Corporation Code of the Philippines), where the declaration and remittance of Dividends at the minimum dividends rate exceeds the unrestricted retained earnings of the GOCC. ((Section 7a Flexibility Revised IRR of RA 7656).
4. The Board of Directors of a stock corporation may declare dividends out of the unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. .xxxx. (BP 68. **Sec. 43. Power to declare dividends**)

### 33. STATUS OF PENDING LITIGATIONS

Among the cases filed by and against JHMC/BCDA are the following:

	Case Title and Docket Number	Where Pending
<b>Labor Cases:</b>		
1	<i>Joseph Enver Serafico Agcaoili vs. JHMC, Jamie Eloise Agbayani, in her personal capacity, and the NLRC</i> CA-G.R. SP No. 147784; NLRC LAC No. 07-001729-14; NLRC RAB-CAR-06-0223-13 (R-03-15) Remanded for: Illegal Dismissal	Court of Appeals (Seventh Division)
2	<i>JHMC and Dr. Jamie Eloise Agbayani vs. NLRC (First Division) and Atty. Genevieve Padua Ayochock</i> CA-G.R. SP No. 146234; NLRC LER Case 01-002-16; NLRC RAB-CAR-03-0106-13 for: Illegal Dismissal	Court of Appeals (Second Division)
3	<i>JHMC and Jamie Eloise Agbayani both in her personal capacity and company President vs. NLRC and Ana Kristina T. Badon</i> CA-G.R. SP No. 140123; NLRC LAC 10-002647; NLRC-RAB-CAR-12-0487-13 for: Illegal Suspension/Constructive Dismissal	Court of Appeals
4	<i>Nonnette Bennett vs. JHMC and NLRC</i> CA-GR SP No 120039; NLRC Case No. I-AC LAC-02-000351-10 for: Illegal Dismissal	Court of Appeals



5	<i>Jezl Boado vs. JHMC, and Jamie Eloise Agbayani and Michelle Niebres, in their personal capacities.</i> G.R. 228399; CA-SP G.R. No. 142489; NLRC LAC No 07-001728-14; NLRC RAB-CAR-07-0246-13 for: Illegal Dismissal	Supreme Court
6	<i>Ruel C. de Leon vs. JHMC and Dr. Jamie Eloise M. Agbayani</i> NLRC RAB-CAR-11-0405-11 for: Illegal Dismissal	NLRC Regional Arbitration Branch-CAR
7	<i>JHMC represented by its President and CEO, Dr. Jamie Eloise Agbayani vs. NLRC (Third Division) and Arthur Leonard Odsey</i> CA-G.R. SP No. 140845; NLRC LAC No 07-001730-14(8); NLRC RAB-CAR-06-0224-13 for: Illegal Dismissal	Court of Appeals (Sixteenth Division)
8	<i>Eric Jonathan M. Picart vs. JHMC, et al.</i> NLRC RAB-CAR-07-0163-12 for: Illegal Dismissal	NLRC (First Division)
9	<i>Kurt Cedric Salvador vs NLRC (1st Div.), et al.</i> CA-G.R. SP No. 116049; NLRC LAC No. 02-000517-09 and LIC No. 03-0017-09; NLRC-RAB-CAR-03-0131-08 for: Illegal Dismissal	Court of Appeals Second Division
10	<i>Rizzel D. Pascua vs. NLRC, JHMC, Jamie Eloise Agbayani, et al.</i> CA-GR SP 140261; NLRC LAC 11-002785; NLRC RAB-CAR-04-0155-14 for: Illegal Dismissal	Court of Appeals
<b>Civil Cases:</b>		
11	<i>John Hay Springs Inc (JHSI) vs. JHMC, Mita Angela Dimalanta and Renegio Basilan.</i> Civil Case No. 7618-R for: Injunction, et al.	Regional Trial Court Branch 5, Baguio City
12	<i>CJH DevCo vs. Hon. Cecilia Corazon Archog, BCDA, JHMC</i> CA-GR SP No. 145039 Petition for Certiorari from RTC Order denying inhibition; Civil Case No. 7887-R for: Indirect Contempt	Court of Appeals
13	<i>BCDA and JHMC vs. City Government of Baguio</i> SP G.R. 192694; Civil Case No. 7124-R for: <u>Prohibition</u> with prayer for issuance of a Writ of Preliminary Injunction and/ or <u>Permanent Injunction</u>	Supreme Court
<b>COA Cases:</b>		

14	<i>JHMC, rep. by Jamie Eloise Agbayani, President and CEO vs. Hon. Lynn Suerte Felipe-Sicangco</i> Re: Decision No. 2014-248 (COA ND No 2008-003)	COA, Quezon City
15	<i>JHMC represented by Jamie Eloise Agbayani vs. Esther E. Miana and Lourdes D. Benitez</i> Re: COA ND No. 2013-001	COA
16	<i>Genevieve Ayochok vs. JHMC and Jamie Eloise M. Agbayani</i> COA CP Case No. 2015-577 for: Money Claim Based on Final and Executory Court-Adjudicated Judgement	COA, Quezon City
17	<i>Jamie Eloise Agbayani, et al. vs. Rebecca Aganon and Robert Padilla</i> Re: ND No. 2016-001 (2015)	COA Regional Director
18	<i>Jamie Eloise Agbayani, et al. vs. Rebecca Aganon and Robert Padilla</i> Re: ND No. 2016-002 (2015)	COA Regional Director
19	<i>JHMC rep. by Jamie Eloise Agbayani vs. Joseph Anacay, Director IV</i> Re: COA CP Case No.2016-509 (ND No. 2014-001 (10))	COA, Quezon City
20	<i>Jamie Eloise Agbayani vs. Rebecca Aganon and Roberto Padilla</i> Re: Decision No. 2016-01 (2016)	COA Regional Director
21	Request for Reconsideration of Audit Observation Memorandum 2014-08 dated 15 April 2014	COA
<b>Other Cases:</b>		
22	<i>BCDA &amp; JHMC vs. JHWSI &amp; NWRB</i> G.R. 218862; CA-G.R. SP No. 129190; NWRB Case No. 2011-015 In Re: Petition for Increase of Volume of Water under Permit No. 0121803	Supreme Court
23	In Re: Application for Extension of Service, <i>John Hay Water System, Inc. (JHWSI)</i> , Applicant NWRB Case No. 10-147	NWRB, Baguio City
24	<i>Complaint against JHMC/Ma. Cristina Corona</i> CPL-L-09-0326 For: Abuse of Power and Misuse of Public Fund	Office of the Deputy Ombudsman for Luzon

#### 34. EVENT AFTER THE REPORTING PERIOD

There is no significant event that occurred after the reporting period that has an impact on the corporation's financial position.



**CONDENSED STATEMENT OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2015**

	CY2015	CY2015 NGAs Code	2015 Difference RCA
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	53,385,133.81	91,184,628.87	-37,799,495.06
Receivables	55,489,707.37	55,492,506.34	-2,798.97
Inventories	7,032,707.50	7,032,707.50	0.00
Other Assets	6,269,807.69	6,267,008.72	2,798.97
<b>Total Current Assets</b>	<b>122,177,356.37</b>	<b>159,976,851.43</b>	<b>-37,799,495.06</b>
<b>Non-Current Assets:</b>			
Investments	37,931,495.06	132,000.00	37,799,495.06
Property, Plant and Equipment - Net	33,348,517.54	33,558,817.54	-210,300.00
Intangible Assets	210,300.00		210,300.00
Accounts Receivable - Long Term, Net	5,407,945.53	5,407,945.53	0.00
Other Assets	11,283,253.28	11,283,253.28	0.00
<b>Total Non-Current Assets</b>	<b>88,181,511.41</b>	<b>50,382,016.35</b>	<b>37,799,495.06</b>
<b>TOTAL ASSETS</b>	<b>210,358,867.78</b>	<b>210,358,867.78</b>	<b>0.00</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities:</b>			
Financial Liabilities	33,072,062.24	32,723,696.13	348,366.11
Inter-Agency Payables	4,024,114.60	4,024,114.60	0.00
Intra-Agency Payables	22,584,865.57	22,584,865.57	0.00
Trust Liabilities	660,031.55	0.00	660,031.55
Deferred Credits/Unearned Revenue Income	4,718,005.66	1,416,764.88	3,301,240.78
Other Long-Term Liabilities	0.00	3,305,815.48	-3,305,815.48
Other Payables	139,370.89	1,143,193.85	-1,003,822.96
<b>TOTAL LIABILITIES</b>	<b>65,198,450.51</b>	<b>65,198,450.51</b>	<b>0.00</b>
<b>DEPOSIT FROM PROSPECTIVE INVESTORS</b>			
Balance at beginning of year	263,814,078.97	263,814,078.97	0.00
Additional equity/Adjustment	0.00	0.00	0.00
<b>Balance at year-end</b>	<b>263,814,078.97</b>	<b>263,814,078.97</b>	<b>0.00</b>
<b>EQUITY</b>	<b>(118,653,661.69)</b>	<b>(118,653,661.69)</b>	<b>-</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>210,358,867.78</b>	<b>210,358,867.78</b>	<b>0.00</b>

