



**INDEPENDENT AUDITOR'S REPORT**

**Mr. ALLAN R. GARCIA**  
President and Chief Executive Officer  
John Hay Management Corporation  
Loakan, Baguio City



*Qualified Opinion*

We have audited the financial statements of John Hay Management Corporation (JHMC), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of JHMC as at December 31, 2019, its financial performance, and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

*Basis for Qualified Opinion*

1. JHMC did not declare and remit to the national government cash dividends of P16,896,842.00 from net earnings in 2018, in violation of RA No. 7656. Accordingly, dividends in arrears were not recognized in the books resulting in the understatement of liabilities by P16,896,842.00.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

*Key Audit Matters*

Except for the matter described in the *Basis for Qualified Opinion* section, we have determined that there are no other key audit matters to communicate in our report.

*Responsibilities of Management and those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

COMMISSION ON AUDIT

By:

  
CRISTINA B. MAGUIN  
Supervising Auditor

August 6, 2020



Republic of the Philippines  
Office of the President

**JHMC**

JOHN HAY MANAGEMENT CORPORATION  
a member of The BCDA Group



**ANNEX M**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**  
**FOR FINANCIAL STATEMENTS**

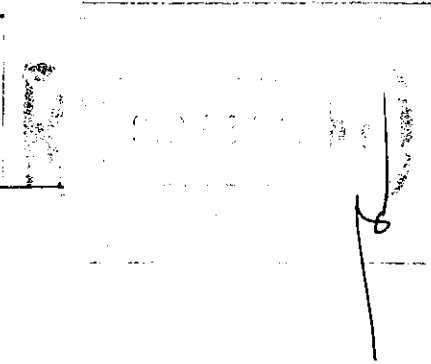
The Management of the JOHN HAY MANAGEMENT CORPORATION is responsible for the preparation of the financial statements as at 31 December 2019, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

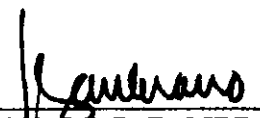
The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

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

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

FEB 07 2020  
Date Signed



  
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**RONALD B. ZAMBRANO**  
Finance Manager

FEB 07 2020  
Date Signed

  
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**ALLAN R. GARCIA**  
President and CEO

FEB 07 2020  
Date Signed

**JOHN HAY MANAGEMENT CORPORATION**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**GENERAL FUND**  
**AS AT DECEMBER 31, 2019**



	Notes	2019	2018
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	6	80,749,808.92	105,140,963.56
Investments	7	83,716,736.66	58,713,452.43
Receivables	8	39,739,002.50	46,124,457.12
Inventories	9	5,019,800.68	6,781,358.94
Other Assets	13	5,132,624.08	4,187,710.61
<b>Total Current Assets</b>		<b>214,357,972.84</b>	<b>220,947,942.66</b>
<b>NON-CURRENT ASSETS</b>			
Investments	7	5,632,000.00	5,632,000.00
Receivables	8	892,023.45	847,180.76
Investment Property	10	16,502,080.66	17,489,590.78
Property, Plant and Equipment	11	14,197,896.19	10,673,247.16
Intangible Assets	12	241,071.44	567,315.24
Other Assets	13	6,882,130.28	6,882,130.28
<b>Total Non-Current Assets</b>		<b>44,347,202.02</b>	<b>42,091,464.22</b>
<b>TOTAL ASSETS</b>		<b>258,705,174.86</b>	<b>263,039,406.88</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Financial Liabilities	14	14,649,429.58	46,068,408.75
Inter Agency Payables	15	17,231,886.44	22,584,276.50
Intra Agency Payables	16	-	2,724,160.97
Trust Liabilities	17	1,682,920.78	2,726,182.81
Deferred Credits/Unearned Revenue/Income	18	464,242.90	103,806.05
Other Payables	19	138,978.18	401,868.70
<b>TOTAL LIABILITIES</b>		<b>34,167,457.88</b>	<b>74,608,703.78</b>
<b>EQUITY</b>			
Retained Earnings/(Deficit)		(159,276,361.99)	(195,383,375.87)
Stockholders' Equity	27	383,814,078.97	383,814,078.97
<b>TOTAL EQUITY</b>		<b>224,537,716.98</b>	<b>188,430,703.10</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>258,705,174.86</b>	<b>263,039,406.88</b>

*The notes on pages 15 to 20 form part of these statements.*



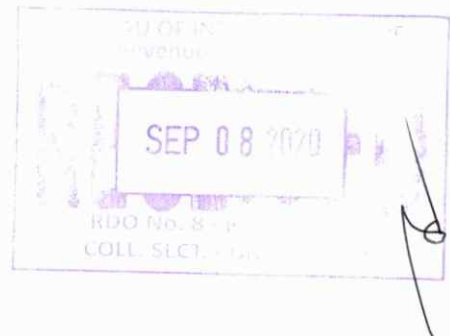


**JOHN HAY MANAGEMENT CORPORATION**  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**



	Notes	2019	2018
<b>REVENUE/INCOME</b>			
Service and Business Income	20	115,672,211.22	109,877,571.96
Gains	21	564,716.95	890,959.03
Other Non-Operating Income	22	15,702.00	175,073.00
<b>TOTAL INCOME</b>		<b>116,252,630.17</b>	<b>110,943,603.99</b>
<b>LESS: Current Operating Expenses</b>			
Personnel Services	23	49,529,303.49	57,807,367.63
Maintenance and Other Operating Expenses	24	32,573,430.45	31,791,018.16
Non-Cash Expenses	25	4,502,639.42	3,778,335.59
<b>TOTAL CURRENT OPERATING EXPENSES</b>		<b>86,605,373.36</b>	<b>93,376,721.38</b>
<b>NET INCOME/ (LOSS) before tax</b>		<b>29,647,256.81</b>	<b>17,566,882.61</b>
<b>Income Tax Expense/(Benefit)</b>		15,400,053.73	7,054,663.33
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>14,247,203.08</b>	<b>10,512,219.28</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		-	-
<b>COMPREHENSIVE INCOME/(LOSS)</b>		<b>14,247,203.08</b>	<b>10,512,219.28</b>

*The notes on pages 20 to 23 form part of these statements.*



**JOHN HAY MANAGEMENT CORPORATION**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**



	Notes	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Collection of Income/Revenue		108,549,738.35	114,027,770.21
Collection of Receivables		488,263.67	664,779.57
Receipt of Inter-Agency Fund Transfers		63,044,463.87	104,300,258.55
Trust Receipts		354,439.83	284,039.30
Other Receipts		1,113,783.09	976,375.68
<b>Total Cash Inflows</b>		<b>173,550,688.81</b>	<b>220,253,223.31</b>
Adjustments		1,151,263.00	39,629,957.44
<b>Adjusted Cash Inflows</b>		<b>174,701,951.81</b>	<b>259,883,180.75</b>
<b>Cash Outflows</b>			
Payment of Expenses		64,911,684.55	74,991,246.26
Purchase of Inventories		879,895.84	813,787.03
Grant of Cash Advances		2,175,288.23	2,553,812.36
Prepayments		89,858.32	993,358.81
Refund of deposits		90,325.00	-
Payment of Accounts Payable		2,836,798.19	4,723,290.12
Remittance of Personnel Benefit Contributions and Mandatory Deductions		16,612,794.79	17,257,150.26
Release of Inter-Agency Fund Transfers		54,214,090.85	116,430,374.43
Other Disbursements		40,148.00	95,083.91
<b>Total Cash Outflows</b>		<b>141,850,883.77</b>	<b>217,858,103.18</b>
Adjustments		58,131,338.54	19,195,486.46
<b>Adjusted Cash Outflows</b>		<b>199,982,222.31</b>	<b>237,053,589.64</b>
<b>Net Cash Provided By/(Used In) Operating Activities</b>	26.1	<b>(25,280,270.50)</b>	<b>22,829,591.11</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Proceeds from Sale/Disposal of Property, Plant and Equipment		753,400.00	641,721.75
Collection of COB for Capital Outlay		1,168,000.00	1,847,500.00
<b>Total Cash Inflows</b>		<b>1,921,400.00</b>	<b>2,489,221.75</b>
<b>Cash Outflows</b>			
Purchase/Construction of Property, Plant and Equipment		672,010.54	1,532,654.70
Purchase of Intangible Assets		360,000.00	1,100,555.54
<b>Total Cash Outflows</b>		<b>1,032,010.54</b>	<b>2,633,210.24</b>
<b>Net Cash Provided By/(Used In) Investing Activities</b>	26.2	<b>889,389.46</b>	<b>(143,988.49)</b>
<b>Increase/(Decrease in Cash and Cash Equivalents</b>		<b>(24,390,881.04)</b>	<b>22,685,602.62</b>
<b>Effects of Exchange Rate Changes on Cash and Cash Equivalents</b>	26.3	<b>(273.60)</b>	<b>220.28</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>		<b>105,140,963.56</b>	<b>82,455,140.66</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>		<b>80,749,808.92</b>	<b>105,140,963.56</b>

*The notes on pages 23 to 28 form part of these statements.*

**JOHN HAY MANAGEMENT CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**



NOTE	Retained Earnings/ (Deficit)	Share Capital	Share Pre- mium	TOTAL
<b>BALANCE AT 01 JANUARY, 2018</b>	(203,625,026.92)	383,814,000.00	78.97	180,189,052.05
<b>CHANGES IN EQUITY FOR 2018</b>				
Add/(Deduct):				
Issuance of Share Capital				-
Comprehensive Income for the Year	10,512,219.28			10,512,219.28
Other Adjustments	(2,270,568.23)			(2,270,568.23)
<b>BALANCE AT 31 DECEMBER, 2018</b>	<b>(195,383,375.87)</b>	<b>383,814,000.00</b>	<b>78.97</b>	<b>188,430,703.10</b>
<b>CHANGES IN EQUITY FOR 2019</b>				
Add/(Deduct):				
Issuance of Share Capital				-
Comprehensive Income for the Year	14,247,203.08			14,247,203.08
Other Adjustments	21,859,810.80			21,859,810.80
<b>BALANCE AT 31 DECEMBER, 2019</b>	<b>(159,276,361.99)</b>	<b>383,814,000.00</b>	<b>78.97</b>	<b>224,537,716.98</b>

*The notes on pages 28 form part of these statements.*