



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

John Hay Management Corporation
John Hay Special Economic Zone
Baguio City

Report on the Financial Statements

We have audited the accompanying financial statements of the John Hay Management Corporation (a wholly-owned subsidiary of the Bases Conversion and Development Authority), which comprise the statement of financial position as at December 31, 2013, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with state accounting principles generally accepted in the Philippines, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Property and equipment account is overstated as it includes office building with net book value of P15.349 million belonging to the Bases Conversion and Development Authority (BCDA). Relatedly, depreciation expense of P3.711 million for the year is overstated and the reported net profit of P3.036 million is understated, both by the amount of P0.739 million. On the other hand, property and equipment stated at a net book value of P10.391 million could not be established because the records maintained by the accounting and property offices were not updated and reconciled. We were not able to perform alternative audit procedures because of the inadequacy of accounting records.

Qualified Opinion

In our opinion, except for the effects and the possible effects of the matters described in the *Basis for Qualified Opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of John Hay Management Corporation as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with state accounting principles generally accepted in the Philippines.

**Report on the Supplementary Information
Required Under BIR Revenue Regulation 15-2010**

The Management of John Hay Management Corporation has not presented the supplementary information on taxes, duties and license fees required for purposes of filing with the Bureau of Internal Revenue. Such information is not a required part of the basic financial statements. Our opinion on the basic financial statements is not affected by the non-presentation of the information.

COMMISSION ON AUDIT



LOURDES D. BENITEZ
OIC - Supervising Auditor

30 April 2014

JOHN HAY MANAGEMENT CORPORATION

(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)

STATEMENT OF FINANCIAL POSITION**December 31, 2013**

(With comparative figures as of December 31, 2012)

(In Philippine Peso)

	Notes	2013	2012
ASSETS			
Current Assets			
Cash and cash equivalents	3	77,151,438	68,728,000
Receivables	4	21,450,468	8,824,610
Inventories	5	7,383,578	7,358,263
Prepayments	6	2,294,069	253,227
Guaranty deposits	7	836,725	594,203
Total Current Assets		109,116,278	85,758,303
Non-Current Assets			
Investments	8	132,000	132,000
Property and equipment	9	35,969,154	47,427,539
Other assets	10	22,064,469	33,651,865
Total Non-Current Assets		58,165,623	81,211,404
TOTAL ASSETS		167,281,901	166,969,707
LIABILITIES, NET OF CAPITAL DEFICIENCY			
Current Liabilities			
Payable accounts	11	21,495,220	19,535,870
Inter-agency payables	12	2,289,857	1,443,985
Intra-agency payables	13	10,825,320	10,338,352
Other liability accounts	14	703,976	823,292
Total Current Liabilities		35,314,373	32,141,499
Long-Term Liabilities	15	0	3,737,356
Deferred Credits	16	1,116,608	1,145,608
Deposit for Future Stock Subscriptions	17	263,814,079	259,127,331
Capital Deficiency		(132,963,159)	(129,182,087)
TOTAL LIABILITIES, NET OF CAPITAL DEFICIENCY		167,281,901	166,969,707

See accompanying Notes to Financial Statements.

JOHN HAY MANAGEMENT CORPORATION

(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)

STATEMENT OF PROFIT OR LOSS**For the year ended December 31, 2013**

(With comparative figures for the year ended December 31, 2012)

(In Philippine Peso)

	Notes	2013	2012
REVENUES			
Estate management fee	18	68,788,457	65,183,988
General income	19	9,577,736	5,878,050
Gross Income		78,366,193	71,062,038
OPERATING EXPENSES			
Personal services	20	21,407,317	22,487,493
Maintenance and other operating expenses	21	53,276,890	41,243,053
Financial expenses		3,505	2,818
Total Expenses		74,687,712	63,733,364
OPERATING INCOME		3,678,481	7,328,674
OTHER INCOME (EXPENSES)	22	702,505	(171,145)
NET PROFIT BEFORE INCOME TAX		4,380,986	7,157,529
Income Tax Expense		(1,345,104)	0
NET PROFIT		3,035,882	7,157,529

See accompanying Notes to Financial Statements.

JOHN HAY MANAGEMENT CORPORATION

(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)

STATEMENT OF CHANGES IN EQUITY**For the year ended December 31, 2013**

(With comparative figures for the year ended December 31, 2012)

(In Philippine Peso)

	Note	2013	2012
CAPITAL STOCK - P100.00 par value			
Authorized, issued and fully paid - 1,200,000 shares		120,000,000	120,000,000
DEFICIT			
Balance at beginning of year			
As previously reported		(249,182,087)	(281,822,359)
Correction of prior years' errors	23	(6,816,954)	25,482,743
As adjusted		(255,999,041)	(256,339,616)
Net profit		3,035,882	7,157,529
Balance at end of year		(252,963,159)	(249,182,087)
CAPITAL DEFICIENCY		(132,963,159)	(129,182,087)

See accompanying Notes to Financial Statements.

JOHN HAY MANAGEMENT CORPORATION

(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)

STATEMENT OF CASH FLOWS**For the year ended December 31, 2013**

(With comparative figures for the year ended December 31, 2012)

(In Philippine Peso)

	Note	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt of estate management fee		68,858,004	84,821,770
Collection of leases/rentals for remittance to BCDA		25,363,798	26,693,247
Collection of income, penalties, charges and others		5,564,315	8,682,234
Receipt of maintenance fee from BCDA		4,000,000	0
Collection of receivables		2,065,367	1,339,469
Interest from bank accounts (net of bank charges)		236,644	196,311
Cancellation of checks		199,917	256,459
Collection of cost of bid documents/bidder's bond/ guaranty deposit and performance/cleanliness bond		49,550	964,893
Collection for provident fund		0	24,862
Payment to suppliers/creditors and employees		(68,061,059)	(51,300,903)
Remittance to BCDA		(25,366,546)	(30,884,997)
Remittance to Pag-IBIG/SSS/PHIC/BIR		(6,183,970)	(5,458,991)
Payment of taxes and duties		(449,799)	(106,619)
Refund of BIR penalties to beneficiaries		(241,747)	(189,984)
Refund of bid bond/bidder's documents/customer deposits		(50,250)	(584,007)
Net cash provided by operating activities		5,984,224	34,453,744
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital outlay/CAPEX projects		(1,950,127)	(2,737,159)
Proceeds from sale of property and equipment		0	1,100
Net cash used in investing activities		(1,950,127)	(2,736,059)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposit for future stock subscriptions		3,335,340	3,383,854
Additional funds for CAPEX projects		594,999	3,568,843
Net cash provided by financing activities		3,930,339	6,952,697
EFFECT OF FOREIGN EXCHANGE CHANGES ON CASH AND CASH EQUIVALENTS			
		459,002	(369,804)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		8,423,438	38,300,578
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		68,728,000	30,427,422
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	3	77,151,438	68,728,000

See accompanying Notes to Financial Statements.