



Republic of the Philippines
COMMISSION ON AUDIT
Cordillera Administrative Region
Km 6, La Trinidad, Benguet

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 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, 2014, and the statement of income and expenses, 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 International Financial Reporting Standards, 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 International Standards on Auditing. Those standards require that we comply with ethical requirement 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 amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement 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.

Bases for Qualified Opinion

1. Existence, valuation, and accuracy of the Property, Plant and Equipment (PPE) accounts with a net book value of ₱35,864,862.95 were not validated due to non-submission of the duly reconciled Report of the Physical Count of PPE, thus, casting doubt on the reliability and accuracy of said accounts which comprise 18.79 percent of the total assets as of December 31, 2014.
2. Seventy-nine disbursement vouchers totaling ₱7,866,294.28 were processed and paid without the required Official Receipt as evidence of payment for disbursements contrary to the provisions of Revenue Memorandum Circular No. 2-2014 dated January 13, 2014, thereby, resulting in the non-determination of the correct taxes paid and remitted to the government.
3. Disbursement vouchers totaling ₱337,467.97 were processed and paid without supporting documents, contrary to the provisions of Sections 4 and 61 of the Government Auditing Code of the Philippines (PD 1445) dated June 11, 1978, thereby, regularity of said disbursements could not be determined.

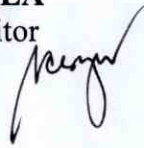
Qualified Opinion

In our opinion, except for the effects of the matters described in the Bases 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, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

COMMISSION ON AUDIT

BY:


ROBERTO G. PADILLA
OIC – Supervising Auditor

March 30, 2015 

JHMC


JOHN HAY MANAGEMENT CORPORATION

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, 2014**, 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



MIRIAM M. MOSUELA
Finance Manager

Signed this 10th day of March 2015

JOHN HAY MANAGEMENT CORPORATION
(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)
STATEMENT OF FINANCIAL POSITION
For the year ended December 31, 2014
(With Comparative Figures for the year ended December 31, 2013)
(In Philippine Peso)

	Note	2014	2013
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	76,357,175	77,151,438
Receivables	5	47,194,005	21,450,468
Inventories	6	7,075,381	7,383,578
Prepayments	7 & 8	5,907,383	3,130,794
Total Current Assets		136,533,944	109,116,278
Non-Current Assets			
Investments	9	132,000	132,000
Property, Plant and Equipment - Net	10	35,864,863	35,969,154
Accounts Receivable - Long Term, Net	11	7,030,583	10,781,213
Other Non-Current Assets	12	11,283,256	11,283,256
Total Non-Current Assets		54,310,702	58,165,623
TOTAL ASSETS		190,844,646	167,281,901
LIABILITIES AND EQUITY			
Current Liabilities			
Payable Accounts	13	27,149,925	21,495,220
Inter-agency Payables	14	5,926,345	2,289,857
Intra-agency Payables	15	17,461,084	10,825,320
Other Liability Accounts	16	915,201	703,976
Total Current Liabilities		51,452,555	35,314,373
Non-Current Liabilities			
Deferred Credits	17	1,169,458	1,116,608
Deposit for Future Stock Subscriptions:			
Balance at Beginning of Year		263,814,079	259,127,331
Additional Equity		-	4,686,748
Balance at Year-end		263,814,079	263,814,079
TOTAL NON-CURRENT LIABILITIES		264,983,537	264,930,687
TOTAL LIABILITIES		316,436,092	₱ 300,245,060
EQUITY		(125,591,446)	(132,963,159)
TOTAL LIABILITIES AND EQUITY		190,844,646	167,281,901

See accompanying Notes to Financial Statements

JOHN HAY MANAGEMENT CORPORATION
(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)
STATEMENT OF INCOME AND EXPENSES
For the year ended December 31, 2014
(With Comparative Figures for the year ended December 31, 2013)
(In Philippine Peso)

	Note	2014	2013
REVENUES			
Rent Income	19	15,999,642	-
Estate Management Fee	20	51,882,219	68,788,457
General Income	21	-	5,331,872
Other Service Income:			
Common Usage Service Area (CUSA)	22	2,140,811	3,685,824
Other Service Income (SEZAD)	23	682,379	560,041
Miscellaneous Income	24	85,872	-
Gross Income		70,790,923	78,366,193
OPERATING EXPENSES			
Personal Services	25	26,155,288	21,407,317
Maintenance and Other Operating Expenses	26	33,300,997	53,276,890
Total Expenses		59,456,286	74,684,207
OPERATING INCOME		11,334,638	3,681,986
OTHER INCOME (EXPENSES)	27	624,660	699,000
NET PROFIT BEFORE INCOME TAX		11,959,298	4,380,986
Income Tax Expense		(4,673,921)	(1,345,104)
NET PROFIT		7,285,376	3,035,882

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, 2014
(With Comparative Figures for the year ended December 31, 2013)
(In Philippine Peso)

	Note	2014	2013
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		(252,963,159)	(249,182,087)
Prior Years' Adjustment - PYA	28	86,336	(6,816,954)
As restated		(252,876,822)	(255,999,041)
Net Income		7,285,376	3,035,882
Correction of prior years' errors		-	-
Balance at end of year		(245,591,446)	(252,963,159)
CAPITAL DEFICIENCY		(125,591,446)	(132,963,159)

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, 2014

(With Comparative Figures for the year ended December 31, 2013)

(In Philippine Peso)

	Note	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows:			
Estate Management Fee/Subsidy from BCDA (Current)		64,562,875	68,205,291
Estate Management Fee/Subsidy from BCDA (Prior Years)		-	652,713
Land Related Cost Reimbursement		23,368,278	-
Maintenance Fee Fund from BCDA		-	4,000,000
Collection of General Income - JHMC		663,813	5,560,129
Collection of General Income - BCDA		5,334,109	-
Collection of Rental and CUSA from City Trail		-	4,187
Collection of IHG Rental		15,999,642	15,237,754
Collection of IHG CUSA		1,862,795	1,791,789
Collection of Treetop Adventure Rental		950,000	950,000
Collection of Treetop Adventure CUSA		240,000	320,000
Collection of Purchase price of Scout Barrio Lots		3,131,448	1,036,110
Collection of Refund of Overpayment from SBHP Beneficiaries		-	51,058.26
Collection of PEZA Rental		6,278,473	6,028,145
Collection of Bidders' Documents		100,500	6,500
Collection of Bidders' Security Deposit		233,520	-
Collection of Guaranty Deposits & performance Bond		148,999	43,050
Collection of Receivables - Return of OPEX		745,547	1,214,515
Collection of Receivables - Disallowances		-	114,000
Collection of Receivable - Car Plan		-	736,852
Reversal by DBP of Charges for Dormant Account		5,042	-
Cancellation of Checks		1,509,904	199,917
Interest from Bank Accounts		595,885	243,494
Total Cash Inflows		125,730,828	106,395,503
Cash Outflows:			
Payment to Suppliers/Creditors and Employees		(48,297,764)	(68,041,584)
Land Related Cost Expenses		(44,283,509)	-
Remittance of Pag-ibig/SSS/PHIC/BIR		(7,161,336)	(6,183,970)
Payment of Taxes and Duties		(1,419,958)	(449,799)
Payment of BAC Honoraria		(46,750)	(19,475)
Remittance/Charges to IHG Collections		(15,999,642)	(15,927,209)
Remittance/Charges to Treetop Adventure Collections		(950,000)	(1,107,500)
Remittance/Charges to PEZA Collections		(6,278,281)	(6,993,183)
Remittance/Charges to Scout Barrio Collections		(1,848,813)	(1,338,654)

Refund of BIR Penalties to beneficiaries of SBHP	-	(241,747)
Refund of SBHP Beneficiaries Overpayment	-	(51,058)
Refund of Guaranty/Security Deposits & Performance Bond	(123,555)	(13,000)
Refund of Bidders' Documents/Customer Deposits	(33,316)	(37,250)
Bank Charges	(2,485)	(6,850)
Total Cash Outflows	(126,445,410)	(100,411,279)
Total Cash Provided(Used) by Operating Activities	(714,582)	5,984,224
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows:		
Deposit for Future Sales Subscription	-	3,335,340
Collection for Capital Outlay	3,318,986	594,999
Total Cash Inflows	3,318,986	3,930,339
Cash Outflows:		
Capital Outlay	(3,318,986)	(1,349,060)
CAPEX Projects	-	(601,066)
Capital Expenditures - 2012	(108,851)	-
Total Cash Outflows	(3,427,837)	(1,950,127)
Total Cash Provided(Used) by Investing Activities	(108,851)	1,980,212
CASH PROVIDED BY OPERATING, INVESTING AND FINANCING ACTIVITIES		
	(823,433)	7,964,436
Add/(Deduct): FOREX Effect	29,169	459,001
Add: Cash and Cash Equivalents at Beginning of the Year	77,151,438	68,728,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	76,357,175	77,151,438