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

ANNUAL AUDIT REPORT

on the

BASES CONVERSION AND DEVELOPMENT AUTHORITY

For the Years Ended December 31, 2018 and 2017

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

CORPORATE GOVERNMENT SECTOR
Cluster 4 – Industrial and Area Development

June 28, 2019

BCDA
EX2019-3511
Central Receiving and Releasing Area
BASES CONVERSION & DEVELOPMENT AUTHORITY
RECEIVED
JUN 28 2019
BY: Joanna R. Canaleta 5:46pm

Mr. VIVENCIO B. DIZON
President and Chief Executive Officer
Bases Conversion and Development Authority
2nd Floor, Bonifacio Technology Center
31st Street, corner 2nd Avenue
Bonifacio Global City, Taguig City

Sir:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of Bases Conversion and Development Authority (BCDA) for the years ended December 31, 2018 and 2017.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and Status of Implementation of Prior Years' Audit Recommendations.

The Auditor expressed an unmodified opinion on the fairness of presentation of the financial statements of BCDA for the years 2018 and 2017.

The significant audit observations and recommendations that need immediate actions are as follows:

1. Deficiencies noted pertinent to the Supplemental Implementing Agreement (SIA) between BCDA and Megaworld.

    1.1. Non-recovery of the full amount of Land Compensation (LCA) previously deducted by Megaworld from BCDA's net proceeds from the sale of its allocated units.

    1.2. Allocation for the condominium/residential and parking units on the 3-hectare freed up area was not made within six months from clearing, relocation and replication of structures, contrary to Section 2.5 of the Joint Venture Agreement (JVA), which resulted in the delay of remittance of proceeds from sale and lease of BCDA units, thus payment of interest should be imposed pursuant to Section 3.4 of the JVA.

    1.3. Basis of allocation percentage between BCDA and Megaworld was not submitted to COA.

We recommended that Management:

a. Take appropriate action to recover the full amount withheld by Megaworld as LCA from December 15, 2008, the date when the first remittance of proceeds from sale and lease of allocated lots/units was made, up to November 8, 2012;

b. Initiate action on the enforcement of interest on the late allocation of units/remittance of net proceeds from sale or lease of BCDA's allocated units in the 3-hectare freed up area as provided in Section 3.4 of the JVA; and

c. Submit the basis for the new sharing percentage agreed upon in the SIA.

2. The Business Resolution Agreement (BRA) among BCDA, Fort Bonifacio Development Corporation (FBDC) and Bonifacio Global (BG) Companies, executed on December 22, 2017, resolved that the BG Companies shall pay BCDA the amount of P5.400 billion covering the shortfall in the government's 45 per cent share from the sale of several lots in Bonifacio Global City (BGC), but did not include interest charges in spite of the fact that the 2017 settlement pertains to various sales that occurred in 2012 and 2013.

   We recommend that Management consider the time value of money in entering into agreements concerning its share/proceeds from disposition of properties by including a provision for interest in case of delayed remittance.

3. Unbilled and uncollected interest arising from the late remittance of the P125.830 million proceeds from the sale of BCDA-allocated units in Sarasota and Pinecrest are yet to be collected.

   We reiterated our recommendations that Management:

   a. Initiate the collection of interest arising from the delayed remittance of proceeds from sale of Pinecrest and Sarasota units; and

   b. Provide the Audit Team copies of the demand letters sent to Megaworld.

4. The General Insurance for Subic-Clark-Tarlac Expressway (SCTEx) properties was procured from private insurance companies, contrary to Administrative Order (AO) No. 141 dated August 17, 1994 and Section 5 of Republic Act (RA) No. 656.

   We recommended that Management require Manila North Tollways Corporation (MNTC) to procure the comprehensive insurance policies of the SCTEx properties with the General Insurance Fund of the Government Service Insurance System based on Section 2 of AO 141 and Section 5 of RA No. 656.

The other audit observations, together with the recommended courses of action, which were discussed with concerned Management officials and staff during the exit conference conducted on April 26, 2019, are presented in detail in Part II of the report.

We request that the recommendations contained in Part II of the report be implemented and that this Commission be informed of the actions taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation form (copy attached) within 60 days from the date of receipt.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

ELSIELIN C. MASANGCAY
Director IV

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Senate Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library

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

CORPORATE GOVERNMENT SECTOR
Cluster 4 – Industrial and Area Development

EX2019-3512
BASES CONVERSION & DEVELOPMENT AUTHORITY
Central Receiving and Releasing Area
RECEIVED
JUN 28 2019
BY: Joanna F. Canaleta

June 28, 2019

The BOARD OF DIRECTORS
Bases Conversion and Development Authority
2nd Floor, Bonifacio Technology Center
31st Street, corner 2nd Avenue
Bonifacio Global City, Taguig City

Gentlemen:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of Bases Conversion and Development Authority (BCDA) for the years ended December 31, 2018 and 2017.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and Status of Implementation of Prior Years' Audit Recommendations.

The Auditor expressed an unmodified opinion on the fairness of presentation of the financial statements of BCDA for the years 2018 and 2017.

The significant audit observations and recommendations that need immediate actions are as follows:

1. Deficiencies noted pertinent to the Supplemental Implementing Agreement (SIA) between BCDA and Megaworld.

    1.1. Non-recovery of the full amount of Land Compensation (LCA) previously deducted by Megaworld from BCDA's net proceeds from the sale of its allocated units.

    1.2. Allocation for the condominium/residential and parking units on the 3-hectare freed up area was not made within six months from clearing, relocation and replication of structures, contrary to Section 2.5 of the Joint Venture Agreement (JVA), which resulted in the delay of remittance of proceeds from sale and lease of BCDA units, thus payment of interest should be imposed pursuant to Section 3.4 of the JVA.

    1.3. Basis of allocation percentage between BCDA and Megaworld was not submitted to COA.

We recommended that Management:

a. Take appropriate action to recover the full amount withheld by Megaworld as LCA from December 15, 2008, the date when the first remittance of proceeds from sale and lease of allocated lots/units was made, up to November 8, 2012;

b. Initiate action on the enforcement of interest on the late allocation of units/remittance of net proceeds from sale or lease of BCDA's allocated units in the 3-hectare freed up area as provided in Section 3.4 of the JVA; and

c. Submit the basis for the new sharing percentage agreed upon in the SIA.

2. The Business Resolution Agreement (BRA) among BCDA, Fort Bonifacio Development Corporation (FBDC) and Bonifacio Global (BG) Companies, executed on December 22, 2017, resolved that the BG Companies shall pay BCDA the amount of P5.400 billion covering the shortfall in the government's 45 per cent share from the sale of several lots in Bonifacio Global City (BGC), but did not include interest charges in spite of the fact that the 2017 settlement pertains to various sales that occurred in 2012 and 2013.

   We recommend that Management consider the time value of money in entering into agreements concerning its share/proceeds from disposition of properties by including a provision for interest in case of delayed remittance.

3. Unbilled and uncollected interest arising from the late remittance of the P125.830 million proceeds from the sale of BCDA-allocated units in Sarasota and Pinecrest are yet to be collected.

   We reiterated our recommendations that Management:

   a. Initiate the collection of interest arising from the delayed remittance of proceeds from sale of Pinecrest and Sarasota units; and

   b. Provide the Audit Team copies of the demand letters sent to Megaworld.

4. The General Insurance for Subic-Clark-Tarlac Expressway (SCTEx) properties was procured from private insurance companies, contrary to Administrative Order (AO) No. 141 dated August 17, 1994 and Section 5 of Republic Act (RA) No. 656.

   We recommended that Management require Manila North Tollways Corporation (MNTC) to procure the comprehensive insurance policies of the SCTEx properties with the General Insurance Fund of the Government Service Insurance System based on Section 2 of AO 141 and Section 5 of RA No. 656.

The other audit observations, together with the recommended courses of action, which were discussed with concerned Management officials and staff during the exit conference conducted on April 26, 2019, are presented in detail in Part II of the report.

In a letter of even date, we requested the BCDA's President and Chief Executive Officer to take appropriate action on the recommendations contained in the report and to inform this Office of the actions taken thereon within 60 days from the date of receipt.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

ELSIELIN C. MASANGCAY
Director IV

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
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The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
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EXECUTIVE SUMMARY

INTRODUCTION

The Bases Conversion and Development Authority (BCDA), or the Authority, was created under Republic Act (RA) No. 7227, otherwise known as the Bases Conversion and Development Act of 1992, which was approved on March 13, 1992. Section 8 of RA 7227, which pertains to the rates of distribution of the net proceeds from the sale of metro camps, was later amended by the passage of RA 7917 on February 21, 1995.

RA 7227 vested the Authority with the mandate to accelerate the sound and balanced conversion into alternative productive uses of the Clark and Subic military reservations and extensions, to raise funds by the sale of portions of Metro Manila military camps, to apply said funds for the development and conversion to productive civilian use of the lands covered under the 1947 Military Bases Agreement, and to promote the economic and social development of Central Luzon in particular, and the country in general.

FINANCIAL HIGHLIGHTS

Comparative Financial Position

	2018	2017 (As restated)	Increase (Decrease)
Assets	182,793,935,453	159,452,221,809	23,341,713,644
Liabilities	40,872,101,986	38,046,327,735	2,825,774,251
Equity	141,921,833,467	121,405,894,074	20,515,939,393

Comparative Results of Operations

	2018	2017 (As restated)	Increase (Decrease)
Revenues	29,110,150,922	11,082,241,287	18,027,909,635
Expenses	9,139,447,754	9,998,719,915	(859,272,161)
Net Income	19,908,016,642	1,083,521,372	18,824,495,270

SCOPE AND OBJECTIVES OF AUDIT

Our audit covered the examination, on a test basis, of the accounts and transactions of BCDA for the period January 1 to December 31, 2018 in accordance with International Standards of Supreme Audit Institutions (ISSAIs) to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2018 and 2017. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered an unmodified opinion on the fairness of presentation of the Authority's financial statements for the years 2018 and 2017.

SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

Below are the significant audit observations and recommendations which are discussed in detail in Part II of this Report:

1. Deficiencies noted pertinent to the Supplemental Implementing Agreement (SIA) between BCDA and Megaworld.

   1.1. Non-recovery of the full amount of Land Compensation (LCA) previously deducted by Megaworld from BCDA's net proceeds from the sale of its allocated units.

   1.2. Allocation for the condominium/residential and parking units on the 3-hectare freed up area was not made within six months from clearing, relocation and replication of structures, contrary to Section 2.5 of the Joint Venture Agreement (JVA), which resulted in the delay of remittance of proceeds from sale and lease of BCDA units, thus payment of interest should be imposed pursuant to Section 3.4 of the JVA.

   1.3. Basis of allocation percentage between BCDA and Megaworld was not submitted to COA.

   We recommended that Management:

   a. Take appropriate action to recover the full amount withheld by Megaworld as LCA from December 15, 2008, the date when the first remittance of proceeds from sale and lease of allocated lots/units was made, up to November 8, 2012;

   b. Initiate action on the enforcement of interest on the late allocation of units/remittance of net proceeds from sale or lease of BCDA's allocated units in the 3-hectare freed up area as provided in Section 3.4 of the JVA; and

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   We recommended that Management consider the time value of money in entering into agreements concerning its share/proceeds from disposition of properties by including a provision for interest in case of delayed remittance.

3. Unbilled and uncollected interest arising from the late remittance of the P125.830 million proceeds from the sale of BCDA-allocated units in Sarasota and Pinecrest are yet to be collected.

We reiterated our recommendations that Management:

a. Initiate the collection of interest arising from the delayed remittance of proceeds from sale of Pinecrest and Sarasota units; and

b. Provide the Audit Team copies of the demand letters sent to Megaworld.

4. The General Insurance for Subic-Clark-Tarlac Expressway (SCTEx) properties was procured from private insurance companies, contrary to Administrative Order (AO) No. 141 dated August 17, 1994 and Section 5 of Republic Act (RA) No. 656.

   We recommended that Management require Manila North Tollways Corporation (MNTC) to procure the comprehensive insurance policies of the SCTEx properties with the General Insurance Fund of the Government Service Insurance System based on Section 2 of AO 141 and Section 5 of RA No. 656.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the thirty-nine (39) audit recommendations contained in the previous years' Annual Audit Reports, twenty-seven (27) were implemented, eight (8) were partially implemented, one (1) was reconsidered and three (3) were not implemented. Details are discussed in Part III of this report.

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PART I

AUDITED FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Bases Conversion and Development Authority
2/F Bonifacio Technology Center
31st Street corner 2nd Avenue
Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Bases Conversion and Development Authority (BCDA), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BCDA as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits 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 BCDA in accordance with the Code of Ethics for Government Auditors (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 33 to the financial statements which describes the contingent liabilities for lawsuits or claims filed by third parties against BCDA which are either pending in courts or under negotiation, and cases filed by BCDA against the Bureau of Internal Revenue and the Local Government of Taguig which are pending before the Supreme Court, Court of Appeals and the Local Board of Assessments of the Local Government Unit. Our opinion is not modified in respect of these matters.

Other Matter

In our report dated June 11, 2018, our opinion on the 2017 financial statements was qualified due to the lack of documents pertaining to the sale and buy back of lots developed by Fort Bonifacio Development Corporation's (FBDC) related parties, the Bonifacio Global (BG) Companies, covered by the Business Resolution Agreement (BRA) executed among BCDA and its affiliate FBDC and the BG Companies. This precluded us in ascertaining the propriety of the shift from land development to land sale, and the completeness and accuracy of the P5.4 billion settlement or share of BCDA from the successful sale of residential units, recorded as Miscellaneous Revenue.

BCDA has submitted a Certification from the Corporate Secretary that the Board of Directors of BCDA, in a regular meeting on May 28, 2012, has approved and authorized the conversion of joint development agreement(s) covering certain properties of the Corporation into a straight lot sale in favor of the Joint venture partner(s), hence the propriety of the shift from land development to land sale is addressed.

BCDA also submitted Deeds of Sale and Term Sheets and a document from FBDC certifying that the retail units purchased by FBDC from the BG Companies were accounted in FBDC's books of accounts under Assets Under Construction (AUC)-Investment in Building and Improvements with a total purchase price of P3.283 billion. We were able to reconcile the amounts presented in the FBDC Certification with the Deed of Sales and Term Sheets showing retail values of the units bought back. We likewise compared the retail values with available market rates of comparable units to determine the adequacy of the discount specified in the BRA and were able to establish the reasonableness of the P5.4 billion settlement or share of BCDA from the sale of the property. Accordingly, our present opinion on the 2017 financial statements, as expressed herein, is different from that expressed in our previous 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 PFRSs, 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.

In preparing the financial statements, management is responsible for assessing BCDA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate BCDA or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of 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 a 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.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 BCDA's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on BCDA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention on our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause BCDA to cease to continue as going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 39 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

TERESITA C. GUEVARRA
Supervising Auditor

April 26, 2019

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Bases Conversion and Development Authority is responsible for the preparation of the financial statements as of December 31, 2018 and 2017, 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 has reviewed and approved 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 Bases Conversion and Development Authority in accordance with International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit in its report to the Board of Directors.

VIVENCIO B. DIZON
President and Chief Executive Officer
APR 26 2019

NENA D. RADOC
Senior Vice President and Chief Financial Officer
APR 26 2019

GREGORIO D. GARCIA III
Chairman
APR 26 2019

BCDA Financial Management Services Department
CD2019 – 0501

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017
(In Philippine Peso)

	Note	**2018**	2017 (As restated)
ASSETS			
Current Assets			
Cash and cash equivalents	6	**10,354,618,190**	6,108,454,474
Investments in treasury bills	7	**5,360,038,826**	2,669,270,078
Receivables, net	8	**3,073,958,556**	4,942,817,392
Inventories	9	**870,796,656**	631,898,550
Prepayments and other current assets	10	**2,313,954,158**	929,766,198
		21,973,366,386	15,282,206,692
Non-Current Assets			
Investments in affiliates, net	11	**17,646,306,898**	18,280,008,641
Investments in government bonds	12	**4,744,080,612**	7,022,062,105
Investments in stocks	13	**103,024,319**	103,024,319
Property, plant and equipment, net	14	**2,424,458,684**	1,954,768,118
Service concession assets, net	15	**27,875,075,954**	28,050,223,256
Investment properties	16	**73,249,343,744**	75,159,228,701
Deferred tax asset, net	29	**3,864,589,073**	3,081,637,829
Other non-current assets	17	**30,913,689,783**	10,519,062,148
		160,820,569,067	144,170,015,117
TOTAL ASSETS		**182,793,935,453**	159,452,221,809
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	18	**137,528,645**	112,158,119
Inter-agency payables	19	**6,880,523,102**	4,745,513,596
Current portion of long-term borrowings	22	**905,623,267**	843,100,760
Provisions	20	**25,430,401**	21,507,861
Other payables	21	**1,036,212,525**	815,438,508
		8,985,317,940	6,537,718,844
Non-Current Liabilities			
Borrowings	22	**19,923,711,883**	19,391,317,485
Non-current payables	17	**1,421,096,052**	1,421,096,052
Deferred credits	23	**10,541,976,111**	10,696,195,354
		31,886,784,046	31,508,608,891
Equity		**141,921,833,467**	121,405,894,074
TOTAL LIABILITIES AND EQUITY		**182,793,935,453**	159,452,221,809

The notes on pages 10 to 77 form part of these statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2018 and 2017
(In Philippine Peso)

	Note	2018	2017 (As restated)
REVENUES	24	**26,431,089,612**	9,279,914,784
EXPENSES			
Personnel Services	26	**259,453,231**	249,840,508
Maintenance and Other Operating Expenses	27	**6,827,969,335**	5,167,003,603
TOTAL OPERATING EXPENSES		**7,087,422,566**	5,416,844,111
INCOME FROM OPERATIONS		**19,343,667,046**	3,863,070,673
OTHER INCOME (EXPENSES), NET	28	**(145,726,903)**	(2,562,267,773)
INCOME BEFORE INCOME TAX		**19,197,940,143**	1,300,802,900
INCOME TAX BENEFIT (EXPENSE)	29	**710,076,499**	(217,281,528)
NET INCOME		**19,908,016,642**	1,083,521,372
OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO PROFIT AND LOSS IN THE SUBSEQUENT PERIOD			
Cumulative Changes in Fair Value of Investments		**62,686,526**	0
TOTAL COMPREHENSIVE INCOME		**19,970,703,168**	1,083,521,372

The notes on pages 10 to 77 form part of these statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2018 and 2017
(In Philippine Peso)

	Note	Capital Stock (Note 30)	Contributed Capital (Note 30)	Unappropriated Retained Earnings (Note 31)	Appropriated Retained Earnings	Other Comprehensive Income	Total Equity
Balance, December 31, 2016		**75,327,951,615**		**8,884,824,205**	**6,000,000,000**	**109,588,507**	**90,322,364,327**
Correction of prior years' error/estimates	31			62,124,649			62,124,649
Restated Balance, January 1, 2017		**75,327,951,615**		**8,946,948,854**	**6,000,000,000**	**109,588,507**	**90,384,488,976**
Changes in equity for 2017							
Adjustment value of land transferred/conveyed/swapped		24,481,502,419	5,505,448,937				29,986,951,356
Adjustment related to disposition of Kalayaan Housing Project		(11,095,923)					(11,095,923)
BCDA's share on asset disposition proceeds thru sale of various properties		201,641,889					201,641,889
Net income for the year				1,083,521,372			1,083,521,372
Dividends				(130,025,089)			(130,025,089)
Full redemption of UITF in Unlad Pamahalaan Money Market						(109,588,507)	(109,588,507)
Balance at December 31, 2017		**100,000,000,000**	**5,505,448,937**	**9,900,445,137**	**6,000,000,000**	**0**	**121,405,894,074**
Changes in equity for 2018							
Equity from NG for the implementation of NCC to SCTEx Access Road Project			1,046,415,649				1,046,415,649
BCDA's share on asset disposition proceeds thru sale of various properties			404,563,497				404,563,497
Cumulative changes in fair value of investments						62,686,526	62,686,526
Net income for the year				19,908,016,642			19,908,016,642
Dividends				(905,742,921)			(905,742,921)
Balance, December 31, 2018		**100,000,000,000**	**6,956,428,083**	**28,902,718,858**	**6,000,000,000**	**62,686,526**	**141,921,833,467**

The notes on pages 10 to 77 form part of these statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017
(In Philippine Peso)

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from joint venture projects		4,589,779,330	1,576,710,403
Proceeds from the disposition of transferred properties		1,201,153,662	531,051,135
Proceeds from concession fee		1,169,631,470	1,009,269,245
Cash receipts from lessees		907,548,496	794,301,451
Dividends received		472,610,440	483,121,308
Collection/(refund) of performance, bid bonds and bid securities		402,061,038	146,348,859
Collection of guarantee deposit/development control fees		39,630,750	16,524,051
Miscellaneous receipts		35,561,355	25,968,007
Collection of receivables		5,055,945	3,541,086
Proceeds from disposition of Heritage Park Certificates		2,420,832	7,461,869
Receipts from BCDA housing projects		499,779	4,688,580
Proceeds from Business Resolution Agreement		0	5,940,000,000
Payment of advances to Philippine Information Agency		(900,000)	0
Payment of Transaction Advisory Services for NCC		(50,589,559)	0
Return of Piatco's contribution for the relocation of PAF		(180,000,000)	0
Payment of personnel services		(217,527,950)	(217,356,521)
Payment of indemnities to CGC-PAP		(228,102,957)	(63,172,599)
Payment of estate management expenses		(257,184,666)	(197,599,755)
Payment of taxes, duties and fees		(304,062,432)	(936,205,367)
Payment to suppliers/creditors/employees		(440,667,623)	(317,853,416)
Remittance of beneficiaries' share to the Bureau of the Treasury		(3,623,968,637)	(4,841,231,952)
Net cash provided by operating activities		3,522,949,273	3,965,566,384
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds in short and long term investments		16,401,726,245	14,132,535,438
Redemption of Preferred shares		1,873,717,731	135,000,000
Interest income from cash equivalents and short/long term investments		398,029,205	322,940,422
Collection of BEPF seed money		0	17,000,000
Annual deposit of the Trust account re: BCDA DOLF		(19,000,000)	0
Capital call infusion of BCDA to PJIC		(19,581,392)	(19,203,028)
RROW acquisition		(70,156,242)	(68,280,755)
Advances in subsidiaries and affiliates		(90,240,858)	(424,567,647)
Acquisition of property and equipment and payment for various infrastructure projects		(1,606,244,017)	(682,976,001)
Additional investment in fund placements		(16,753,467,462)	(12,546,001,748)
Net cash provided by investing activities		114,783,210	866,446,681
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity from National Government		1,046,415,649	0
Receipt of funds for the implementation of Metro Manila Greenways Project		962,000,000	0
27.50 % share of BCDA from asset disposition		455,610,010	201,641,889
Receipt of funds for master develeopment plan of Libingan ng mga Bayani		453,063,195	0
Receipt of subsidy income		75,277,011	1,350,590,026
Receipt of funds for the feasibility study on Subic Clark Railway Project		70,000,000	0
Payment of subsidy expenses to CDC		(75,277,011)	(1,350,590,026)
Payment of financing charges		(241,118,592)	(205,236,842)
Payment of guarantee fees to the Bureau of the Treasury		(302,619,657)	(250,000,000)
Dividends paid to the Bureau of the Treasury		(905,742,921)	(130,025,089)
Partial settlement of JICA loan		(929,248,388)	(860,351,635)
Net cash provided by (used in) financing activities		608,359,296	(1,243,971,677)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		71,937	(9,432)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,246,163,716	3,588,031,956
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		6,108,454,474	2,520,422,518
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	10,354,618,190	6,108,454,474

The notes on pages 10 to 77 form part of these statements.

1. CORPORATE INFORMATION

The Bases Conversion and Development Authority (BCDA), or the Authority, was created under Republic Act No. (RA) 7227, otherwise known as the Bases Conversion and Development Act of 1992, which was approved on March 13, 1992. Section 8 of RA 7227, which pertains to the rates of distribution of the net proceeds from sale of metro camps, was later amended by the passage of RA 7917 on February 21, 1995.

RA 7227 vested the Authority with the mandate to accelerate the sound and balanced conversion into alternative productive uses of the Clark and Subic military reservations and extensions, to raise funds by the sale of portions of Metro Manila military camps, to apply said funds for the development and conversion to productive civilian use of the lands covered under the 1947 Military Bases Agreement, and to promote the economic and social development of Central Luzon in particular, and the country in general.

The financial statements of BCDA as at and for the years ended December 31, 2018 and 2017 were authorized for issue by the Board of Directors on April 26, 2019.

The Authority's registered office and principal place of business is 2nd Floor, Bonifacio Technology Center, 31st Street, corner 2nd Avenue, Bonifacio Global City, Taguig City.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Authority were prepared in accordance with Philippine Financial Reporting Standards (PFRSs) which includes all applicable PFRSs, Philippine Accounting Standard (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and Board of Accountancy (BOA).

Basis of Preparation and Presentation of Financial Statements

The financial statements were prepared on a historical cost basis unless otherwise indicated. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Functional and Presentation Currency

The financial statements are presented in Philippine Peso, the Authority's presentation and functional currency, and all values are rounded to the nearest peso, except when otherwise stated. All amounts are rounded to the nearest peso, except when otherwise indicated.

Functional currency is the currency of the primary economic environment in which the Authority operates.

3. ADOPTION OF NEW AND AMENDED PFRSs

a. Effective in 2018 that are relevant to the Authority

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRSs which the Authority adopted effective for annual periods beginning on or after January 1, 2018.

Unless otherwise indicated, the adoption of the new and amended PFRSs did not have any material effect on the financial statements. Additional disclosures have been included in the Notes to Financial Statements, as applicable.

- PFRS 9, Financial Instruments – This standard replaces PAS 39, Financial Instruments: Recognition and Measurement (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and derecognition.

  PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.

  For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for an objective evidence of impairment.

  For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

  The derecognition provisions are carried over almost unchanged from PAS 39.

  Based on the Authority's analysis of its business model and the contractual cash flow characteristics of its financial assets as at December 31, 2018, the Authority has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39 and PFRS 9.

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Authority's financial assets as at January 1, 2018:

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39	Carrying Amount under PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	6,108,454,474	6,108,454,474
Receivables	Loans and receivables	Financial assets at amortized cost	13,060,017,222	13,060,017,022
Investment in Treasury Bills	Held-to-maturity financial assets	Financial assets at amortized cost	478,466,890	478,466,890
Investment in Treasury Bills	Held-to-maturity financial assets	Financial assets at FVOCI	2,190,803,189	2,245,551,664
Investment in government bonds	Held-to-maturity financial assets	Financial assets at amortized cost	7,022,062,105	7,022,062,105
Investment in stocks	Available for sale financial assets	Financial assets at FVOCI	103,024,319	103,024,319

The Authority assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified approach (or general approach as applicable), has no impact on the carrying amounts of the Authority's financial assets carried at amortized cost (and/or other comprehensive income).

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions* – The amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment transactions, the accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts* – The amendments give all insurers the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9, *Financial Instruments* is applied before implementing PFRS 17, *Insurance Contracts* ('the overlay approach'). Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption (until 2021) from applying PFRS 9. Thus, continuing to apply PAS 39, *Financial Instruments: Recognition and Measurement* instead ('the deferral approach').

- PFRS 15, *Revenue from Contracts with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue,* and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendments to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarification on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in the use of a property has occurred.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

b. <u>New and amended PFRSs issued but not yet effective</u>

Relevant new and amended PFRSs which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

For the Authority's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Authority will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16 – which might have a significant impact on the amounts recognized in the Authority's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Authority completes the review.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes,* in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments clarify that long-term interests in an associate or joint venture that, in substance, form part of the entity's net investment but to which the equity method is not applied, are accounted for using PFRS 9, *Financial Instruments.*

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation* – The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle. The amendment to PFRS 3, *Business Combinations* clarifies that when an entity obtains control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition-date fair value.

The amendment to PFRS 11, *Joint Arrangements* clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.

- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle and clarify that income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distribution to owners and thus, should be recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

- Amendments to PAS 23, *Borrowing Costs - Borrowing Costs Eligible for Capitalization* – The amendments are part of the Annual Improvements to PFRS 2015-2017 and clarify that in calculating the capitalization rate on general borrowings, if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally.

Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts.* It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

  Except for PFRS 16, the adoption of the foregoing new and amended PFRSs is not expected to have any material effect on the financial statements of the Authority.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Financial Assets and Liabilities

Date of Recognition. The Authority recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Authority recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Authority deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Authority determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Authority classifies its financial assets at initial recognition under the following categories: (a) financial assets at fair value through profit and loss (FVPL), (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Authority's business model and its contractual cash flow characteristics.

Financial Assets and Liabilities at FVPL. Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Authority had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Authority may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces an accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2018 and 2017, the Authority's cash and cash equivalent, receivables and portion of treasury bills are classified under this category (see Notes 6, 7 and 8).

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristics and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Authority may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2018, the Authority's investments in stocks and portion of treasury bills are classified under this category (see Note 7).

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Authority having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2018 and 2017, the Authority's accounts payables, and borrowings are classified under this category (see Notes 18 and 22).

<u>Impairment of Financial Assets at Amortized Cost and FVOCI</u>

The Authority records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Authority expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For receivables, the Authority has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Authority has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Authority compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The right to receive cash flows from the asset has expired;
- The Authority retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Authority has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Authority has transferred its rights to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Authority's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Authority could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10 per cent from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Authority could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10 per cent threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of Financial Instruments between Liability and Equity

A financial instrument is classified as a liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Authority; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Authority does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Inventories

Inventories include real estate inventories. Inventories are initially measured at cost. Costs of inventory include purchase price and all incidental costs necessary to bring the inventory to its saleable condition. Subsequently, inventories are reported in the statement of financial position at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

When the net realizable value of the inventory is lower than the cost, the Authority recognizes an impairment loss for the decline in the value of the inventory. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized in profit or loss in the period in which the reversal occurs.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

Prepayments and Other Current Assets

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the Authority's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets. Prepayments include advances to contractors, prepaid rent, prepaid insurance, withholding tax at source, inventories held for consumption, semi-expendable inventories and other prepayments.

Other current assets represent assets of the Authority which are expected to be realized or consumed within one year or within the Authority's normal operating cycle whichever is longer. This account includes deposits which are restricted as to use and earn interest at prevailing bank deposit rates. Interest earned from these deposits inures to the benefit of the Authority. Other current assets are presented in the statement of financial position at cost.

Investments in Affiliates

Investments in affiliates are accounted for using the cost method. Under this method, investments are recorded at their acquisition cost which is adjusted only when the recoverable amount of investments decreases. Dividends or other direct payments received from an associate or subsidiary are recognized as income when the Authority's right to receive payment has been established and it is probable that the economic benefits will flow to the Authority and the amount of revenue can be measured reliably.

Investment in Affiliates are as follows:

	Percentage of Ownership
Clark Development Corporation (CDC)	100
BCDA Management and Holdings, Inc. (BMHI)	100
John Hay Management Corporation (JHMC)	100
Clark International Airport Corporation (CIAC)	100
Bataan Technology Park, Inc. (BTPI)	100
North Luzon Railways Corporation (NORTHRAIL)	100
Fort Bonifacio Development Corporation (FBDC)	45
Philippine Japan Initiative Cooperation (PJIC)	45
Filinvest BCDA Clark, Inc. (FBCI)	45
Subic Clark Alliance for Development (SCAD)	33
Bonifacio Estate Services Corporation (BESC)	33
Bonifacio Communication Corporation (BCC)	25

Fund Releases to Affiliates

The Authority provides funds for Operating Expenses (OPEX) and land related costs for its affiliates which are 100 per cent owned by the Authority. OPEX fund releases are treated as estate management expense by the Authority and income by the affiliates while land related costs are treated as expense and or asset by the Authority. Land related costs are expenses related to the development of the estate such as maintenance and safeguard of property, capital expenditure (CAPEX) projects and furniture, fixtures and equipment.

CAPEX fund releases are granted to affiliates in the form of advances. The advances are non-interest bearing, unsecured and subject to liquidation upon completion of the project. The Authority records all development costs incurred by the affiliates as its assets including the related depreciation expenses.

Investment Property

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties, except land, are measured at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives ranging from 5 to 20 years.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefit from items of investment properties.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner occupation or commencement of development with a view to sale.

Investment properties of the Authority comprised of parcels of land which were turned over and titled in the name of the Authority pursuant to RA 7227 and are recorded at assessed/fair market value.

Investments in Stocks

This includes investments in stocks in MERALCO, PLDT, Poro Point Investment Corporation (PPIC) and Bonifacio Water Corporation (BWC). It also includes golf and country shares at CJHDevCo.

Property, Plant and Equipment

Property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the future cost of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

At the end of each reporting period, items of property, plant and equipment are measured at cost less any subsequent accumulated depreciation and impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Authority's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use.

Leasehold improvements are depreciated over the improvements' useful life of twenty (20) years or when shorter, the term of the relevant lease.

The Authority records assets with acquisition value, net of VAT, of less than Fifteen Thousand Pesos (P15,000), with an estimated useful life of more than one year, as semi-expendable property in accordance with Commission on Audit (COA) Circular No. 2016-006. These items are recognized as an expense when issued to the end-users.

Service Concession Assets

The Authority has adopted Philippine Public Sector Accounting Standard (PPSAS) No. 32 "Service Concession Arrangements-Grantor" and has reclassified certain assets from Property, plant and equipment to Service Concession Assets.

Service concession assets and deferred income from service concession are recognized to comply with the PPSAS No. 32 "Service Concession Arrangements-Grantor".

The Authority adopted the said PPSAS in relation to PAS 8 on Policies, Changes in Accounting Estimates and Errors which provides that in the absence of applicable PFRS that specifically applies to a transaction, other event or condition, management shall use its judgment in developing and applying an accounting policy that results in a financial statement that is reliable and relevant to the economic decision-making needs of users.

In making the above-mentioned judgment, Management is encouraged to consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, in so far as they do not conflict with the requirements in PFRS dealing with similar and related issues. Management shall also consider the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Conceptual Framework for Financial Reporting.

Service concession assets are recognized at the fair value of the assets at the time of acquisition. Subsequent capital expenditures made by the operator are recognized as assets and depreciated on a straight-line basis over the life of the concession asset or the term of the concession agreement whichever is shorter.

If there is an indication that there has been a significant change in the useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

Intangible Assets

Intangible assets is defined as an identifiable non-monetary assets without physical substance. An asset meets the identifiability criterion in the definition of an intangible asset when:

- It is separable, meaning, the asset is capable of being separated from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with related contract, asset or liability; and
- It arises from contractual or other legal rights, regardless of whether these rights are transferable or separable from the entity or from other rights and obligations.

Intangible assets are initially measured at cost, and are subsequently measured at cost less accumulated amortization and any accumulated impairment loss. These are amortized over its estimated useful life of 3 to 5 years using the straight-line method. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

Impairment of Non-Financial Assets

At each reporting date, non-financial assets such as property, plant and equipment and intangible asset accounts are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit and loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Derecognition of Non-financial Assets

Items of property, plant and equipment and intangible assets are derecognized when these assets are disposed of or when no future economic benefits are expected from these assets. Any difference between the carrying value of the asset derecognized and net proceeds from derecognition is recognized in profit or loss.

Related Parties

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Authority perform its obligations; (b) the Authority's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Authority's performance does not create an asset with an alternative use to the Authority and the BCDA has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Authority also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Authority has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Sale of Goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from sale of goods is recognized when the goods are delivered and titles have passed, at which all the following conditions are satisfied:

- The Authority has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Authority retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Authority; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

Rendering of Services

Revenue from a contract to provide services is recognized as revenue in the accounting periods in which the services are rendered. Revenue from a contract to provide services is recognized when all of the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Authority;
- The stage of completion of the transaction can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest Revenue

Interest revenue is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend Revenue

Dividend revenue is recognized when the Authority's rights to receive payment have been established, provided that it is probable that the economic benefits will flow to the Authority and the amount of income can be measured reliably.

Lease Revenue

Revenue from lease is recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

Finance Income

Finance income comprises interest income on bank deposits, and fund placements. Interest income is recognized in the statement of comprehensive income as it accrues, using the effective interest method.

Service Concession Revenue

Service concession revenue is recognized when the right to receive concession fees is established, which normally coincides with the period the operator collects toll fees.

Expense Recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statement of comprehensive income are presented using the function of expense method. Costs of sales are expenses incurred that are associated with the goods sold. Operating expenses are costs attributable to administrative, marketing, selling and other business activities of the Authority.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the lessee.

All other leases are classified as operating leases. Rental payments under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the relevant lease.

Authority as Lessee

Leases which transfer to the Authority substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are directly charged against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Authority substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the income statement on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Authority as Lessor

Leases wherein the Authority substantially transfers to the lessee all risks and benefits incidental to ownership of the leased items are classified as finance leases and are presented as receivable at an amount equal to the Authority's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Authority's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease revenue from operating leases is recognized as income in the statement of comprehensive income on a straight-line basis over the lease term.

The Authority determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes as assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale,

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Employee Benefits

Short-term Benefits

The Authority recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before twelve months after the end of the reporting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus if the Authority has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefits are recognized as expense in the period the related service is provided.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed, unless another PFRS requires the inclusion of the benefits in the cost of an asset, as a related service is provided.

Short–term employee benefits include salaries and wages, PERA, RATA, year-end bonus, de minimis benefits, employer share contributions and other allowances and bonuses.

Compensated Absences

Accumulating sick and vacation leave credits are those that are carried forward and can be used in future periods if the current period's entitlement is not used in full. An obligation arises as employees render service that increases their entitlement to future paid absences. Accumulating sick and vacation leave benefits are measured on an undiscounted basis. These are recognized as an expense as the related service is provided based on the employee's monthly salary as at the end of the accounting period. Compensated absences are recorded as Terminal Leave Benefits by the Authority.

Post-Employment Benefits

The Authority contributes to the provident fund of its employees. Under the provident fund, the Authority's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. The employer's share in the provident fund is recorded as an expense in the period as the related service is provided. No actuarial computation was obtained since actuarial and investment risk fall, in substance, on the employee.

Retirement Fund

The Authority does not have a retirement benefit plan. Retirement and insurance benefits of employees are provided by the Government Service Insurance System (GSIS) in compliance with RA 8291 otherwise known as the GSIS Act of 1997.

Income Tax

Income tax expense represents the sum of the current tax and deferred tax expense.

Current Tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Authority's current tax liability is calculated using 30 per cent regular corporate income tax (RCIT) rate or 2 per cent minimum corporate income tax (MCIT) rate, whichever is higher.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Authority expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and Deferred Tax for the Year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Foreign Currency Transactions and Translation

The accounting records of the Authority are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortized cost are recognized in profit or loss.

Events after Reporting Date

Subsequent events that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Subsequent events that provide additional information about conditions existing after period end (non-adjusting events) are disclosed in the notes to the financial statements.

Government Equity

Government equity represents the equity of the National Government to the Authority and includes the 27.50 per cent share on the net proceeds of straight sale transactions as prescribed by Section 1 (2) of RA 7917. The proceeds from sale transactions after deducting all expenses related to the sale are distributed as follows:

	Percentage of share
Bases Conversion and Development Authority (BCDA)	27.50
Armed Forces of the Philippines (AFP)	35.00
National Shelter Program (NSP)	12.00
Other beneficiaries	25.50
	100.00

The Authority's 27.50 per cent share from the net proceeds is recorded as part of equity from the National Government. The shares of beneficiaries other than BCDA are initially booked as liability. Direct expenses related to the disposition are treated as expenses or assets, as the case maybe.

Contributed Capital

Contributed capital represents the equity of the National Government to the Authority in excess of the authorized capital stock.

Retained Earnings

Retained earnings represent accumulated profit attributable to equity holders of the Authority after deducting dividends declared. Retained earnings may also include the effect of changes in accounting policy as may be required by the standard's transitional provision.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in accordance with the PFRS requires the Authority to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumption used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

Judgments

In the process of applying the Authority's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Classification of Financial Instruments

The Authority classifies a financial instrument, or its component parts, on initial recognition, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument.

The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Determination of Whether a Lease is a Finance or Operating Lease

Operating Lease Commitments – Authority as Lessor

The Authority has determined, based on an evaluation of the terms and conditions of the arrangements that it retains all the significant risks and rewards of ownership of the properties leased to various lessees, thus, accounts for the contracts as operating leases.

Operating Lease Commitments – Authority as Lessee

The Authority has entered into property leases of agricultural plantation and office space and has determined that the lessor retains all the significant risks and rewards of ownership of these properties which are leased out on operating lease.

Assessment of Impairment of Non-Financial Assets

The Authority determines whether there are indicators of impairment of the Authority's property, plant and equipment, creditable withholdings tax and prepaid expenses. Indicators of impairment include significant change in usage, decline in the asset's fair value on underperformance relative to expected historical or projected future results. Determining the fair value requires the determination of future cash flows and future economic benefits expected to be generated from the continued use and ultimate disposition of such assets. It requires the Authority to make estimates and assumptions that can materially affect the financial statements. Future events could be used by management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Authority's financial position and financial performance. The preparation of the estimated future cash flows and economic benefits involves significant judgments and estimation.

Estimates

Estimating Useful Lives of Property, Plant and Equipment

The Authority estimates the useful lives of its property, plant and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives and residual values are reviewed, and adjusted if appropriate, only if there is a significant change in the asset or how it is used.

The following estimated useful lives are used in depreciating the property, plant and equipment:

Land Improvements	10 to 20 years
Building and Structures	10 to 30 years
Leasehold Improvements	10 to 30 years
Furniture and Fixtures	5 to 10 years
Land Transportation Equipment	7 years
Machineries	7 years
Equipment	5 years

The carrying amounts of the Authority's property, plant and equipment as at December 31, 2018 and 2017 are P2.424 billion and P1.955 billion, respectively. Depreciation cost charged to operation amounted to P154.724 million and P127.204 million in 2018 and 2017, respectively.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognized when the Authority has a present obligation, either legal or constructive, as a result of a past event, it is probable that the Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognized is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

Contingent Liabilities and Assets

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognized in the financial statements but should be disclosed where an inflow of economic benefits is probable. Asset is recognized when the realization of income is virtually certain.

Tax Subsidy Availments

The income approach is used in the recognition of the tax subsidy availments by the contractors and consultants. Under the approach, the subsidy is recognized as deferred income and amortized over the useful life of the asset (PAS 20, par. 26). The amortization of subsidy income started in 2009 when the Subic–Clark-Tarlac Expressway (SCTEx) began its operation computed based on the total amount of tax subsidy over 30 years which is the estimated useful life of the SCTEx.

Joint Venture Agreements

The Authority has entered into several joint venture agreements with various companies. Evaluating whether these arrangements involve joint arrangement depends on the facts and circumstances of the contractual agreements. Joint arrangements are recognized when the terms of contractual agreements give the venturers joint control over relevant activities such as decisions regarding construction and development of the property; management and marketing of the developed property; hiring of key personnel; and selection of contractors, architects, and suppliers. If the agreements do not constitute joint arrangements under PFRS 11, such arrangements are accounted for in accordance with other applicable financial reporting standards.

6. CASH AND CASH EQUIVALENTS

This account consists of:

	2018	2017
Petty cash fund	**94,178**	151,912
Cash with collecting officers	**432,072**	272,916
Cash in banks	**191,323,630**	75,714,927
Cash equivalents	**10,162,768,310**	6,032,314,719
	10,354,618,190	6,108,454,474

Cash in banks are deposits maintained with Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) which earn interest at the prevailing bank deposit rates. Interest income earned from cash in banks amounted to P3.956 million and P1.122 million in 2018 and 2017, respectively.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Authority classifies an investment as cash equivalent if that investment has a maturity of three months or less from date of acquisition. Interest income earned from cash equivalents amounted to P78.755 million and P34.340 million in 2018 and 2017, respectively as disclosed in Note 24.

The Authority holds cash and cash equivalents amounting to P1.867 billion and P1.648 billion in 2018 and 2017, respectively, which are restricted in nature. The restricted cash and cash equivalents are presented under Other Current and Non-Current Assets as disclosed in Notes 10 and 17.

7. INVESTMENTS IN TREASURY BILLS

Reconciliation of the carrying amounts of investments in treasury bills are as follows:

	2018	2017
Balance at beginning of year	**2,669,270,078**	6,868,047,115
Fair value gain	**62,686,526**	31,785,601
Additions	**2,928,133,837**	851,434,284
Disposals	**(300,051,615)**	(7,751,267,000)
Investment in Treasury bills	**0**	2,669,270,078
Balance at end of year	**5,360,038,826**	2,669,270,078
Amortized cost	**1,247,936,331**	478,466,890
FVOCI	**4,112,102,495**	2,190,803,188

Interest income earned from Treasury Bills amounted to P168.300 million and P168.255 million in 2018 and 2017, respectively.

8. RECEIVABLES

This account consists of the following:

	2018	2017 (As restated)
Accounts receivables	**27,613,962,727**	8,123,464,123
Lease receivables	**741,865,660**	746,069,945
Inter-agency receivables	**5,793,857,079**	5,807,241,977
Interest receivable	**113,217,938**	67,895,268
Dividends receivable	**15,221,636**	15,304,970
Other receivables	**35,787,365**	52,316,810
	34,313,912,405	14,812,293,093
Allowance for impairment	**(1,929,464,678)**	(1,752,275,871)
	32,384,447,727	13,060,017,222
Current portion	**3,073,958,556**	4,942,817,392
Non-current portion (see Note 17)	**29,310,489,171**	8,117,199,830

Accounts receivable consists of receivables from the following:

	2018	2017
Business projects		
Bonifacio South Pointe (see Note 24 & 35.h)	**19,248,685,199**	0
JUSMAG Project	**6,626,612,144**	6,033,585,318
Uptown Bonifacio Project	**971,932,194**	1,265,596,988
Newport Project	**489,968,985**	475,109,130
McKinley Hill Project	**101,865,517**	189,680,618
Serendra Project	**8,770,351**	5,980,115
Concession fee	**118,992,223**	104,734,277
Heritage Park Investment	**14,140,262**	16,007,875
Housing projects		
Rodriguez, Rizal Relocation	**17,980,580**	17,980,580
Pamayanang Diego Silang (PDS)	**7,877,399**	8,003,993
Pabahay 2000 in General Trias, Cavite	**6,807,106**	6,743,951
Others	**330,765**	41,278
	27,613,962,725	8,123,464,123

Receivables from business projects refer to amounts due from JV Agreements, including interest charges of P103.317 million from Megaworld due to late remittance of the first and second minimum annual guaranteed revenue share of the Authority from the JUSMAG project (see Notes 24 and 35).

Receivables from concession fees refer to the Authority's 50 per cent share of the gross toll revenues of SCTEx for December 2018 and 2017.

Receivables from Heritage Park Investment arise from sale of Heritage Park Investment Certificates.

Receivables from housing projects refer to amortization balances of housing units in Pamayanang Diego Silang Village at Ususan, Taguig and Pabahay 2000 units at General Trias, Cavite. These also include receivables arising from the relocation of qualified informal settler families affected by the development of JUSMAG property based on a Memorandum of Agreement (MOA) entered into by and between the Authority and National Housing Authority (NHA) on November 10, 2011. Based on the MOA, the Authority shall fund the cost of housing units, including the cost of community facilities, and individual water and power connections of the relocates, while NHA shall provide the necessary housing units and will serve as the collecting agent of the Authority. In CY 2012, 93 families were relocated to NHA's housing units at Kasiglahan Village, located in Rodriguez, Rizal and a total of P18.600 million was paid by the Authority to NHA.

Dividends receivable consists of the remaining balance of P15.222 million cash dividends declared by FBDC in 2013.

Lease receivables pertain mostly to the unbilled portion of leases on investment properties. Unbilled lease receivables is the remaining balance of receivable arising from lease agreements entered into by the Authority computed in accordance with PAS 17. It also includes receivable arising from the actual amount billed by the Authority to its lessees.

Inter-agency receivables pertain to receivables from the Authority's affiliates. These also includes receivables from national government agencies, local government units and government corporations.

	2018	2017 (As restated)
Affiliates	**4,122,902,295**	4,029,445,059
National Government Agencies	**1,666,125,205**	1,772,992,537
Local Government Units	**3,750,173**	3,750,173
Government Corporations	**1,079,406**	1,054,208
	5,793,857,079	5,807,241,977

Receivables from affiliates are as follows:

	2018	2017
Clark International Airport Corporation (CIAC)	**2,281,659,838**	2,186,246,726
North Luzon Railways Corporation (NORTHRAIL)	**1,661,831,254**	1,661,831,254
Fort Bonifacio Development Corporation (FBDC)	**47,783,344**	49,686,143
Poro Point Management Corporation (PPMC)	**79,355,762**	79,353,242
Philippine Centennial Expo '98 Corp (EXPOCORP)	**22,682,686**	22,682,686
John Hay Management Corporation (JHMC)	**22,344,658**	22,342,138
Bataan Technology Park, Inc. (BTPI)	**5,738,873**	5,738,873
Bonifacio Estate Services Corporation (BESC)	**1,500,000**	1,500,000
Clark Development Corporation (CDC)	**3,359**	32,418
SCAD Council	**2,521**	31,579
	4,122,902,295	4,029,445,059

Receivable from CIAC represents the (a) 15 per cent importation cost of radar spare parts for the Terminal Radar Approach Control (TRACON) Project of P37.074 million; (b) result of the inter-company settlement of CDC-CIAC loans pursuant to Executive Order (EO) No. 716 dated April 3, 2008 of P735.561 million; (c) progress billings for various infrastructure projects of P475.014 million; (d) advances of P832.248 million. The account also includes the amortization of Deutsche Bank loan of CIAC paid by CDC in behalf of the Authority with an accumulated amount of P201.763 million.

Receivable from NORTHRAIL substantially represents advances of P1.412 billion and FBDC's investment in NORTHRAIL of P250 million which was assigned by the latter to the Authority, pursuant to a Settlement Agreement dated April 16, 2003 by and among the Authority, Metro Pacific Corporation (MPC), Fort Bonifacio Development Corporation (FBDC) and Bonifacio Land Corporation (BLC). The Authority has provided an allowance for impairment of P1.662 billion in 2018 because NORTHRAIL may not be able to continue as a going concern due to lack of clear-cut plans for its role as a Project Management Unit for the Railway Project.

Receivable from FBDC represents the P43.813 million lease for the 23,126 square meters of land located at the Pamayanang Diego Silang and P3.781 million remaining balance of property dividends.

Receivable from PPMC represents funds released for Capital Expenses (CAPEX) and for the acquisition of all validated land claims within the Wallace area. These advances will be liquidated upon turnover of projects and Transfer Certificate of Titles (TCTs) of land by PPMC to the Authority.

Receivable from EXPOCORP represents funds released from CY 1999 to CY 2008 for EXPOCORP's operating requirements amounting to P22.683 million. In CY 2011, the Authority recognized an allowance for impairment loss of P22.683 million.

Receivable from JHMC represents funds released for the construction of access road and other capital expenditure projects of P20.326 million, which will be liquidated upon completion and turnover of the project to the Authority. It also includes advances of P2.014 million, subject to reimbursement.

Receivable from CDC and *SCAD* represents their respective shares on Philippine Investments Priority Plan expenses.

Receivable from National Government Agencies (NGAs), LGUs, GOCCs consists of receivables from the following:

	2018	2017 (As restated)
Senate of the Philippines	**1,048,800,000**	0
Department of Public Work and Highways (DPWH)	**465,632,007**	463,875,810
Bureau of the Treasury (BTr)	**148,389,657**	148,389,657
Municipality of Taguig	**3,750,173**	3,750,173
Department of Transportation (DOTr)	**1,190,000**	0
Philippine Information Agency (PIA)	**900,000**	0
Office of the Civil Defense	**535,680**	0
National Anti-Poverty Commission (NAPC)	**477,926**	1,510,000
Various Agencies	**1,279,341**	1,269,278
Supreme Court of the Philippines (SC)	**0**	1,159,002,000
	1,670,954,784	1,777,796,918

Receivable from Senate of the Philippines pertains to the balance due from the Senate of the Philippines in connection with the sale of a portion of the Navy Village in Fort Bonifacio.

Receivable from DPWH pertains to the balance due from DPWH in connection with its acquisition of a 5,067.65 square meter-lot at Camps Atienza and Melchor in Libis, Quezon City and a 23,597 square meter right-of-way located at Villamor Air Base, Pasay City. It also includes share of DPWH on the Build Build Build (BBB) portal expenses amounting to P1.731 million and water and electric consumption in Bataan Technology Park amounting to P0.066 million.

Receivable from BTr pertains to the remittance to BTr of other beneficiary agencies' share from the share of National Shelter Program (NSP) from the asset disposition proceeds through sale. The NSP share represents the portion due to the Authority for the latter's conveyance/transfer of properties identified as socialized housing sites with mixed-use development under EO 465.

Receivable from PIA pertains to the advances to PIA as the Authority's implementing agency to showcase its big-ticket projects under the Build Build Build (BBB) Program during the National Information Convention in February 2018.

Receivable from SC pertains to the balance due from the SC in connection with the sale of a 21,463 square meter-lot at the Philippine Army Security Group Area within Fort Bonifacio.

Other receivables compose of the following:

	2018	2017 (As restated)
Due from Non-Gov't Organizations (NGOs)	**12,838,958**	12,930,043
Due from officers and employees	**5,083,543**	5,459,494
Due from other individuals	**2,486,151**	2,900,971
Others	**15,378,713**	31,026,302
	35,787,365	52,316,810

Due from NGOs consists of receivables from (a) Lakas-Ilaw Association, Inc. for bridge loan financing of P3.095 million in CY 2018 and P3.186 million in CY 2017; (b) SAMASAMA, Inc. for livelihood fund of P414,617; (c) Samahang Kaisahan ng Sambayanan of P0.780 million; and (d) BCDA Employees Provident Fund, Inc., representing car loan/housing loan facilities being availed by the Authority's officers/employees amounting to P8.549 million.

Others represents receivables from various suppliers/contractors for the purchase of goods that have yet to be delivered. This account also includes receivables from Megaworld for the amount it retained from the annual minimum revenue share of the Authority from Newport City and McKinley Hill joint venture projects as contingency funds.

9. INVENTORIES

This account consists of the following:

	2018	2017
Heritage Park Investment Certificates	**593,720,600**	593,720,600
Condominium	**244,285,877**	35,477,950
Parking spaces	**32,190,179**	2,100,000
Pabahay 2000	**600,000**	600,000
	870,796,656	631,898,550

Heritage Park Investment Certificates pertain to various memorial products which entitle a buyer to the perpetual use of the purchased lot upon full payment of the contract price.

Condominium units refer to the unsold allocated units at New Port City. As of December 31, 2018, a total of 11 condominium units and 1 retail unit remain unsold. The increase pertains to the 47 unsold residential units which were part of the Authority's allocation on the 3-hectare property at Newport City.

Parking spaces refer to the parking units at the Pacific Plaza Towers Condominium allocated for the Authority. As of December 31, 2018, a total of 4 parking spaces remain unsold. The increase pertains to the 54 unsold parking units which were part of the Authority's allocation on the 3-hectare property at Newport City.

Pabahay 2000 pertains to the housing units at General Trias, Cavite which are part of the Authority's resettlement and housing program that benefitted residents affected by the conversion and disposition of the former base lands in Metro Manila.

10. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of the following:

	2018	2017 (As restated)
Prepayments		
Withholding tax at source	**791,525,062**	667,442,862
Advances to contractors	**932,628,389**	15,878,217
Inventories held for consumption	**2,392,396**	2,636,700
Input tax - net of output tax (see Note 23)	**22,212,765**	0
Prepaid insurance	**2,246,965**	1,264,783
Other prepayments	**8,109,609**	7,953,872
Other Current Assets		
DBP Trust Account	**402,303,733**	201,075,069
Director's and Officer's Liability Fund (DOLF)	**43,285,804**	24,376,524
Restricted Fund - Escrow Expropriation	**0**	1,195,939
Others	**9,249,435**	7,942,232
	2,313,954,158	929,766,198

Withholding tax at source pertains to creditable withholding taxes from lease, concession and joint venture transactions.

Advances to contractors pertains to mobilization fees paid to contractors for various infrastructure projects in relation to the 31st ASEAN Summit held in November 2017 at the Clark Special Economic Zone (CSEZ), Angeles City, Pampanga and the SEA Games to be held in 2019. Mobilization fees are recouped from every progress billing/payment depending on the percentage of accomplishment.

Prepaid insurance pertains to the cost of insurance premium of certain properties and equipment that have been paid in advance. It also includes fidelity bond premium of accountable officers and employees.

DBP trust account consists mainly of the proceeds from the sale of Serendra Condominium units and the lease income from the Serendra Retail area wherein the proceeds are being maintained in an escrow and trust accounts with the DBP pending sales verification and reconciliation between the Authority and Ayala Land, Inc.

Director's and Officer's Liability Fund (DOLF) pertains to the trust fund held, managed and administered by the LBP, the Trustee bank, to cover costs and expenses in relation to any demand, claim or action, suit, proceeding, whether threatened or pending against the Directors, Officers or Frontline employees of the Authority. The DOLF's initial fund is P24 million subject to additional P19 million every year until it reaches the maximum amount of P100 million. All earnings from LBP's management of the Trust account shall form part of the Fund.

Restricted Fund–Escrow Expropriation pertains to the fund deposited at DBP, the Escrow Agent, for the Authority's expropriation cases at Wallace Air Station within Poro Point Special Economic Zone. In 2018, remaining balance of the fund were released to the beneficiaries of the just compensation in compliance with the court order issued by the Regional Trial Court, San Fernando, La Union.

Others pertain to advances to officers/employees amounting to P0.072 million in 2018 and P0.272 million in 2017; advances to the Procurement Service of P2.511 million in 2018 and P0.717 million in 2017; and items of property, plant and equipment which are due for disposal amounting to P2.472 million.

11. INVESTMENTS IN AFFILIATES

This account consists of investments in the following:

	2018	2017 (As restated)
Fort Bonifacio Development Corporation (FBDC)	**14,022,131,333**	14,675,414,468
Clark Development Corporation (CDC)	**2,813,507,300**	2,813,507,300
John Hay Management Corporation (JHMC)	**383,814,079**	383,814,079
BCDA Management and Holdings, Inc. (BMHI)	**280,000,000**	280,000,000
North Luzon Railways Corporation (NORTHRAIL)	**100,000,000**	100,000,000
Poro Point Management Corporation (PPMC)	**68,143,720**	68,143,720
Bonifacio Communication Corporation (BCC)	**27,500,000**	27,500,000
Bonifacio Estate Services Corporation (BESC)	**4,333,333**	4,333,333
Philippine Japan Initiative for CGC, Inc. (PJIC)	**43,093,800**	23,512,408
Subic Clark Alliance for Development (SCAD)	**2,083,333**	2,083,333
Clark International Airport Corporation (CIAC)	**1,250,000**	1,250,000
Filinvest BCDA Clark, Inc. (FBCI)	**450,000**	450,000
	17,746,306,898	18,380,008,641
Less: Allowance for impairment loss	**100,000,000**	100,000,000
	17,646,306,898	18,280,008,641

Fort Bonifacio Development Corporation (FBDC)

FBDC is engaged in the development of certain areas in Bonifacio Global City for residential, commercial and business mixed development. It is also leasing out certain buildings and areas in Bonifacio Global City.

In 2017, FBDC conveyed a parcel of land consisting of 3,103 square meters of North Bonifacio Expansion Area (NBEA) in partial redemption of Preferred B Shares owned by the Authority which is equivalent to 48,469,638 shares reducing the investment in FBDC by P96.939 million.

In 2018, FBDC redeemed the remaining Preferred B Shares from the project area reducing the investment in FBDC by P653.283 million.

Clark Development Corporation (CDC)

The CDC was established under Executive Order (EO) No. 80 dated April 3, 1993 as the implementing arm of the Authority for the Clark Special Economic Zone.

John Hay Management Corporation (JHMC)

JHMC was established as the implementing arm of the Authority for the development and management of the 625-hectare Camp John Hay Reservation located in the City of Baguio and the Municipality of Tuba, Province of Benguet. The primary purpose of JHMC is to convert, develop and maintain the facilities and properties within and around Camp John Hay for tourism, commercial, industrial, residential, nature reserve and human resource development center.

BCDA Management and Holdings, Inc. (BMHI)

BMHI was established to serve as a corporate vehicle for the development and eventual privatization of BCDA properties. However, on July 01, 2015, the Governance Commission for GOCCs (GCG) issued Memorandum Order No. 2015-06 for the deactivation of BMHI.

As part of the transitional plan to deactivate the current operation of BMHI, GCG ordered the Authority to act as successor-in-interest of BMHI's obligations, assets and liabilities; assume the functions of BMHI; implement the plan of actions for the affected employees of BMHI; and resolve all audit findings by the Commission on Audit against BMHI.

BMHI was deactivated effective August 1, 2016. All projects handled by BMHI were turned over to the Authority except for the collection of housing unit amortization, monthly dues and/or common area lights and similar charges for the National Police Commission/Philippine National Police Housing Project, which was retained by BMHI. The Authority created a Management Team for BMHI to manage and supervise the disbursements, collection, legal cases and other transactions pertaining to and retained by BMHI.

North Luzon Railways Corporation (NORTHRAIL)

NORTHRAIL is a pre-operating subsidiary of the Authority whose purpose is to develop, construct, operate and manage a railroad system to serve Metro Manila, Central Luzon, and Northern Luzon; and to develop, construct, manage, own, lease, sublease, and operate establishments and facilities of all kinds related to the railroad system.

The Authority provided an allowance for impairment on its investment in NORTHRAIL due to its going concern issues.

Poro Point Management Corporation (PPMC)

PPMC was established as the operating arm of the Authority to manage the Poro Point Freeport Zone. PPMC's responsibility encompasses the former Wallace Air Station in Poro Point, La Union, home to Thunderbird Resorts, the San Fernando Airport and the San Fernando International Seaport.

Bonifacio Communication Corporation (BCC)

BCC's primary purpose is to construct, establish, maintain, lease and otherwise operate, to the extent allowed by law, communication infrastructures and to provide related services, including but not limited to, value-added services, within the Fort Bonifacio Global City, and in all other areas within Fort Bonifacio and the Villamor Air Base.

Bonifacio Estate Services Corporation (BESC)

BESC is engaged in the business of property and real estate management services for the development of the Bonifacio Global City and other real estate development projects.

Philippine Japan Initiative for CGC, Inc. (PJIC)

PJIC was incorporated in the Philippines on July 4, 2016 by virtue of a joint venture agreement executed on March 8, 2016 by and between the Authority and the Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development (JOIN), a corporation duly organized under the Act of Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development (Act No. 24 of April 18, 2014), to oversee the preparation of a detailed master plan for the materialization of New Clark City (NCC) Project and the Clark Rail Transit System Project (collectively, the Clark Projects). The primary objectives and purposes of the Company include overseeing the preparation and completion of the detailed master plan within one year from the signing of the Agreement, conducting research and feasibility studies particularly focusing on NCC Project and pertinent developmental projects, engaging experts and consultants to do the detailed master planning activities and doing all acts and such other things incidental to, necessary or desirable for the attainment of the mentioned objectives and purposes.

The Company's registered office address is at 2nd Floor, Bonifacio Technology Center, 31st Street corner 2nd Avenue, Bonifacio Global City, Taguig City, Philippines. The corporate term set forth in the articles of incorporation is five (5) years from and after the date of incorporation.

In February 2018, the Authority remitted P19.581 million to PJIC representing its final capital infusion to the JV.

Subic Clark Alliance for Development (SCAD)

SCAD was created to rationalize resources and harmonize strategies that will ensure an integrated and coordinated approach to the development of the SCAD corridor as a world-class mega-logistics hub and a global gateway to the Asia Pacific region.

Clark International Airport Corporation (CIAC)

CIAC was organized to operate and manage the Clark Civil Aviation Complex as a wholly-owned subsidiary corporation of the Clark Development Corporation. The EO was repealed and amended by EO 360 in August 1996 making CIAC as a wholly-owned subsidiary corporation of the Authority. Subsequently, EO 360 was repealed by EO No. 7 in March 2001, EO No. 186 in March 2003, EO No. 193 in April 2003, and EO No. 716 in April 2008. Finally, EO No. 64 was issued in December 2011 making CIAC an agency attached to the Department of Transportation (DOTr) which shall exercise administrative control and supervision over CIAC.

On February 28, 2017, EO 14 was issued restructuring CIAC from being an attached agency of Department of Transportation (DOTr) (formerly DOTC), to a subsidiary of the Authority, and further ordering DOTr to facilitate the transfer and conveyance of the shares currently owned by the National Government, as well as those shares held in the name of its nominee stockholders, in favor of the Authority and its nominees.

Filinvest BCDA Clark, Inc. (FBCI)

FBCI was incorporated by virtue of a Joint Venture Agreement (JVA) by and between the Authority and Filinvest Land Inc. primarily to undertake and implement the New Clark City Project- Phase 1, including the holding, operation, management and financing of the Project.

Dividends earned from investment in affiliates amounted to P472.527 million and P483.121 million in CY 2018 and 2017, respectively.

12. INVESTMENTS IN GOVERNMENT BONDS

This account consists of the following:

	2018	2017
Long-term placements in Fixed-Rate Treasury Notes	**4,244,080,612**	6,522,062,105
Long-term Investment on Tier 2 Fixed-Rate Unsecured Subordinated Notes	**500,000,000**	500,000,000
	4,744,080,612	7,022,062,105

Interest income earned from investment in government bonds amounted to P167.649 million and P150.688 million for the years ended December 31, 2018 and 2017, respectively.

13. INVESTMENTS IN STOCKS

This account consists of the following:

	2018	2017
Cost of 10% investment in Bonifacio Water Corporation	**70,051,870**	70,051,870
Cost of 15% investment in Poro Point Industrial Communication	**15,000,000**	15,000,000
Value of 30 golf and country club shares received by BCDA from CJHDevCo as partial payment of the latter's outstanding obligations	**12,000,000**	12,000,000
Cost of 10% Cumulative Preferred shares of MERALCO in connection with the application for the installation of electric facilities at Serendra Project, Districts 1 and 2 properties pursuant to the Subscription Agreement entered into by and between the Authority and MERALCO	**5,947,649**	5,947,649
Cost of stocks/securities of PLDT in connection with the installation of various lines at the Authority and miscellaneous investments	**24,800**	24,800
	103,024,319	103,024,319

14. PROPERTY, PLANT AND EQUIPMENT

This account consists of the following:

	Land and Land Improvements	Building & Structures, Leasehold Improvements-Building	Office Equipment, Furniture & Fixtures and Books	Other Machinery & Equipment	Land Transport Equipment	Construction in Progress	Total
2018 **COST**							
At January 1, 2018	2,764,712,160	481,618,409	71,148,658	28,674,419	109,927,766	623,233,859	4,079,315,27
Additions	0	6,676,047	19,034,142	9,162,534	5,628,428	583,913,772	624,414,923
Reclassifications	(7,568,916)	0	0	(9,722,789)	(5,432,319)	0	(22,724,024)
Balance, 12/31/2018	**2,757,143,244**	**488,294,456**	**90,182,800**	**28,114,164**	**110,123,875**	**1,207,147,631**	**4,681,006,170**
ACCUMULATED DEPRECIATION							
At January 1, 2018	1,618,240,568	353,785,071	51,421,697	25,947,797	75,152,020	0	2,124,547,153
Depreciation	128,899,918	10,080,935	4,353,516	955,607	10,434,381	0	154,724,357
Adjustments	(7,568,915)	0	(2)	(9,742,479)	(5,412,628)	0	(22,724,024)
Balance, 12/31/2018	**1,739,571,571**	**363,866,006**	**55,775,211**	**17,160,925**	**80,173,773**	**0**	**2,256,547,486**
Carrying Amount December 31, 2018	**1,017,571,673**	**124,428,450**	**34,407,589**	**10,953,239**	**29,950,102**	**1,207,147,631**	**2,424,458,684**

	Land and Land Improvements	Building & Structures, Leasehold Improvements-Building	Office Equipment, Furniture & Fixtures and Books	Other Machinery & Equipment	Land Transport Equipment	Construction in Progress	Total
2017							
COST							
At January 1, 2017	2,685,465,257	481,588,132	68,143,535	30,346,371	111,378,92	123,322,949	3,500,245,171
Additions	0	0	7,456,719	365,850	275,487	670,628,821	678,726,877
Transfer	0	0	(2,752,249)	(2,037,802)	(1,872,921)	0	(6,662,972)
Reclassifications	79,246,903	30,277	(1,141,701)	0	0	(170,717,911)	(92,582,432)
Adjustments	0	0	(557,646)	0	146,273	0	(411,373)
Balance as restated, 12/31/2017	**2,764,712,160**	**481,618,409**	**71,148,658**	**28,674,419**	**109,927,766**	**623,233,859**	**4,079,315,271**
ACCUMULATED DEPRECIATION							
At January 1, 2017	1,516,235,297	342,478,909	50,747,776	27,688,769	66,368,183	0	2,003,518,934
Depreciation	102,005,271	11,306,162	3,475,616	93,050	10,323,664	0	127,203,763
Adjustments	0	0	(706,505)	0	0	0	(706,505)
Transfer	0	0	(2,095,190)	(1,834,022)	(1,539,827)	0	(5,469,039)
Balance as restated, 12/31/2017	**1,618,240,568**	**353,785,071**	**51,421,697**	**25,947,797**	**75,152,020**	**0**	**2,124,547,153**
Carrying Amount December 31, 2017	**1,146,471,592**	**127,833,338**	**19,726,961**	**2,726,622**	**34,775,746**	**623,233,859**	**1,954,768,118**

Construction in progress pertains to on-going constructions of buildings or projects that are not yet operational. Details of the Construction in Progress account are as follows:

2018	
ASEAN 21 Villas	515,551,177
Modular Information and Technology Facilities (MITFs) and Repeater Stations	260,658,472
Iconic Building	114,073,797
Improvement of Fontana Convention Center	107,760,833
Replication of 15 Units Airmen's Apartment	43,898,768
VIP/Media Lounge and Command Center	23,290,232
DED of Clark & SCTEx Access Road Project	20,768,900
Replication of K-9 Unit facilities	18,145,700
Fit-Out Requirements for New Office In Clark Onewest	17,153,387
Construction of Fronthaul of the Cable Network Corridor for the Luzon bypass Infrastructure Project	16,653,541
Improvement/Rehabilitation Access Dirt Roads CGC	13,292,096
Detailed Eng'g Design of CGC Mixed Income	11,948,271
Road Projects – NCC to SCTEx	8,261,503
Gangway – Renovation of CIAC Domestic Area	65,280
Major Road Network/Site Office in CGC	7,946,428
Replication of ASCOM/SSC/DACC Facilities	7,872,451
Detailed Design and Traffic Mgt for the new SCTEx Tarlac Toll Plaza	6,092,954
McArthur Access Road Project	3,323,024
Widening of Lawton Avenue	4,442,000
South Luna Ramps – Project Design	2,946,429
Acumatica ERP BCDA JHMC PPMC	1,192,500
BCDA Corporate website Project	1,565,508
Troop Huntments 2 CGC SCAA construction	244,380
	1,207,147,631

2017	
21 units ASEAN Summit Villas	479,926,092
Fontana Convention Center	69,601,702
VIP/Media Lounge and Command Center	23,290,232
DED Clark and SCTEx Access Road Project	20,768,900
Detailed Eng'g Design of CGC Mixed Income	11,948,271
Detailed Eng'g Design Traffic Management for the new SCTEx Tarlac Toll Plaza	6,092,954
Widening of Lawton Avenue – Project Design	3,997,800
Acumatica ERP BCDA JHMC PPMC	1,192,500
South Luna Ramps Project	2,946,429
BCDA Corporate Website Project	1,565,508
DED Major Road Network/Site Office in NCC	882,936
Detailed Arch & Eng'g Design of Philippine Army K9 Unit	776,154
Troop Huntmen for 2 CGC SCAA construction	244,380
	623,233,858

15. SERVICE CONCESSION ASSETS

This account consists of the following:

	SCTEx by BCDA	Assets Introduced by MNTC	Total
2018			
COST			
At January 1, 2018	30,764,578,517	1,515,247,090	32,279,825,607
Additions	0	225,507,049	225,507,049
Balance, 12/31/2018	**30,764,578,517**	**1,740,754,139**	**32,505,332,656**
ACCUMULATED DEPRECIATION			
At January 1, 2018	4,186,814,661	42,787,690	4,229,602,351
Depreciation	327,133,543	73,520,808	400,654,351
Balance, 12/31/2018	**4,513,948,204**	**116,308,498**	**4,630,256,702**
Carrying Amount December 31, 2018	**26,250,630,313**	**1,624,445,641**	**27,875,075,954**
2017			
COST			
At January 1, 2017	30,679,353,772	767,909,682	31,447,263,454
Additions	85,224,745	747,337,408	832,562,153
Balance, 12/31/2017	**30,764,578,517**	**1,515,247,090**	**32,279,825,607**
ACCUMULATED DEPRECIATION			
At January 1, 2017	3,901,743,520	691,593	3,902,435,113
Depreciation	285,071,141	42,096,097	327,167,238
Balance, 12/31/2017	**4,186,814,661**	**42,787,690**	**4,229,602,351**
Carrying Amount December 31, 2017	**26,577,763,856**	**1,472,459,400**	**28,050,223,256**

SCTEx by BCDA pertains to land improvements provided by BCDA to SCTEx Subic-Clark section and Clark-Tarlac section.

Assets introduced by MNTC pertains to assets constructed/provided by MNTC such as toll fare structures at toll plazas, NLEx/SCTEx integration civil works/ fixed operating equipment, pavement rehabilitation, rest stop, Toll Operations Center Building (TOCB), roadway lighting etc. (see Note 35).

16. INVESTMENT PROPERTY

This account pertains to land assets located at Fort Bonifacio, Villamor Air Base, Poro Point in La Union, Clark Economic Zone, Morong Bataan, and Camp John Hay in Baguio City.

The total area of land classified as investment property with about 382,893,725 square meters has a fair market value of P563.760 billion as at December 31, 2017.

The fair values of investment properties as at December 31, 2017 and 2016 were determined based on the valuation carried out by Asian Appraisal Company, Inc. (AACI) in 2017. The market value and market rent of land was determined using the Market Approach, Land Residual Approach and Income approach (see Note 30).

The market approach considers the value of land based on the sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The comparison was premised on the factors of location, size and shape of the lot, time element and others.

The land residual approach considers the value of land with development potential. The sum of money available for the purchase of land can be calculated from the value of the completed development minus the cost of development (including profit).

The market rent of the property using the income approach was based on the amount a prudent real estate investor or landowner would accept in leasing it in order to realize a fair return on their investment. Under this approach, the market value of the property is first estimated and the property capitalization rate is applied to obtain its rental value.

The carrying amount of the Authority's investment properties are as follows:

	2018	2017
COST		
Balance at beginning of year	**75,159,228,701**	44,714,783,091
Additions	**78,079,443**	30,489,806,765
Reclassifications	**0**	1,274,103,507
Disposals	**(1,987,964,400)**	(1,319,464,662)
Balance at the end of year	**73,249,343,744**	75,159,228,701
Carrying amount at end of year	**73,249,343,744**	75,159,228,701

Lease revenue earned from investment properties amounted to P916.034 million and P930.327 million in 2018 and 2017, respectively. Expenses incurred arising from investment properties are as follows:

	2018	2017
Estate management fees	**195,385,461**	135,139,826
Zone maintenance	**64,800,361**	37,026,946
Security services	**60,148,216**	73,871,718
	320,334,038	246,038,490

The Authority entered into Deeds of Usufruct for the use of its properties in line with the Authority's mandate to promote economic and social development with the following entities:

- Department of Environment and Natural Resources (DENR) for the use of a 33.74-hectare portion of the BCDA land located in Camp John Hay Air Station, presently occupied by the Department of Energy and Natural Resources-Cordillera Administrative Region's (DENR-CAR) Ecosystem Research and Development Service (ERDS), for the actual sole and exclusive use of the ERDS in support of its mission to provide and generate technologies and scientific assistance in the research and development of technologies relevant to the sustainable uses of Philippine ecosystem and natural resources;

- Department of Education-CAR Division of Baguio City for the use of a 1,529-square meter property within Barangay Country Club in Baguio City for establishing a school building;

- Reserve Officers Legion of the Philippines (RLOP) for a 500-square meter area within the Community Center Area of the Housing Site II located at C-5 Road, Fort Bonifacio as the National Headquarters of the RLOP;

- Department of National Defense for the right to use the remaining one-hectare property at Camp Claudio as housing site for Philippine Navy personnel;

- Filipino War Veterans Foundation Inc. for the use of a 5,000-square meter property within the commercial area of Pamayanang Diego Silang (PDS) as headquarters and livelihood training center for the veterans;

- Department of Education-Taguig for the construction of Taguig-Pateros Science and Technology High School within the PDS Community Facilities Center;

- Military Ordinariate of the Philippines as site for the Chapel of St. Therese within Villamor Air Base;

- Department of Public Works and Highways for the Sta. 00+000 to Sta. 00+712.17 in connection with the construction of the SCTEx-TPLEx interconnection project; and

- Philippine Dental Association (PDA) for the use of a 500-square meter area in Pamayanang Diego Silang Village (PDS) for the establishment of the PDA Oral Health Research Center.

On May 29, 2014, President Benigno Aquino III approved the Master Development Plan for the Clark Green City involving 9,450 hectares of land within the Clark Special Economic Zone (CSEZ) including the first phase of its development. The Authority appropriated P6.000 billion from its retained earnings for this purpose.

The Authority has also allocated certain parcels of land to various institutions in line with the development of the New Clark City (NCC):

- University of the Philippines (UP) for the establishment of a campus covering an area of 70 hectares of land; and

- Technological University of the Philippines (TUP) for the establishment of TUP Center for Industrial Development and Productivity covering an area of 20 hectares of land.

17. OTHER NON-CURRENT ASSETS

This account comprises the following:

	2018	2017 (As restated)
Non-current receivables		
Accounts receivables	**26,273,224,295**	6,741,766,208
Inter-agency receivables	**3,025,280,698**	1,363,449,444
Other receivables	**11,984,178**	11,984,178
	29,310,489,171	8,117,199,830
Deferred charges	**64,900,772**	863,150,887
Heritage Park Perpetual Care Fund	**66,183,598**	66,183,598
Deposits for expropriation	**24,267,270**	26,457,209
Intangible assets	**13,163,263**	11,414,365
Rent deposit	**6,485,203**	6,239,466
CJHDevCo Escrow Account	**1,421,096,052**	1,421,096,052
Other assets	**7,104,454**	7,320,741
	30,913,689,783	10,519,062,148

Non-current receivables refers to the amount due from the National Shelter Program; advances/receivables from affiliates; long-term portion of installment sales receivable and contingency funds for Newport City and the McKinley Hill projects.

Deferred charges pertains to the advances made to the Armed Forces of the Philippines (AFP) for the latter's share in the proceeds from redemption of FBDC Preferred B shares and advance rental of Altus San Nicolas for the 5,000-square meter lot along Lawton Avenue from CYs 2015-2027.

Heritage Park Perpetual Care Fund (PCF) refers to the balance of the 12 per cent PCF advanced to the Heritage Park Management Corporation. The account is decreased by the corresponding PCF of sold Heritage Park Investment Certificates.

Deposits for expropriation refers to cash deposited with the Clerk of Courts in relation to land expropriation cases for SCTEx and Wallace Area in San Fernando, La Union.

Intangible assets pertains to acquired computer software licenses which are presented based on the cost incurred to acquire and bring to use the specific software. These costs are amortized over the expected useful lives of five years. Costs associated with maintaining computer software programs are recognized as expense when incurred. Amortization of intangible assets amounted to P2.190 million and P2.967 million in 2018 and 2017, respectively.

CJHDevCo escrow account pertains to the fund established by the Authority where the rentals required to be returned to CJHDevCo, by virtue of the final award rendered in the arbitration under the Philippine Dispute Resolution Center Inc. (PDRCI), was deposited. Interest earned from the escrow account amounted to P26.533 million for 2018 and P13.696 million for 2017.

18. ACCOUNTS PAYABLE

This account consists of payable to the following:

	2018	2017 (As restated)
Tollways Management Corporation (TMC)	**500,000**	29,010,821
Various suppliers and contractors	**137,028,645**	83,147,298
	137,528,645	112,158,119

Accounts payable to TMC pertains to the cash deposit of TMC to cover shortages on the Subic-Clark-Tarlac Expressway (SCTEx) toll collections which is subject for refund when validation of all toll revenue collections is complete. In 2018, the Authority paid P28.511 million representing the last payment for the Interim Service Provider (ISP) on the Operations and Maintenance of the SCTEx for the period September 28 to October 27, 2015 prior to commencement of its Service Concession Agreement with the Manila North Tollways Corporation (MNTC).

Accounts payable to various suppliers and contractors amounted to P137.029 million in 2018 and P83.147 million in 2017.

19. INTER-AGENCY PAYABLES

This account consists of the following:

	2018	2017 (As restated)
Due to BTr	**4,898,431,082**	3,856,587,801
Due to Affiliates	**225,755,374**	706,913,127
Due to BIR	**95,347,862**	173,648,096
Due to NGAs	**1,656,683,893**	7,883,705
Due to GOCCs	**515,143**	318,227
Due to LGU	**3,789,748**	162,640
	6,880,523,102	4,745,513,596

Due to BTr refers to the 72.50 per cent share of the beneficiaries on asset disposition thru sale of portions of Villamor Air Base and Fort Bonifacio. This also includes AFP's share from the net proceeds of non-sale transactions such as the Authority's share in joint venture projects, lease income and disposition of Heritage Park Investment Certificates. It further includes the balance of guarantee fees incurred in relation to the JICA loan for the SCTEx Project amounting to P290.195 million and P382.752 million as at December 31, 2018 and 2017, respectively.

Due to BIR represents taxes withheld from employees, suppliers/contractors and corporate income tax due. The net effect of output tax over input tax is presented as deferred credits.

Due to NGAs consists mainly of the funds transferred by the Philippine Veterans Affairs Office to the Authority for the preparation of the total master development plan of the Libingan Ng Mga Bayani and from the Department of Transportation for the implementation of Greenways Project and preliminary works for the Subic Clark Railway Project (SCRP).

Due to GOCCs consists mainly of premiums payable to GSIS, Pag-IBIG and PhilHealth.

Due to Affiliates is composed of the following:

	2018	2017
Fort Bonifacio Development Corporation (FBDC)	**0**	475,121,395
Clark Development Corporation (CDC)	**203,867,423**	203,867,423
John Hay Management Corporation (JHMC)	**6,855,552**	12,891,910
Poro Point Management Corporation (PPMC)	**9,968,616**	9,968,616
BCDA Management and Holdings, Inc. (BMHI)	**4,343,473**	4,343,473
Bataan Technology Park, Inc. (BTPI)	**667,059**	667,059
Clark International Airport Corporation (CIAC)	**53,251**	53,251
	225,755,374	706,913,127

Due to FBDC consists mainly of the remaining balance of the P2.235 billion deposit for future redemption of Preferred B shares which was upstreamed to the Authority to finance its various big ticket development projects in accordance with Article 4.3 of the Supplemental Implementing Agreement between the Authority and FBDC dated November 11, 2009. In 2018, the Authority redeemed its remaining Preferred B shares from FBDC resulting in a gain of P1.693 billion (see Note 28).

Due to CDC represents the remaining balance of inter-company settlement of CDC-CIAC loans.

Due to JHMC refers to land related costs in John Hay Special Economic Zone (JHSEZ) advances by JHMC.

Due to PPMC refers to land related costs in Poro Point Special Economic and Freeport Zone (PPSEFZ) advanced by PPMC.

20. PROVISIONS

This account consists of the accrued leave benefits of employees. The movement of this account is as follows:

	2018	2017
Beginning	**21,507,861**	20,152,746
Additional provisions during the year	**8,756,268**	13,121,823
Reductions arising from payment	**(4,833,728)**	(11,766,708)
Balance	**25,430,401**	21,507,861

21. OTHER PAYABLES

This account consists mainly of the following:

	2018	2017
Contractor's security deposits	**787,070,658**	586,797,834
Other payables	**249,141,867**	228,640,674
	1,036,212,525	815,438,508

Contractor's security deposits correspond to the bid bonds, performance and warranty security received from contractors/suppliers. These also include the 10 per cent retention monies withheld from the gross billing of the contractors/suppliers of goods and services.

Other payables includes funds received from Megaworld Corporation for the Villamor Airbase replication and relocation project and funds for the National Police Commission (NAPOLCOM) project.

22. LONG-TERM BORROWINGS

	2018	2017
Current portion of JICA Loan	**905,623,267**	843,100,760
Non-current portion of JICA Loan	**19,923,711,883**	19,391,317,485
	20,829,335,150	20,234,418,245

The loan payable to the Japan International Cooperation Agency (JICA), formerly Japan Bank for International Cooperation (JBIC), pertains to the loan drawdown of P31.244 billion (¥48.769 billion) for the period January 2003 to December 2010, as part of the loan extended to the Authority in the amount of ¥58.138 billion (inclusive of supplemental loan amounting to ¥17.106 billion in accordance with the amended Exchange of Notes). In 2018 and 2017, payments were made amounting to P0.929 billion (¥1.906 billion) and P0.860 billion (¥1.906 billion), respectively. As of reporting date, the unpaid balance amounted to ¥43.842 billion. This balance is carried at restated amount based on the BSP foreign exchange rate of P0.4751 for CY 2018 and P0.4423 for CY 2017.

The loan is for the construction of a direct, efficient and nearly exclusive road connection between major development areas of Central Luzon (Subic-Clark-Tarlac) in order to enhance the synergistic integrated development of the region and to alleviate the worsening traffic situation along the North-South axes in the region. The Subic-Clark-Tarlac Expressway project will enhance the development of both the Subic and the Clark Economic Zones pursuant to the Subic-Clark Alliance Development Program.

LOAN PROFILE:

Fund Source	:	Japan International Cooperation Agency
Loan Agreement No	:	PH-226
Loan Amount	:	JPY 58,138,495,277
Terms	:	40 years (maturity period)
	:	10 years (grace period)
Repayment terms	:	Semestral
Closing date	:	December 17, 2010
Guarantor	:	Republic of the Philippines
Interest Rate (%)	:	0.95% (Civil Works)
	:	0.75% (Consulting Services)
Guarantee Fee	:	1% p.a. of outstanding balance

23. DEFERRED CREDITS

This account consists of the following:

	2018	2017 (As restated)
Deferred income from service concession	**4,424,004,899**	4,365,608,761
Deferred income on tax subsidy	**2,693,808,409**	2,831,364,583
Deferred income from leased properties	**1,051,538,954**	1,107,624,811
Deferred income from Heritage Park Project	**450,593,505**	450,593,505
Output tax-net of input tax (See Note 10)	**0**	88,747,052
Committed contributions for the upgrading of San Fernando Airport	**55,000,000**	55,000,000
Deferred interest income from Heritage Park Project	**5,082,495**	5,082,495
Deferred income from joint venture project	**350,000**	1,050,000
Other deferred credits	**1,861,597,849**	1,791,124,147
	10,541,976,111	10,696,195,354

Deferred income from service concession pertains to the upfront cash from Manila North Tollways Corporation (MNTC) amounting to P2.772 billion, and assets constructed by MNTC for SCTEx amounting to P1.652 billion.

Deferred income on tax subsidy pertains to the tax subsidy granted by the Department of Finance, as implemented by the Bureau of Internal Revenue, to pay for the taxes of the contractors, suppliers and consultants involved in the construction of SCTEx. This is pursuant to the provisions of the Exchange of Notes between the Republic of the Philippines and the Government of Japan that no part of the loan proceeds from the

JICA for the construction of SCTEx project shall be used to pay for Philippine taxes. In relation to this, Revenue Regulation No. 17-2005 dated July 29, 2005 was issued prescribing the policies, guidelines and procedures in the implementation of the tax subsidy granted by the Fiscal Incentive Review Board (FIRB) to the Authority.

For CY 2005 to 2010, the amount of tax subsidy granted by the FIRB and availed by the consultants and contractors amounted to P4.138 billion, distributed as follows (in billion pesos):

Issued to	Amount of Subsidy	Amount of Utilization	Balance
Kajima Corporation, Obayashi Corporation, JFE Engineering Corporation, Mitsubishi Heavy Industries, Ltd. (KOJM)	8.414	2.452	5.962
Hazama Corporation, Taisei Corporation, Nippon Steel Corporation (HTN)	4.644	1.632	3.012
Pacific Consultant International – Katahira and Engineers International (PCI-KEI)	0.244	0.054	0.190
	13.302	4.138	9.164

The decrease of P137.556 million in 2018 was due to the amortization of deferred income on tax subsidy as subsidy from National Government.

Deferred income from leased properties represents the advance rental and earnest money received from various lessees of the Authority's properties.

Deferred income from Heritage Park Project pertains to the unrealized income from the remaining inventory of Heritage Park Investment Certificates.

Other deferred credits pertains to the receivables arising from the sale of the 23,597-square meter lot within the area being leased by the Manila International Airport for NAIA Terminal III in Villamor Air Base, Pasay City amounted to P424.746 million and the 21,463- square meter lot at Philippine Army Security Escort Group (PA-SEG) area to the Supreme Court of the Philippines amounted to P1.159 billion. This also includes the receivable from the Senate of the Philippines arising from the sale of the 18,320 sqm portion of Navy Village, Fort Bonifacio in 2018 amounted to P1.049 billion. These shall be reclassified to Capital and Due to the Bureau of the Treasury (BTr) accounts upon validation and approval by the Inter-Agency Committee on the Collection, Remittance and Utilization of Sales proceeds (IAC) of the expenses directly attributable to the disposition of the subject property and the amount to be remitted to the BTr. On January 30, 2019, the IAC approved the direct expenses related to the PA-SEG area and the amount to be remitted to the BTr pursuant to IAC Resolution No. 2019-01.

24. REVENUES

Revenues consist of the following:

	2018	2017 (As restated)
Lease revenue	**916,033,913**	930,327,318
Concession revenue	**1,243,142,558**	1,075,025,660
Revenue from JV agreements (See Note 35 c, d, f and h)	**2,671,306,090**	794,517,314
Interest income	**445,284,537**	368,099,746
Dividend revenue	**472,527,107**	483,121,308
Sales revenue	**83,262,071**	8,614,017
Gain on sale	**19,329,022,145**	0
Miscellaneous revenue	**1,270,511,191**	5,620,209,421
	26,431,089,612	9,279,914,784

Lease revenue pertains to revenue arising from various lease agreements wherein parcels of land are transferred and conveyed by way of lease to private entities.

Concession revenue pertains to the 50 per cent share of the Authority from the audited gross toll revenue of SCTEx amounting to P1.076 billion in 2018 and P931.555 million in 2017. It also includes the amortized portion of MNTC's upfront cash payment in the amount of P111.607 million in 2018 and 2017. It further includes the amortization of concession asset introduced by MNTC in the amount of P55.504 million in 2018 and P31.863 million in 2017.

Interest income consists of interest income from bank deposits and investments in Unit Investment Trust Fund (UITF) and government bonds.

Dividend revenue in 2017 consists of dividends received from Bonifacio Communication Corporation and Fort Bonifacio Development Corporation (FBDC). In 2018, dividend income of P472.527 million includes P450 million from FBDC.

Sales revenue pertains to the sale of condominium and parking units at New Port City (see Notes 9 and 35.e).

Gain on sale pertains to the gain arising from the disposition of Bonifacio South Pointe property (see Note 35.h).

Miscellaneous revenue consists primarily of the amount received from Megaworld pertaining to the implementation of the Supplemental Implementing Agreement (SIA) dated May 25, 2018 for the 3-hectare onsite relocation area in Newport City development. In 2017, the P5.400 billion received from BG North Properties Inc., BG South Properties Inc., and BG West Properties Inc. (BG Companies), arising from the Business Resolution Agreement (BRA) for the sale of several parcels of land referred to as the "North Central Business District (NCBD) Lots and the City Center Lots" located in Bonifacio Global City.

25. OPERATING LEASE AGREEMENTS

As a lessee

The Authority leases its office under an operating lease agreement with FBDC. The

lease has a term of five years, with renewal options, and include annual escalation rate of five per cent per annum.

In addition to the rental payment, the Authority shares in all costs and expenses incurred or to be incurred in the repair and maintenance of the Common Areas at a monthly rate per square meter of the leasable area occupied by the Leased Premises.

The Authority has the option to pre-terminate all or portion of the leased premises on the fourth (4th) or fifth (5th) year of the Agreement subject to penalty.

Provision for parking lots was covered in a separate agreement with FBDC subject to its existing rate structure.

Rental expense recognized in profit or loss in relation to these lease agreements amounted to P25.631 million and P23.697 million in 2018 and 2017, respectively.

The future minimum lease payments under the agreement are as follows:

	2018	2017 (As restated)
Within one year	**19,879,340**	21,555,820
After one year but not more than five years	**96,744,814**	89,578,532
More than five years	**0**	27,045,622
	116,624,154	138,179,974

As a lessor

The Authority leases out certain Investment Properties under an operating lease agreement with various lessees. Leases are negotiated for an average term of between two to twenty-five years with option to renew clauses.

Lease revenue recognized in profit or loss amounted to P908.226 million and P918.505 million in 2018 and 2017, respectively.

The future minimum lease payments under these agreements are as follows:

	2018	2017
Within one year	**523,344,145**	522,181,730
After one year but not more than five years	**1,852,391,593**	2,393,357,329
More than five years	**3,279,316,134**	3,179,474,303
	5,655,051,872	6,095,013,362

26. PERSONNEL SERVICES

	2018	2017 (As restated)
Salaries and wages	**102,990,744**	107,468,750
Other compensation	**83,914,780**	85,583,034
Personnel benefit contributions	**45,787,419**	48,039,044
Other personnel benefits	**26,760,288**	8,749,680
	259,453,231	249,840,508

27. MAINTENANCE AND OTHER OPERATING EXPENSES

This consists of the following:

	2018	2017
Contributions to AFP Modernization	**4,853,778,566**	4,155,112,324
Depreciation and amortization	**557,568,981**	457,339,686
Financial assistance/subsidy/contribution	**228,322,323**	65,671,850
Estate management fees	**197,658,716**	135,139,826
Bad debts	**177,188,807**	0
Professional services	**176,950,010**	44,797,701
General services	**162,300,189**	125,348,854
Taxes, insurance premiums and other fees	**81,578,216**	17,055,381
Printing, advertising and promotion	**80,932,845**	18,968,093
Rent expense	**25,030,017**	23,696,915
Repairs and maintenance	**22,538,717**	8,865,240
Traveling expenses	**19,803,137**	9,019,761
Utilities	**14,960,309**	11,143,623
Supplies and materials	**13,061,456**	8,308,002
Training and scholarship expenses	**8,007,659**	1,985,850
Communication	**4,980,688**	8,527,196
Survey and research	**3,246,048**	3,571,688
Zone maintenance	**0**	37,026,946
Awards, prizes and other claims	**0**	10,730,994
Other maintenance and operating expenses	**200,062,651**	24,693,673
	6,827,969,335	5,167,003,603

Contributions to AFP Modernization pertain to the cost of replication of facilities and the 50 per cent share of AFP out of the net proceeds from leases, joint ventures and all transactions, other than sale entered into by the Authority involving portions of Metro Manila military camps pursuant to the provisions of EO 309, dated November 3, 2000, detailed as follows:

	2018	2017
Proceeds arising from joint venture agreements (see Note 35.d, e, f and h)	**2,404,864,003**	757,724,933
Proceeds from lease income	**216,659,945**	289,125,277
Proceeds from Business Resolution Agreement	**0**	2,646,000,000
Redemption of preferred shares	**1,616,158,296**	78,750,000
Replication of facilities	**350,025,863**	79,256,929
Revenue from sale of Heritage Park Investment Certificates (HPICs)	**789,392**	3,115,087
Interest on non-sale	**47,891,872**	87,390,098
Dividends	**217,389,195**	213,750,000
	4,853,778,566	4,155,112,324

28. OTHER INCOME (EXPENSES)

This consists of the following:

	2018	2017 (As restated)
Gain on disposal of investment	**1,693,465,100**	314,180,303
Subsidy income	**212,833,185**	1,488,146,200
Loss on disposal of property	**0**	(233,910)
Impairment loss	**(209,619)**	(1,761,831,254)
Subsidy expense	**(75,277,011)**	(1,350,590,026)
Financial expenses	**(452,023,251)**	(415,102,191)
Unrealized gain (loss) on foreign exchange	**(1,524,515,307)**	(836,836,895)
	(145,726,903)	(2,562,267,773)

Subsidy income consists of the funds received from the National Government to finance the power subsidy granted to Phoenix Semiconductor Philippines Corporation (PSPC) and Texas Instruments (TI) – Clark. Said funds were subsequently transferred by the Authority to PSPC and TI, which were recorded as expense. It also includes the amortization of deferred income tax subsidy granted to the Authority during the construction of the Subic-Clark-Tarlac Expressway Project (SCTEP).

Unrealized gain (loss) on foreign exchange
The Authority has two main foreign currency denominated transactions: the special yen loan package of the SCTEx project and bank deposits for dollar transactions.

In CY 2018, the exchange rate for yen-denominated loan increased from P0.4423 to P0.4751, resulting in foreign exchange loss of P1.438 billion. For dollar deposits, the exchange rate increased from P49.923 to P52.724 resulting to a gain of P0.072 million.

Gain on disposal of investment pertains to the gain on redemption of FBDC Preferred B shares.

Impairment loss consists of impairment of receivable from and investment to NORTHRAIL amounting to P1.662 billion and P100 million, respectively, as approved by the BCDA Board on April 25, 2018 per Board Resolution No. 2018-04-057.

29. INCOME TAX

Income tax expense (benefit) for the years ended December 31 consists of the following:

	2018	2017
Current tax	**151,872,950**	311,966,796
Deferred tax	**(861,949,449)**	(94,685,268)
	(710,076,499)	217,281,528

The reconciliation of income tax expense computed at applicable statutory tax rates and income tax expense shown in the statement of comprehensive income follows:

	2018	2017
Statutory Income Tax	**5,759,382,043**	378,137,404
Income tax effects of:		
Non-taxable income (subsidy income and subsidy expense)	**(41,266,852)**	(41,266,852)
Income already subjected to final tax (interest income and dividend revenue)	**(275,343,493)**	(255,353,126)
Non-deductible expenses (interest expense, representation and taxes)	**73,495,093**	45,901,513
Non-taxable sale (Asset Disposition Program	**(6,378,216,240)**	0
Expired MCIT	**151,872,950**	89,862,589
	(710,076,499)	217,281,528

An analysis of deferred tax assets and deferred tax liabilities are as follows:

	2018	2017 (As restated)
Deferred tax assets		
Accounts receivable from business agreements	**1,331,942,993**	1,382,762,020
Unearned service concession revenue	**1,327,201,469**	1,309,682,628
Unearned lease revenue	**332,066,686**	349,102,443
Excess MCIT	**285,016,878**	364,015,083
Net operating loss carry over (NOLCO)	**499,729,290**	26,952,836
Unrealized forex loss	**643,119,241**	211,735,586
Allowance for impairment	**80,290,027**	27,133,385
Accrued expenses	**7,629,120**	7,064,607
	4,506,995,704	3,678,448,588
Deferred tax liability		
Unrealized forex gain	**0**	0
Unbilled accounts receivable	**(155,072,939)**	(155,072,939)
Service concession asset	**(487,333,692)**	(441,737,820)
	(642,406,631)	(596,810,759)
	3,864,589,073	3,081,637,829

The details of NOLCO which can be claimed as deductions from future taxable income within three years from the year the loss was incurred are shown below:

Year Incurred	Amount Incurred	Amount Applied	Amount Expired	Remaining Balance	Year of Expiration
2018	489,591,453	0	0	489,591,453	2021
2016	26,952,836	0	0	26,952,836	2019
2015	224,478,837	222,104,207	2,374,630	0	2018
2014	390,025,919	0	390,025,919	0	2017
	1,131,049,045	222,104,207	392,400,549	516,544,289	

For the years ended December 31, 2017 and 2016, the Authority is subject to 2 per cent MCIT, respectively, as defined in the tax regulations.

Year Incurred	Amount Incurred	Amount Applied	Amount Expired	Remaining Balance	Year of Expiration
2018	71,753,745	0	0	71,753,745	2021
2017	157,503,997	0	0	157,503,997	2020
2016	54,638,136	0	0	54,638,136	2019
2015	151,872,950	0	151,872,950	0	2018
	435,768,828	0	151,872,950	283,895,878	

30. CAPITAL STOCK AND CONTRIBUTED CAPITAL

The Authority has an authorized capital stock of P100 billion as provided for in Section 6 of RA 7227. This may be fully subscribed by the Republic of the Philippines and shall either be paid up from the proceeds of the sales of its land assets as provided for in Section 8 of the same Act or by transferring to the Authority properties valued at such amount.

Capital and Contributed capital accounts of the Authority consist of the following:

	2018	2017
Fair market value/assessed value of the following transferred properties:		
Villamor Air Base	**27,841,448,676**	27,841,448,676
Various Metro Manila Camps	**10,273,904,288**	10,273,904,288
Camp John Hay	**9,515,612,282**	9,515,612,282
Bataan Technology Park	**3,024,994,233**	3,024,994,233
Clark Main Zone	**30,433,626,863**	30,433,626,863
San Fernando Seaport	**366,018,191**	366,018,191
Sacobia	**26,164,356**	26,164,356
San Fernando Airport	**5,259,638**	5,259,638
Heritage Park	**644,210**	644,210
	81,487,672,737	81,487,672,737
Equity from the National Government for the NCC to SCTEx Access Road Project	**1,046,415,649**	0
Value of the capitalized portion of Fort Bonifacio Global City which is equivalent to 45 per cent share in FBDC	**19,769,006,975**	19,769,006,975

	2018	2017
Net proceeds from the disposition of transferred properties as provided under RA 7227, as amended	**4,463,803,964**	4,059,240,467
Proceeds of the portion of the Fort Bonifacio property sold to PNOC/DOE and the JUSMAG property sold to Victory Liner, Inc.	**158,347,900**	158,347,900
Value of investment in Poro Point Industrial Corporation	**15,000,000**	15,000,000
Initial cash equity of the National Government	**13,250,000**	13,250,000
	106,953,497,225	105,502,518,079
Fund from Legislative-Executive Bases Council	**2,930,858**	2,930,858
	106,956,428,083	105,505,448,937

Contributed capital pertains to the excess in the Capital account brought by the appraised values of land, largely at Clark Sub-zone, as a result of the appraisal of BCDA assets conducted by Asian Appraisal Company, Inc. (AACI) in 2017. The increase in authorized capital stock will be included in the proposed amendments to the BCDA Charter (see Note 16).

In 2018, the National Government (NG) released additional equity amounting P1.046 billion for the implementation of the New Clark City (NCC) to SCTEx Access Road Project.

Land used to securitize the Heritage Park Investment Certificates (HPICs) was transferred by the NG as Capital of the Authority. It was later on conveyed to the Philippine National Bank, as the appointed trustee for the Heritage Park securitization, pursuant to the Pool Formation Trust Agreement of 1994 among the Authority, the Philippine Reclamation Authority and the Philippine National Bank. The transfer of land from NG to the Authority was recorded at P1.00 per square meter.

31. RETAINED EARNINGS

Retained Earnings at January 1, 2017 was restated for the following adjustments:

Adjustment on lease income	1,484,375
Reversion of long outstanding payables	(22,901,918)
Unrecorded revenue from Scout Barrio housing project	(43,081,736)
Expiration of NOLCO	2,374,630
	(62,124,649)

32. RELATED PARTY TRANSACTIONS

The summary of related party transactions and outstanding balances as at and for the year ended December 31, 2018 are as follows:

Agency	Nature	Amount	Outstanding Balance		Terms
			Receivable	Payable	
CIAC	Advances for implementation of BCDA Projects	P379.568 million	P379.568 million	0	Non-interest bearing, subject to liquidation upon completion of project
	Intercompany settlement of CDC-CIAC loans	0	P735.561 million	0	Non-interest bearing
	Amortization of DB loan of CIAC paid by CDC	P20.824 million	P201.763 million	0	Non-interest bearing
	Advances for importation of cost of radar spare parts	0	P37.074 million	0	Non-interest bearing
	Advances to Affiliates	0	P832.248 million	0	Non-interest bearing
CDC	Share in Investment promotion materials		P0.003 million	0	Non-interest bearing
	Power Subsidy to Phoenix Semi-Conductor Phil. Corp.	P75.277 million			
PPMC	Advances for implementation of BCDA Projects and share in investment promotion material		P79.356 million	0	Non-interest bearing, subject to liquidation upon completion of project
	Land related expenses	P9.546 milion	0	0	Non-interest bearing subject to reimbursement by the Authority
	Estate management fee	P115.702 million	0	0	Released every start of the year
JHMC	Estate management fee	P98.202 million	0	0	Released every start of the year

Agency	Nature	Amount	Outstanding Balance		Terms
			Receivable	Payable	
	Zone maintenance	P49.913 million	0	0	Non-interest bearing subject to reimbursement by the Authority
	Advances for implementation of BCDA Projects and share in investment promotion material		P22.345 million	0	Non-interest bearing, subject to liquidation upon completion of project
EXPOC ORP	Advances for operating requirements	0	P22.683 million	0	Impaired
FBDC	Redemption of Preferred B Shares	P1.874 billion	0	0	
	Dividend for CY 2017	P450 million		0	Non-interest bearing
	Dividend for CY 2013	0	P15.222 million -		Non-interest bearing
BESC	Purchase of services (Development control services)	P1.146 million inclusive of VAT	0	0	Monthly
	Dividend for 2016 and 2017	P6.667 million			Non-interest bearing
Construc tion Guarant ee Deposits			P1.500 million		
BCC	Dividend for CY 2017	P15.000 million	0	0	0
PJIC	45% Capital Infusion	P19.581 million			

a. *BCDA Management and Holdings Inc. (BMHI)*

BMHI as a deactivated subsidiary of the Authority is being managed by a team specifically created to administer the functions retained by BMHI (see Note 11).

b. *Bonifacio Estate Services Corporation (BESC)*

BESC provides development and control services over the Authority's controlled and/or owned areas in Global City. The services include all aspects related to the submission, approval, enforcement, and monitoring of plans for the development/redevelopment of lots within the Global City as defined and governed by the Declaration of Covenants, Conditions and Restrictions and the Design Standards and Guidelines.

c. *Fort Bonifacio Development Corporation* (FBDC)

In 2009, FBDC and the Authority entered into an agreement for the development and disposition of a total 8.5-hectare area in the North Central Business District (NCBD)-Annex B of the Global City, otherwise known as the NCBD-Annex B (the property). As beneficial owner of the property, the Authority is entitled to the net proceeds that will be generated from the disposition of the identified 3.44-hectare saleable area of the NCBD-Annex B which shall be upstreamed to the Authority via redemption of the Preferred B shares held by the Authority in FBDC. Initially, FBDC advanced the amount of P2.235 billion as deposit on future redemption classified under Inter-Agency Payables-Due to Affiliate account. Subsequently, partial redemption of Preferred B shares arising from both the sales and usufruct proceeds was recorded in 2015 amounting to P742.399 million and P631.920 million, respectively. This reduced the balance of deposit for future redemption of Preferred B shares to P473.030 million in 2016.

In 2010, the Authority received P450 million from FBDC as advances for the redemption of Preferred F shares. The deposit was classified under Inter-agency payable while waiting for the Securities and Exchange Commission's (SEC) approval of FBDC's conversion of its convertible common capital stock into preferred shares. On November 11, 2016, SEC approved the Amended Articles of Incorporation of FBDC, reclassifying the P6 billion Common Shares to P5 billion Preferred F Shares and P1 billion Preferred G Shares. This reduced the Authority's investment in FBDC and Inter-agency payable in the amount of P450 million. In December 2016, the Authority redeemed the Preferred F Shares, further reduced the investment to FBDC by another P450 million. In December 6, 2016, the Authority received P315 million from FBDC for the redemption of Preferred G Shares and the balance of P135 million on January 4, 2017.

The Authority leases its corporate office from FBDC for a period of 10 years commencing on November 1, 2003 with an option to renew for a mutually agreed terms and conditions. In 2013, the lease agreement was renewed covering the period November 1, 2013 to October 31, 2018 for a monthly rental of P1.198 million, subject to annual escalation clause of 5 per cent per year.

In 2017, FBDC, the BG Group of Companies and BCDA entered into a Business Resolution Agreement.

d. Filinvest BCDA Clark, Inc. (FBCI)

On January 8, 2016, the Authority entered into a Joint Venture Agreement (JVA) with Filinvest Land, Inc. (FLI) for the privatization and development of a mixed-use and industrial component of the 288-hectare portion of the Clark Special Economic Zone (CSEZ) through the formation of a Joint Venture Corporation (JVC). The JVC was incorporated and registered with the Securities and Exchange Commission (SEC) as Filinvest BCDA Clark, Inc. (FBCI) on March 16, 2017.

The Authority's share in the JVC is equivalent to the value of the Development and Usufructuary Rights (DUR) of the Authority over the 288-hectare (New Clark City)

NCC property amounting to P231.000 million subject to adjustment for any changes in the land area that may arise until December 31, 2017 pending the finalization of the Comprehensive Master Development Plan (CDMP) for the entire NCC and actual ground survey of the NCC-Phase 1 area. The capital structure of the JVC shall be 55 per cent for FLI and 45 per cent for the Authority.

e. *Philippine Japan Initiative for CGC, Inc. (PJIC)*

On March 8, 2016, the Authority entered into a JVA with the Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development (JOIN) for the implementation of a "Detailed Master Plan" for the materialization of Clark Green City Project and the Clark Rail Transit System Project. The JVC was incorporated and registered with the SEC as Philippine Japan Initiative for CGC, Inc. (PJIC) on July 4, 2016.

The JVC shall primarily be involved in the preparation and completion of the Detailed Master Plan and conduct research and feasibility studies focusing on the Clark Green City Project and pertinent developmental project.

On November 21, 2018, BCDA and JOIN executed an Amended Joint Venture Agreement for the purpose of making necessary amendments to the original Joint Venture Agreement in order to further pursue the implementation of Phase 1 under the Comprehensive Master Development Plan (CMDP), to add Surbana Jurong Consultants PTE. Ltd (SJ) as joint venture partner, and to reflect other changes mutually agreed upon among the parties.

SJ is a corporation duly incorporated in Singapore and one of the largest Asia-based urban, industrial and infrastructure consulting firms with a global presence. Its principal place of business is at 168, Jalan Bukit Merah, #01-01, Connection One, Singapore 150168.

The revised authorized capital stock of PJIC amounted to P1.676 billion. The parties are expected to infuse a paid-up capital of P562.628 million which represents thirty-four (34%) per cent of the revised authorized capital stock of PJIC, to be borne by BCDA, JOIN, and SI in accordance with the equity share of forty-eight per cent (48%), fifty per cent (50%), and two per cent (2%), respectively.

Key management personnel compensation

Key management personnel compensation comprise the following:

	2018	2017
Short-term employee benefits	**32,457,791**	30,013,749

Short-term employee benefits include salaries, allowances and other benefits which are due to be settled within 12 months after the end of the period in which the employees render the related service.

33. CONTINGENCIES

The Authority is contingently liable for lawsuits or claims filed by third parties which are either pending in the courts or are under negotiation. These cases involve, among others, civil actions for re-conveyance of title/properties, return of investment, eminent domain, collection of sum of money, and other land tenure problems. No provision for any liability that may result from these lawsuits or claims has been recognized in the financial statements since the outcome of these cases are not presently determinable.

Various cases were also filed by the Authority versus BIR and LGU Taguig for the claim of refund of Creditable Withholding Tax (CWT), protest on the assessment and payment of Real Property Taxes (RPT), Documentary Stamp Taxes (DST) and Expanded Withholding Taxes (EWT) in relation to the Authority's disposition of various properties. These cases are still pending with the Supreme Court (SC), Court of Tax Appeals (CTA), and Local Board of Assessment Appeals (LBAA) of the Local Government Unit. Contingent liability and/or asset from these claims were not recognized since these are still pending and the outcome are not presently determinable.

34. SUBIC-CLARK-TARLAC EXPRESSWAY PROJECT

The Subic-Clark-Tarlac-Expressway (SCTEx) Project is a 93.77-kilometer, 4-lane highway under a special yen loan package amounting to ¥59.037 billion (inclusive of supplemental loan amounting to ¥17.106 billion in accordance with the Amended Exchange of Notes) from JBIC, now the Japan International Cooperation Agency (JICA), to finance the Detailed Design, Construction Supervision and Civil Works of the SCTEx. The 40-year loan agreement includes a 10-year grace period starting 2001 and ending 2011 with an interest payment of 0.95 per cent per annum for Civil Works and 0.75 per cent per annum for Consulting Services. Based on the JICA Notice of Completion of Disbursement, dated January 6, 2011, final loan which closed on December 17, 2010 went down from ¥59.037 billion to ¥58.138 billion due to unutilized portion of the loan.

Payments for the principal loan amounted to P929 million (¥1,906 million) in 2018 and P860 million (¥1,906 million) in 2017, while interest payments totaled P207 million (¥425 million) in 2018 and P200 million (¥443 million) in 2017.

The SCTEx consists of two (2) road sections or packages. Subic-Clark Section (Package 1) was awarded to Kajima-Obayashi-Mitsubishi Joint Venture Contractors, while Clark-Tarlac Section (Package 2) was awarded to Hazama-Taisei-Nippon Steel Joint Venture Contractors. Package 1, with a length of 50.5 kilometers, starts at Barangay Tipo in Hermosa, Bataan and ends at Clark Freeport Zone. Package 2, with a length of 43.27 kilometers, starts at Clark Freeport Zone and ends at Tarlac City. Package 1 is comprised of four interchanges and three major bridges, while Package 2 is built with eight interchanges and one major bridge. Construction of the project started in April 2005 and was completed in July 2009.

35. BUSINESS AGREEMENTS

a. Agreement with Manila North Tollways Corporation (MNTC)

On February 26, 2015, the Authority and MNTC entered into a Business Agreement (BA) governing the assignment by the Authority to MNTC of its rights and interest under the Toll Operating Agreement (TOA) relating to the management, operation and maintenance of the SCTEx (which shall include the exclusive right to possess and use the SCTEx toll road and facilities and the right to collect toll). Subsequently, on May 25, 2015, the Supplemental Toll Operation Agreement (STOA) was executed among the Authority, MNTC and the Toll Regulatory Board (TRB) and was approved by the Office of the President on October 16, 2015. The Toll Operation Certificate was issued by TRB to MNTC on October 22, 2015 and MNTC officially took over the SCTEx toll facilities and officially commenced the management, operation and maintenance of SCTEx on October 27, 2015.

Salient Features of the Business Agreement

The Authority assigned its rights, interests and obligations under the original TOA to MNTC. Hence, from effective date up to October 30, 2043, MNTC shall have the exclusive right, responsibility and obligation for the management, operation and maintenance of SCTEx.

The contract term may be extended beyond October 30, 2043 subject to mutual agreement in writing by the Parties and the relevant laws, rules and regulations and required governmental approvals.

In consideration for the assignment, the following shall be paid by MNTC to the Authority:

a. An Upfront cash of P3.5 billion, inclusive of VAT; and
b. From effective date to October 30, 2043, concession fees equal to fifty per cent (50%) of the audited gross toll revenues of SCTEx for the relevant month on or before the 15th day of the succeeding month (Concession Fee Payment Date). If the Concession Fee Payment Date falls on a holiday or a day which is not a business day, then the same shall be adjusted to fall on the immediately succeeding business day. Any concession fee that is not paid on the relevant Concession Fee Payment Date shall earn interest/penalty equivalent to two per cent (2%) per month of delay or a fraction thereof.

MNTC shall undertake at its own cost the maintenance works/special/major emergency works, other additional works, enhancement and/or improvement works (Maintenance Works). MNTC shall comply with the agreed Service Quality Levels (SQL) of the maintenance of SCTEx. Not later than twenty (20) business days before the end of each year, MNTC shall submit to the Authority a status report on the maintenance works undertaken and completed for the relevant year. The Authority's review of the status report shall be based on the SQL and in accordance with the maintenance plans.

The obligations of MNTC to pay the concession fees and to undertake the Maintenance Works shall be covered by a performance security posted by MNTC in favour of the Authority.

At the end of the Contract Term or upon termination of the Agreement, the SCTEx (including all additional, enhancement and/or improvement works completed during the Contract Term and all applicable systems related to the operation and toll collection of the SCTEx and applicable technology related to toll collection subject to then existing intellectual property laws) as well as the as-built plans, specifications and operation/repair/maintenance manuals relating to the same shall be turned over to BCDA or to its successor-in-interest conformably with law, and in all cases in accordance with and subject to the terms and conditions of the STOA.

Termination Due to Default:

1. In the event that the BA is terminated by reason of BCDA's Default, MNTC shall have the right to be indemnified for actual damages including financial losses incurred arising from the BCDA Default and from the termination of the BA due to such default. MNTC shall retain the right to operate and maintain and collect toll revenues, or retain possession and control of SCTEx, until BCDA shall have fully paid the damages aforementioned.

2. In the event that the BA is terminated by reason of MNTC's Default, BCDA shall have the right to automatically take-over the SCTEx. BCDA may call on the Performance Security to the extent of MNTCs actual obligation falling due; provided, if actual obligation is more than the face value of the security, MNTC will pay the difference. In addition, MNTC shall indemnify BCDA for actual damages including financial losses incurred by BCDA arising from the MNTC's Default and from the termination of the BA due to such default.

3. In either instance, the non-defaulting party shall serve notice to the Grantor of the termination of the STOA by reason of the termination of the BA. All rights and obligations of, and assignments made by, BCDA and MNTC under the BA shall be terminated. The banking arrangements of BCDA and MNTC shall also be terminated, and BCDA shall be entitled to all toll revenues from SCTEx.

b. *NLEx-SCTEx Integration Agreement*

To address the traffic congestion in the areas where NLEx and SCTEx interconnect, the Authority and MNTC signed the NLEx-SCTEx Integration Agreement on February 5, 2015. Under the Integration Agreement, MNTC shall undertake Integration Works which consists of upgrading the SCTEx toll collection system through the adoption of NLEx's Toll Collection System (including the installation in SCTEx of the Electronic Toll Collection Dedicated Short Range Communication, or DSRC, and Radio Frequency Identification, or RFID, ready system), and all civil works necessary or essential to implement the project. The object of the integration project is to provide seamless travel to motorists using both NLEx and SCTEx. In the original separate systems, there are five stops from Balintawak to Subic and back, and four stops from Balintawak to Tarlac and back. Now, under the integrated system, the stops were reduced for motorists going from Balintawak to Subic and back, and Balintawak to Tarlac and back.

Since MNTC is the Private Sector Partner (PSP) of the Authority in SCTEx, MNTC shall assume all the project costs pertaining to SCTEx. Maintenance of the toll collection system for both NLEx and SCTEx shall be the responsibility of MNTC.

c. *Agreement with Megaworld Corporation - JUSMAG Property*

On April 13, 2010, the Authority entered into a Joint Venture Agreement (JVA) with Megaworld Corporation (Megaworld) for the privatization and development of the 34.5-hectare portion of the JUSMAG property along Lawton Avenue in Fort Bonifacio. Pursuant to the JVA, the subject property shall be developed into a mixed-use development featuring residential, office and commercial uses. The Authority's sole contribution to the project is the land, while Megaworld's investment is a minimum of P22 billion within the maximum development timetable of 20 years from the commencement of development.

Megaworld shall be the exclusive marketing and management agent for Authority's allocated units for sale, and leasing and management agent for allocated units for lease, for which it shall be entitled to receive marketing and management fees of 12 per cent based on the gross selling price inclusive of VAT.

The Authority shall receive yearly guaranteed revenues, starting on April 12, 2011 until April 12, 2029, amounting to P873.400 million, representing the minimum share of the Authority from the project based on the revised Project Implementation Plan dated February 15, 2014. Also, as required under the JVA, the Authority received from Megaworld on April 13, 2010 an upfront cash of P1.500 billion as the Authority's advance revenue share, recoverable without interest against the net proceeds from the sale or lease of the Authority's allocated units in excess of its minimum annual secured revenue share.

The JVA also requires Megaworld to replicate 106 housing units for the Armed Forces of the Philippines affected by the development of the JUSMAG property. In 2014, the Authority turned over to the Department of National Defense all replicated housing units in JUSMAG amounting to P700 million.

As of December 31, 2016, all lots allocated to the Authority were already sold (see Notes 8 and 24).

d. *Agreement with Megaworld Corporation – North Bonifacio Lots Project*

On November 3, 2009, the Authority entered into a JVA for the privatization and development of the 8.38-hectare North Bonifacio lots at Bonifacio Global City. Pursuant to the JVA, the Authority shall contribute the North Bonifacio lots, while Megaworld shall provide financing for, and shall undertake the planning, construction and development of the project. In return for their contributions, the Authority will receive 10 per cent units in the project while Megaworld shall receive 90 per cent.

Megaworld has committed to invest a minimum of P15.600 billion within the estimated development timetable of no more than 20 years from the signing of the JVA and to remit to the Authority annual minimum revenue share of P306.000 million which commenced in CY 2011.

In addition to the minimum investment, Megaworld has also committed to provide the property with transportation facilities (Transportation Project) requiring an investment of no less than P500.000 million. The Transportation Project is expected to enhance the accessibility of the property to Bonifacio Global City and other major points in Metro Manila.

As of December 31, 2018, a total of 26 residential units, out of the 134 parking units valued at P424.744 million remains unsold (see Notes 8, 24 and 27).

e. *Agreement with Megaworld Corporation - Newport City Project*

On October 10, 2003, the Authority entered into a JVA with Megaworld for the development of the remaining lots at the Villamor Gateway Center to be known as New Port City Project. Pursuant to the JVA, the Authority shall contribute lots with an aggregate land area of 174,841 square meters, while Megaworld shall provide financing for the implementation of the project. In return for their contributions to the project, the parties shall receive their allocated units and/or net proceeds from sales.

Megaworld has committed to invest a minimum of P200.000 million for the project within a period of 12 years from clearing, relocation and replication of the structures and in accordance with the investment schedule contained in the Megaworld proposal.

The JVA also provides that Megaworld, at its sole expense, shall assume and cause the relocation and replication of Philippine Air Force (PAF) facilities and other community structures which are affected by the development of the project. As agreed by and between the Authority and PAF, the final relocation and replication cost of existing structures amounts to P889.331 million. As of December 31, 2017, completed facilities with a total cost of P539.904 million were already turned over by Megaworld to the Authority.

As of December 31, 2018, a total of 12 units allocated to the Authority at Net Realizable Value of P46.331 million remain unsold. Additional 295 residential units and 74 parking units were allocated pursuant to the Supplemental Implementing Agreement (SIA) by and between the Authority and Megaworld of which 47 residential units and 54 parking units with Net Realizable Value of P216.029 million and P34.275 million, respectively, remain unsold as of December 31, 2018 (see Notes 8 and 27).

f. *Agreement with Alliance Global Group, Inc. (AGGI) assigned to Megaworld Corporation – McKinley Hill Project*

On September 1, 2003, the Authority entered into a JVA, as amended on July 23, 2004, with Alliance Global Group, Inc. (AGGI) for the development of a parcel of land, referred to as the Lawton Parkway, predominantly for residential purposes. The project is known as McKinley Hill Project. Pursuant to the JVA, the Authority shall contribute land with an aggregate land area of 24.6 hectares, while AGGI shall provide financing for the implementation of the project.

The Authority authorized AGGI to enter into a JDA with third party entities under which AGGI may delegate to said third party entities the performance of all of its obligations and functions in the development, marketing and management of the project.

On July 17, 2003, AGGI entered into a Memorandum of Undertaking with Megaworld Corporation designating the latter as the Project Manager and exclusive marketing agent of the project.

The AGGI has committed to invest a minimum of P2.060 billion and to remit to the Authority an annual secured revenue share of P118.164 million for the 15 selling periods, commencing on the date AGGI begins to offer the Authority's allocated units for sale or lease to the public which started in July 2004.

As of December 31, 2018, the remaining unsold residential/condominium units allocated to the Authority is 58 units and 47 parking units with a total reference value of P179.713 million (see Notes 8, 24 and 27).

g. *Agreement with Ayala Land, Inc. (ALI)*

On April 15, 2003, the Authority entered into a Joint Development Agreement (JDA), as amended on February 13, 2004, with Ayala Land, Inc. (ALI) for the development of Lot B at Bonifacio Global City, known as the Serendra project. Pursuant to the JDA, the Authority shall contribute the 11.6-hectare lot, and ALI shall provide the necessary cash and expertise to undertake and complete the implementation of the residential development. In return for their contributions, the parties shall receive the whole finished units or cash proceeds from the sale of allocated units in different proportions depending on the type of development.

ALI has committed to invest sufficient capital, which is estimated to be P12.419 billion, and to remit to the Authority an annual minimum revenue share of P175.758 million for the first selling period and P120.175 million for the subsequent selling periods up to CY 2012.

As of December 31, 2018, 35 units of storage spaces allocated to the Authority for District I remain unsold with a reference value of P28.400 million. For District 2, out of the total allocated units of 418, 2 remain unsold with a reference value of P22.819 million (see Notes 8 and 35.g).

h. *Agreement with SM Prime Holdings, Inc.*

On August 10, 2018, the Authority entered into a Joint Venture Agreement (JVA) with SM Prime Holdings, Inc. (SMPH) develop the 33.1-hectare Bonifacio South Pointe in Taguig City. Pursuant to the JVA, the Authority shall contribute all its rights, title and interest in and to the Property, and SMPH shall provide financing for, and shall undertake the planning, construction and development of the Project.

SMPH has committed to invest a minimum of P30.000 billion within the maximum development timetable of twenty (20) years from the commencement of development of the Project and to remit to the Authority an upfront cash of two billion, the minimum revenue share of P3.000 billion for the first two years of the

Project, P8.000 billion on the third year and P6.000 billion on the fourth and fifth year of the Project (see Notes 8, 24 and 27).

The JVA also provides that SMPH shall fund the functional replication of all structures, facilities, utilities and land/site development of the Bonifacio Naval Station (BNS)/Philippine Marine Corps (PMC) and Army Support Command (ASCOM/Special Service Center (SSC)/Division Administrative Command (DACC) facilities found within the Property including their relocation to the Relocation Site/s to be identified by the Authority and the Department of National Defence (DND)/Armed Forces of the Philippines (AFP). The total cost of relocation and replication advanced by SMPH shall be recoverable, without interest, against the Minimum Annual Secured Revenue share in five equal annual instalments beginning on the immediately succeeding year after the completion of the functional replication works.

i. Agreement with consortium led by Prime Water Infrastructure Corporation

On December 17, 2018, the Authority entered into an agreement with the consortium of Prime Water Infrastructure Corporation, Prime Asset Ventures, Inc., MGS Consortium, Inc., and the TAHAL Consulting Engineers, Ltd. to develop, finance, design, construct, operate and maintain the system of waterworks and wastewater facilities and provide water supply and wastewater services within the New Clark City.

36. NEW CLARK CITY

The Authority is implementing the New Clark City (NCC) Project – a 9,450-hectare flagship project of the Government of the Republic of the Philippines, which is a modern metropolis with mixture of residential, commercial, agro-industrial, institutional and information technology development, as well as a community of residents, workers and business establishments within a balanced, healthy and disaster-resilient environment. NCC is one of the big-ticket projects under the Build Build Build Infrastructure Program of President Rodrigo R. Duterte's administration.

National Government Administrative Center

Phase 1 of the 200-hectare National Government Administrative Center (NGAC) involves the development of back-up offices of various government agencies to ensure continuous business operations and services for the people in case of disaster or national calamities. Out of the 200-hectare land, 60 hectares shall comprise the project's first phase, with 40 hectares allotted for Phase 1A and another 20 hectares for Phase 1B.

BCDA is currently focused on developing Phase 1A of the NGAC, in time for the Philippines' hosting of the 2019 South East Asian (SEA) Games. Phase 1A of NGAC is 65 per cent completed as of March 10, 2019.

Once Phase 1A is completed, the project's Phase 1B will commence for the construction of additional government office buildings, government housing units, and small-scale retail and services facilities including banks, health centers, and hotels.

In August 2018, the BCDA Board also approved the conceptual development plan of the Filinvest Lad Inc.'s for the development of 288-hectare mixed-use industrial area. Filinvest will feature green components that will also unify the following industries: Business Processing Outsourcing (BPOs), Knowledge Process Outsourcing (KPOs), light industries, residential, commercial, and educational spaces.

Utilities in New Clark City

On December 17, 2018, BCDA signed a Joint Venture Agreement (JVA) with the Consortium of Primewater Infrastructure Corporation, Tahal consulting Engineers Ltd., Prime Asset Ventures Inc., and MGS Construction, Inc. for the implementation of the Water and Wastewater Infrastructure Project for NCC.

On April 3, 2019, BCDA signed a JVA with the Meralco Marubeni Consortium for the financing, design and engineering, establishment, construction, development, and operation and maintenance of the electric power distribution system for NCC.

37. EVENTS AFTER THE REPORTING PERIOD

On March 6, 2019, the Board of Directors (BOD) approved the remittance to the Bureau of the Treasury (BTr), the amount of P4.894 billion representing the remaining share of beneficiary agencies from asset disposition proceeds for 2018.

On April 24, 2019, the BOD approved the remittance to the BTr, the amount of P400.674 million representing dividends to the National Government based on 2018 unaudited financial statements.

On January 22, 2019, the Authority entered into a concession agreement with the North Luzon Airport Consortium (NLAC) for the development of the Clark International Airport.

On March 28, 2019, the Authority remitted P106.155 million representing partial payment of guarantee fees for the Subic-Clark-Tarlac Expressway (SCTex) Project to the BTr.

38. RESTATEMENT OF ACCOUNTS

Changes in accounting policies and estimates

The Authority recognizes the effects of changes in accounting policies retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application is impracticable.

The Authority recognized the effects of changes in accounting estimates prospectively by including in profit or loss.

The Authority corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

Certain restatements and adjustments were made in the financial statements for prior periods to effect correction of accounting for certain transaction. Accordingly, line items were amended in the financial statements as well as in the related notes.

As a result of the restatement, affected accounts in the CY 2017 financial statements were restated, as follows:

	As Previously Reported	Adjustments	As Restated
STATEMENT OF FINANCIAL POSITION			
Assets	159,416,063,382	36,158,427	159,452,221,809
Liabilities	38,112,638,843	(66,311,108)	38,046,327,735
Equity	121,303,424,539	102,469,535	121,405,894,074
STATEMENT OF COMPREHENSIVE INCOME			
Revenues	9,268,092,909	11,821,875	9,279,914,784
Operating Expense	5,418,884,939	(2,040,828)	5,416,844,111
Other Income/Expenses	(2,588,749,946)	26,482,183	(2,562,267,773)

39. SUPPLEMENTARY INFORMATION ON TAXES

In compliance with the requirements set forth by BIR Revenue Regulations 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

The Authority is a VAT-registered company with VAT output tax declaration of P234.936 million based on the amount of sales subject to VAT of P1.958 billion.

The amount of VAT Input taxes claimed are broken down as follows:

Beginning of the year	27,387,616
Add: Goods other than for resale or manufacturing	0
Services lodged under other accounts	192,509,044
Total	219,896,660
Less: Input tax claimed	137,501,437
End of the year	82,395,223

The amount of taxes, other than VAT, paid and accrued are as follows:

Withholding taxes	
Withholding tax on compensation	35,676,364
Expanded withholding tax	37,269,849
Withholding VAT	84,761,774
	157,707,987
Other taxes	
BIR annual registration	500
Taxes related to transfer of properties	13,058,735
	13,059,235
	170,767,222

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. **The variance between the General Ledger and Subsidiary Ledger balances of the Receivable and Payable accounts amounting to P656.732 million and P2.597 million, respectively, remain unreconciled as of December 31, 2018.**

1.1 Paragraph 15 of PAS No. 1 on Presentation of Financial Statements provides that:

> *"Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. xxx"*

1.2 Upon verification of the receivable accounts as of December 31, 2018, we noted that the Subsidiary Ledgers were not reconciled with General Ledger Control account. Thus, it resulted to a difference of P656.732 million, as shown in the table below:

Account Name	General Ledger Balance	Subsidiary Ledger Balance	Difference
Accounts receivable	27,613,962,727	27,605,316,614	8,646,113
Lease receivables	741,865,660	224,955,864	516,909,796
Inter-agency receivables	5,793,857,079	5,793,857,079	0
Interest receivable	113,217,938	0	113,217,938
Dividends receivable	15,221,636	0	15,221,636
Other receivables	35,787,365	33,050,616	2,736,749
	34,313,912,405	**33,657,180,173**	**656,732,232**

1.3 We also noted that the same circumstance is present in the payable accounts with a variance of P2.597 million, as follows:

Account Name	General Ledger Balance	Subsidiary Ledger Balance	Difference
Accounts Payable	137,528,645	135,039,561	2,489,084
Due to NGAs	1,656,683,893	1,656,632,940	50,953
Due to GOCCs	515,144	458,623	56,521
	1,794,727,682	**1,792,131,124**	**2,596,558**

1.4 BCDA adopted ACUMATICA as its new Enterprise Resource Planning (ERP) System effective January 1, 2018, however, we noted that there are differences in the amounts of SLs carried over from SAP (the old ERP system) to ACUMATICA. Though the audited control account balances (GL balances) were transferred accurately from SAP to ACUMATICA, not all the SL accounts were carried over to the current accounting system, nor were SL balances from SAP to ACUMATICA were transferred accurately. Thus, control accounts in ACUMATICA were not supported by accurate SLs.

1.5 PD 1445 provides the following:

> *"Section 111. (1) The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time adequate to furnish the information needed by the fiscal or control agencies of the government."*
>
> *"Section 114. (2) Subsidiary ledgers shall be kept where necessary"*

1.6 Subsidiary ledger contains the details to support a general ledger control account, non-maintenance of subsidiary ledger for all accounts would make it difficult to track debtor payments and transactions which may lead to much more unreconciled/unverified receivables/payables.

1.7 Accounting reliability refers to whether financial information can be verified and used consistently by stakeholders with the same results.

1.8 **We recommended that Management reconcile the Subsidiary Ledger accounts with the General Ledger.**

1.9 According to Management, they are still in the process of adjusting the SLs to fairly reflect the proper balances.

2. **The presence of long outstanding payable accounts aggregating P91.108 million rendered the balance of Accounts Payable account doubtful which is not in compliance with COA Circular No. 99-004 and Paragraph 15 of PAS 1.**

2.1 COA Circular No. 99-004 dated August 17, 1999, Accounting Guidelines for Accounts Payable and Amendments of the Standard Chart of Accounts provides that:

> *"3.2 (b) Payable- Unliquidated Obligations which have been outstanding for two years or more and against which no actual claims, administrative or judicial, has been filed or which is not covered by perfected contracts on record should be reverted to the Cumulative Results of Operations Unappropriated (CROU)."*

2.2 On the other hand, Paragraph 15 of PAS 1 requires the fair presentation of the financial statements.

2.3 Our audit disclosed that there are payable accounts which have been outstanding for two years to more than four years as shown below:

Particulars	Amount Due			Total
	Over 2 years	Over 3 years	Over 4 years and onwards	
Accounts Payable – Contractors/ Suppliers	360,364	40,792,205	47,656,467	88,809,036
Goods Receipt/Invoice Receipt	280,922	232,944	318,734	832,600
Due to Officers and Employees	742,277	165,803	558,527	1,466,607
	1,383,563	**41,190,952**	**48,533,729**	**91,108,243**

2.4 Verification of the Accounts Payable - Contractors/Suppliers disclosed that it consists mainly of marketing and management fees due to Serendra, Inc. and Ayala Land, Inc., amounting to P23.043 million and P14.274 million, respectively. The amount due to Serendra, Inc. has remained unclaimed since CY 2013 while that of Ayala Land, Inc. has remained unclaimed since CY 2015.

2.5 Dormant balances from due to officers and employees account pertains to accrual of medical reimbursement for December 2013 amounting to P0.576 million, and salaries of employees who are no longer connected with BCDA and had already claimed their last pay but remained unadjusted amounting to P106,482 and other unreconciled balances.

2.6 We also noted that the balances of the accounts were forwarded from Project Based Accounting System (PBAS) to Systems, Application and Product (SAP). While the nature of balances from SAP (2011 – 2017) are determinable, the balances of payables from PBAS accounting system (periods prior to 2011) could not be determined, or if determinable, the need to exhaust available evidence/documents.

2.7 **We recommended that Management:**

a. **Evaluate thoroughly the validity of long outstanding balances under Accounts Payable – Contractors/Suppliers and Due to Officers and Employees by determining whether actual services had been rendered or goods had been delivered;**

b. **Review the supporting documents and coordinate with the payees to determine certainty of obligations; and**

c. **Effect the necessary adjustments if warranted.**

2.8 Management commented that the remaining balance of Accounts Payable were already adjusted in the books of accounts.

2.9 Upon verification of Management's adjustments/reclassification of accounts we noted that there are still dormant accounts with material amounts that were not written off from the payable account as follows:

Particulars	Amount
Accounts Payable - Contractors/Suppliers	37,392,939
Due to Officers and Employees	1,404,811
	38,797,750

2.10 The existence of outstanding accounts payable amounting to P37.393 million and Due to Officers and Employees amounting to P1.405 million for more than two years cast doubt on the validity and existence of liability accounts.

2.11 These dormant accounts, if found invalid, overstate the liability and understate the retained earnings accounts, affecting the fair presentation of the financial statements. The audit team will continue to monitor the said accounts.

3. **The faithful representation and verifiability of Receivables account could not be established due to: (a) dormant accounts amounting to P13.594 million; and (b) presence of abnormal/negative balances totaling P0.556 million.**

3.1 Paragraph 66 of PAS 1, Presentation of Financial Statements provides that an entity shall classify an asset as current when it intends to sell or consume it in the entity's normal operating cycle, or when the entity expects to realize the asset within 12 months after the reporting period.

3.2 Receivables are reported as current assets and are expected to be realized in cash within the normal operating cycle or one year, whichever is longer. If collectible beyond one year, receivables are classified as non-current assets.

3.3 Meanwhile, COA Circular No. 2016-005 dated December 19, 2016 states that "*all government entities shall conduct regular monitoring and analysis of receivable accounts to ensure that these are collected when these become due and demandable xxx*".

3.4 Dormant Receivables as defined under the same Circular are accounts with balances that remained inactive or non-moving in the books of accounts for 10 years or more and which settlement/collectability could no longer be ascertained.

3.5 Verification of the reported year-end Accounts Receivable (AR) balance and its subsidiary ledgers disclosed that P13.594 million had remained dormant/non-moving for more than 10 years, hence, the possibility of collection may already be remote, as follows:

Account Name	Dormant since	Amount
Accounts Receivable	2001-2006	32,850
Municipality of Taguig	2003	3,750,173
Public Estate Authority	1999	229,600
Sam Kaisahan ng Sambayanan	2004	779,671
Due from Officers and Employees	2005	618
Due from Other Individuals	1999-2008	696,230
Other Receivables	1999-2007	8,104,777
		13,593,919

3.6 On January 14, 2019, Management submitted a letter request for the write-off of the dormant receivable accounts totaling to P587,941.66 for those accounts within the threshold of P100,000.00 for the reason that documents can no longer be traced since some have been lost during the transfer of BCDA office sometime in 1993, 1997 and 2004. Some were also disposed in 2013 as approved by the National Archive of the Philippines. Hence, accordingly, the balances of the claims can no longer be validated.

3.7 We also noted accounts with abnormal/negative balances amounting to P0.556 million, as follows:

Account Name	Amount
Accounts Receivable	78,318
Operating Lease Receivable	474,452
Due from Officers and Employees	3,241
Due from Other Individuals	333
	556,344

3.8 Our evaluation reveals that negative/abnormal balances in the AR account arise from collections recorded prior to setting up of Receivables and excess payments from customers.

3.9 **We recommended that Management:**

a. **Intensify efforts to collect the dormant accounts and if all efforts are in vain, request for authority to write-off said accounts; and**

b. **Analyze and determine the causes of abnormal/negative balances of the Receivables account, and effect necessary adjustments, if warranted.**

3.10 Upon verification of the Receivable accounts, we noted that there are still P0.556 million of the said accounts with abnormal/negative balances. Thus, we stand with our recommendation that Management analyze and determine the causes of abnormal/negative balances and effect necessary adjustments to reflect the correct balances of the affected accounts.

3.11 Management commented that the records of the receivable accounts requested for write-off could no longer be traced since some have been lost during transfer of locations of BCDA office in 1993, 1997 and 2004. Moreover, the staff handling those accounts are no longer connected with BCDA and the documents were also disposed in 2013, as approved by the National Archive of the Philippines.

B. COMPLIANCE AUDIT

4. Deficiencies noted pertinent to the implementation of Supplemental Implementing Agreement (SIA) between BCDA and Megaworld.

4.1 A SIA was executed on May 25, 2018 for the 3-hectare freed up area in Newport City in relation with the Joint Venture Agreement (JVA) dated October 10, 2003 between BCDA and Megaworld.

4.2 BCDA and Megaworld executed a Joint Venture Agreement (JVA) dated October 10, 2003 for the privatization and development of lots, with an approximate aggregate area of one hundred seventy-four thousand eight hundred forty-one (174,841) square meters, in the Villamor Gateway Center, Villamor Air Base, Pasay City (Subject Property).

4.3 Section 2.8 of the JVA requires Megaworld to allocate portion of the property, not to exceed three (3) hectares, to service the relocation needs of the schools and community facilities.

4.4 To compensate for the land that it stands to lose for the relocation, Megaworld shall be allowed to withhold, from the Net Proceeds actually received from the sale or lease of BCDA Allocated Units for each selling period, a Land Compensation Amount (LCA) equivalent to 17.16 per cent of the Net Proceeds, subject to adjustment in case of an increase or decrease in the land area actually used to service the relocation needs of the schools and community facilities.

4.5 However, MMDA requested BCDA to relocate the schools and community facilities from its planned location to sites more suitable for institutional use. The BCDA Board, through Resolution No. 2007-2-046, approved the transfer of the relocation site to an area outside the property covered by the JVA.

4.6 Considering the off-site relocation of the affected facilities, the original 3-hectare relocation area within the Subject Property became available for development.

4.7 In consideration of the foregoing premises, on May 25, 2018, BCDA and Megaworld executed a Supplemental Implementing Agreement and agreed the following:

a. Additional Developable Area

The entire 3 hectares previously allocated as on-site relocation area is considered available for development, the land use for which is composed of the following:

Buildable Area	17,108 sqm
Road Network, comprised of:	12,892 sqm
MMDA Circulo Del Mundo (8,280 sqm)	
Newport Road Network (4,612 sqm)	

The 3-hectare additional developable area was transferred to Megaworld for development in July 2010, the year when the entire area was turned-over free from occupants.

b. Elimination of the Land Compensation Amount (LCA)

In consideration of the conversion of the 3-hectare on-site relocation into a developable area, Megaworld agrees to dispense with the deduction of the LCA from the net proceeds actually received from the sale or lease of BCDA Allocated Units beginning July 2010, when the on-site relocation site was turned-over to Megaworld free of occupants.

Accordingly, any LCA that may have been deducted from the Net Proceeds actually received from the sale or lease of BCDA Allocated Units since July 2010 shall be refunded by Megaworld to BCDA within thirty (30) days from the signing of the SIA. An interest of 12 percent per annum shall be imposed should Megaworld fail to refund the amount, until payment has been made.

c. Sharing Percentage

The Allocation percentage between the parties in respect of the 17,108 sq.m. Buildable Area shall be 20 per cent for BCDA and 80 per cent for Megaworld for any or all types of products, but not limited to the following:

- Office/Commercial Space for Sale or Lease
- Residential Space for Sale or Lease
- Parking Space

During our audit, we noted the following observations:

4.8 **Non-recovery of the full amount of Land Compensation previously deducted by Megaworld from BCDA's net proceeds from the sale of its allocated units.**

a. As of October 2012, Megaworld deducted the amount of P82.170 million from BCDA's net proceeds from the sale of its allocated units in the Project as LCA. Of that amount, only P35.773 million was refunded to BCDA covering the period July 2010-October 2012.

b. Management on their reply with our prior years' observation committed that they will require Megaworld to refund the whole amount of LCA. However, on June 22, 2018, BCDA received P35.772 million only for the said refund from Megaworld, thus a shortfall of P46.398 million.

c. Turn-over of replicated facilities were started in 2006 and the first allocation of lots/units was made in April 2008. Remittance of BCDA proceeds from sale of allocated lots/units for the first selling period of the project was on December 15, 2008.

d. On Megaworld's Proposal, the Project Implementation Schedule/Completion Schedule starts from the signing of the contract/Possession of the Property up to the End of the 12th Year.

e. Assuming that the development was started in 2008 that would make 2010 only the 3rd year of development. Even if the project was started in 2003, 2010 is only the 7th year of the Project. On both assumptions the 2010 turnover is within the Project Implementation Schedule and still with ample time for Megaworld to complete the project.

f. On Megaworld's Proposal, cash flow schedule was presented up to the 25th selling period of the project. A sharing percentage was also provided as follows:

		BCDA	Megaworld
Commercial lots for sale	-	30%	70%
Commercial lots for lease	-	30%	70%
Office space for sale	-	5%	95%
Office space for lease	-	5%	95%
Residential space for sale	-	5%	95%
Residential/commercial space for lease	-	5%	95%

g. We also discussed in our prior years' observations that the units allocated to BCDA using the sharing ratio provided by the Joint Venture Agreement will not meet the amount needed to recover the value of the property invested by BCDA into the Project.

h. Megaworld's remittances are not based on the proposed cash flow, rather it is based on proceeds from actual units sold in the project.

i. Since the 3-hectare lot was already developed in July 2010 and allocations were already made, the revenue from sale and lease of BCDA's units for the 144,841 sqm lot of P82.170 million should be returned to BCDA.

j. **We recommended that Management take appropriate action to recover the full amount withheld by Megaworld as LCA from December 15, 2008, the date when the first remittance of proceeds from sale and lease of allocated lots/units was made, up to November 8, 2012.**

k. Management commented that due to the requirement to complete the replication of the affected schools and community facilities before any clearing and demolition of structures can be undertaken, the three (3) hectares on-site relocation was only cleared and actually freed-up in July 2010. Effectively, the freed-up area only became available for development by Megaworld after the property was completely and entirely cleared.

l. For this reason, BCDA and Megaworld have agreed, as stipulated in the SIA executed last March 25, 2018, that the reckoning point for the refund of the LCA shall coincide with the time that the property was fully cleared in July 2010. As a result, out of the total P82.000 million LCA, Megaworld shall only be required to refund the P35.773 million representing the LCA amount deducted from July 2010 onwards.

m. On the other hand, BCDA was able to negotiate a significant increase and improvement in BCDA's allocation under the SIA in the estimated amount of P935.000 million, much higher than the amount of LCA that BCDA agreed to be deducted.

n. Management accentuated that only 2.2 hectares out of the total three (3) hectares was considered buildable and available for development by Megaworld. But, instead of charging a proportionate LCA for the non-buildable 0.8 hectare area, Megaworld, under the SIA, acceded to do away with the entire LCA starting the clearing date of the area.

o. Furthermore, Management clarified that at the end of the JV period, a full accounting of the net project shall be made to determine and evaluate the parties' performance of their commitments under the JV: Megaworld's commitment under its 2003 financial proposal versus BCDA's return of contribution to the JV in the form of the value of the land. As regards the SIA, the current developable area is only 2.2 hectares, less than the area in the masterplan on which the bidding was based. Should the remaining 0.8 hectares be developed later on, the incremental share of BCDA from such development shall also be accounted for.

p. Management explained that they are on the process of entering an arbitration proceeding regarding a Joint Venture Project, particularly the Serendra Project, which has a similar case as the Newport City Project, where in the significant portion, if not all of the cash flows projection as proposed are also not secured. As a rejoinder, should arbitration result unfavourably for BCDA, we will reiterate our recommendation that the remaining balance of the LCA be recovered by the Management.

4.9 **Allocation for the condominium/residential and parking units on the 3-hectare freed up area was not made within 6 months from clearing, relocation and replication of structures, contrary to Section 2.5 of the Joint Venture Agreement, which resulted in the delay of remittance of proceeds from sale and lease of BCDA units, thus payment of interest should be imposed pursuant to Section 3.4 of the JVA.**

a. Section 2.5 of the Joint Venture Agreement states that:

(i) "Within six (6) months from clearing, relocation and replication of the Structures for Replication located in the Subject Property but no later than fifteen (15) days prior to launch of phase 1 of the Project, Megaworld shall prepare the phase 1 plan showing all Units for sale and for lease and the corresponding price list and submit to BCDA a written request for allocation of the Units in phase 1 of the Project. Within seven (7) calendar days from submission of said request, the Parties shall meet and select by drawing of lots such Allocated Units in phase 1 of the Project as will correspond, in terms of value, to their Allocation Percentage as specified in Annex B hereof..."

b. Moreover, Section 3.2 of the SIA stated that most of the Units in the developments on the freed up area has already been sold or leased out.

c. It was mentioned in the SIA that the 3-hectare additional developable area was transferred to Megaworld for development in July 2010. Using the provisions of the Joint Venture Agreement as basis, allocation of units on the developments should have been made not later than January 2011 or six (6) months from the turn-over of the property. The delay on the allocation deferred BCDA's benefits derived from the sale and lease revenue of the units.

d. Section 3.4 of the JVA provides that:

"All payments required to be made hereunder to a Party shall be effected as herein stipulated without necessity of any demand, but subject in-any event to a grace period of sixty (60) days from due date. In the event that a Party is not able to receive the payment of-any amount required hereunder due to a cause which is not recognized under this Agreement as an excuse for non-performance or non-payment, then the Party from whom such payment is required or who agreed to effect such payment shall be liable for the payment of interest equivalent to twelve per cent (12%) per annum accruing on the unpaid amount thereof commencing on the due date thereof."

e. We noted that negotiations for the Supplemental Implementing Agreement has been going on even before 2016, yet it was only signed in 2018 and without provisions for interest accruing from the date when remittances should have been made for each selling period.

f. **We recommended that Management initiate action on the enforcement of interest on the late allocation of units/remittance of net proceeds from sale or lease BCDA's allocated units in the 3-hectare freed up area as provided in Section 3.4 of the JVA.**

g. Management commented that while the BCDA Board approved the development of the freed-up 3-hectare area in 2007, nevertheless, it took a while before the parties came to an agreement on the terms and conditions that will govern the sharing and allocation on the freed-up area. There were intervening events that took place that hampered the execution of the SIA significant of which were the actual clearing of the 3 hectare property which were made only in July 2010. Megaworld during the negotiation was also insistent upon BCDA on a 15 per cent share instead of 20 per cent. It took a while before Megaworld finally acceded together with doing away the entire LCA starting July 2010 notwithstanding the remaining undevelopable 0.8 hectare area.

4.10 **Basis for allocation percentage between BCDA and Megaworld was not submitted to COA.**

a. Section 3.1 of the SIA provides that:

"The Allocation Percentage between the PARTIES in respect of the 17,108 sq.m. Buildable Area shall be 20 per cent for BCDA and 80 per cent for Megaworld for any or all types of products, but not limited to the following:

- *Office/Commercial Space for Sale or Lease*
- *Residential Space for Sale or Lease*
- *Parking Space"*

b. The increase in BCDA's share from 5 per cent to 20 per cent at first glance may appear advantageous to the government but there is a need to review the basis to determine the propriety. Thus, we would like to request copies of documents related to or on the results of studies/evaluation used as basis of the new allocation percentage for the purpose of audit.

c. **We recommended that Management submit the basis for the new sharing percentage agreed upon in the Supplemental Implementing Agreement.**

d. Management explained that under their 2007 projections for the development of the property, should the share be retained at 5 per cent (i.e. JVA terms), then BCDA will gain P215.000 million in total revenues or a Present Value (PV)/sqm of P8,800.00. However, BCDA's gain will increase to P861.000 million or a PV/sqm of P35,300.00 due to the implementation and execution of the SIA — a difference of P532.000 million or a PV of P26,444/sqm. Both projections for the 5 per cent and 20 per cent BCDA share will result to higher earnings when compared to a direct sale of the developable area of the property which will only earn BCDA P141.000 million.

e. This proposal was adopted and approved by the BCDA Board during its meeting in February 2007 (Resolution No. 2007-02-046) where it authorized the BCDA Management to negotiate with Megaworld for the increase of BCDA's percentage share from 5 per cent to a low of 15 per cent to a high of 20 per cent.

f. Also considered the investment was the cost of P2.700 billion estimated by Megaworld to be infused in the development of the 3-hectare area with a projected total GFA of 81,046 sq. m. Using as starting point the value of the land in CY 2003 at P7,300/sqm (which was the value of the bid of Megaworld) and adjusting it at 5 pe cent annually, the cost of BCDA's land contribution in 2012 would amount to P245.970 million. On this basis, BCDA's share in the net proceeds of the 3-hectare development in 2012 would have only be at 8 per cent.

g. In like manner, if we apply the Net Present Value (NPV) method, BCDA's actual/projected share from the net proceeds coming from the 3-hectare area meets the minimum value of the land in 2003.

Description	Actual Remittance	Date	Future Remittance	Present Value (2003)	
				Actual	Future
Residential					
Savoy Hotel	255,285,939	9/14/18	410,253,061	27,698,281	22,265,524
150 Newport Boulevard	205,087,917	9/14/18	80,362,400	22,251,844	4,361,481
101 Newport Boulevard	141,048,514	9/14/18	130,264,457	15,303,629	7,069,798
81 Newport Boulevard	112,080,381	3/14/18	52,748,381	11,343,770	2,862,795
Retail	77,096,777		9,977,006,237	8,364,927	33,347,115
	790,599,527		10,650,634,535	84,962,451	69,906,713
					154,869,163
Value of 3 has. Property in 2003 (@P3,700.00/sqm)					111,000,000
					43,869,163

h. As a rejoinder, the present value of actual and projected cash flow from the freed up 3-hectare area is greater than the value of the property in 2003 but we would like to note that the value of the land, estimated at P317.532 million in 2008, used as the alternative relocation site of the replicated structures was not considered in the computation.

5. **Unbilled and uncollected interest arising from the late remittance of the P125.830 million proceeds from the sale of BCDA-allocated units in Sarasota and Pinecrest are yet to be collected.**

5.1 Section 3.4 of the Joint Venture Agreement between BCDA and Megaworld provides that Megaworld:

> *"Shall be the exclusive marketing agent of the Project and shall be responsible for the preparation and execution of all contracts to be used in connection with the sale or lease of BCDA allocated units, including all contract negotiations with prospective customers without prejudice to BCDA's right to require approval [Section 2.4 (c)]. It also provides that for the purpose of paying the Net Proceeds from the sale or lease by Megaworld of BCDA Allocated Units, Megaworld shall at the end of each Selling Period, determine the Net Proceeds corresponding to the Gross Proceeds actually received by Megaworld from the sale or lease of BCDA Allocated Units during such Selling Period. Within eight (8) Business Days after each selling period, Megaworld shall issue a check payable to BCDA in the amount corresponding to the net proceeds determined to be due to BCDA from the sale or lease of BCDA allocated units for the applicable Selling Period [Section 2.5 (ii)]. Further, it provides that all payments due to a party shall be effected, without necessity of any demand, but subject to a grace period of sixty (60) days from due date. In the event that a party is not able to receive the payment of any amount required, due to a cause which is not recognized as an excuse for non-performance or non-payment, then the party from whom such payment is required shall be liable for the payment of interest equivalent to twelve (12%) per cent per annum accruing on the unpaid amount commencing on the due date thereof."*

5.2 On July 25, 2011, BCDA and Megaworld signed the Deed of Allocation for Sarasota and for Pinecrest units. BCDA was allocated 36 Sarasota units with total reference value of P89.392 million and 43 Pinecrest units with total reference value of P116.637 million, or an aggregate total of P206.029 million. The Project's selling period starts every November and ends in October of the following year.

5.3 Proceeds from the sale of BCDA allocated Sarasota and Pinecrest units totaling P125.830 million were received in May 2015. We were informed that part of the May 2015 collection is from <u>prior years' sale of BCDA allocated units</u>. However, the dates of actual sale and collection were not established from the records presented. Because of the delayed remittance, BCDA is entitled to interest; however, no interest was collected on this particular transaction.

5.4 Management informed that BCDA and Megaworld are reconciling the interest due based on the actual dates of sale of the BCDA allocated units.

5.5 We recommended that Management determine the interest due from Megaworld arising from late remittance of the P125.830 million proceeds from sale of

Sarasota and Pinecrest units and enforce the collection of interest arising from the delayed remittance.

5.6 Management updated that Megaworld alleged good faith stating that the inadvertence was purely by mistake. They provided copies of their remittances to the BIR of the value added tax corresponding to these sold units to underscore their error. While Megaworld does not negate the slip ups from their end, it sought consideration on the interest being charged which is in the nature of penalty for the late remittance of the net proceeds, considering the absence of bad faith or any intention to cause any delays in payments.

5.7 We deem it proper to collect the penalty due arising from the late remittances in accordance with the provision of JVA. Delayed remittance meant opportunity loss for BCDA.

5.8 BCDA already informed Megaworld of the interest penalties which is in the amount of P37.213 million. On May 15, 2018, BCDA reminded Megaworld to facilitate the remittance of the said interest penalties on or before May 31, 2018.

5.9 However, we noted that no remittance for the interest due from Megaworld was received as of the issuance of the Audit Observation Memorandum.

5.10 **We recommended that Management:**

a. Initiate the collection of interest arising from the delayed remittance of proceeds from sale of Pinecrest and Sarasota units; and

b. Provide the Audit Team copies of the Demand Letters sent to Megaworld.

5.11 Management, as committed during the exit conference, provided the Audit Team a copy of the Demand Letters sent to Megaworld, including the schedule of how the amount of interest was derived. Subsequently, Management provided the team a copy of the BCDA Official Receipt No. 4156141 for Megaworld's remittance of the interest for the delayed payments amounting to P37.213 million.

6. **ASEAN Projects in the aggregate amount of P861.771 million were not audited due to non-submission of pertinent documents.**

6.1 COA Circular No. 2009-001 dated February 12, 2009 on the submission of copy of government contracts, purchase orders and their supporting documents to the Commission on Audit provides that within five (5) working days from the execution of a contract by the government a copy of all documents shall be furnished to the Auditor of the agency concerned.

6.2 In CY 2017, BCDA heeded the directive of the Office of the President's Memorandum Circular No. 22 to all government agencies, and instrumentalities, and local government units to support and to actively participate in the 2017

ASEAN Summit and its related activities scheduled on November 10 to 14, 2017. The Philippines, as the year's ASEAN Chairman, hosted the Summit.

a. In response to the Presidents' directive, BCDA implemented the following infrastructure projects:

Contract Date	Particulars	Actual Cost
5/10/2017	Construction of VIP/Media Lounge & Command Center	36,806,966
5/25/2017	Construction of 21 units ASEAN Summit Villas	466,333,334
5/29/2017	Improvement of Fontana Convention Center	116,247,778
6/02/2017	Land development of the 21 units ASEAN Summit Villas	128,838,892
6/28/2017	Supply, delivery & installation of underground fiber optic network & outdoor cabinets	25,278,920
	Construction of patrol road between primary & secondary fence at Clark International Airport	45,173,393
	Procurement of construction materials:	
	Lot A – Earthworks materials	15,471,119
	Lot B – Asphalt Pavement Materials	24,161,700
	Lot C – Construction Materials	3,459,361
		861,771,463

b. The projects were reportedly completed in CY 2017 and recorded in the books of accounts as debit to Construction in Progress-Contractors.

c. However, we were not able to examine the regularity of transactions and events concerning the reportedly completed projects due to the non-submission of required documents which were requested verbally at different dates and officially on April 4 and May 11, 2018. Consequently, we were unable to submit the same documents for technical review by the COA Technical Services Office.

d. On June 5, 2018, Management transmitted the authenticated requested documents relating to the BCDA-implemented ASEAN infrastructure projects.

e. However, upon evaluation of the submitted documents, we noted that there are still documents not yet submitted as listed in our letters of request dated September 19, 2018 and November 22, 2018.

f. **We reiterated our recommendation and Management agreed to submit the required documents. We would like to remind management that non-submission of documents to support disbursement of funds may result in further audit actions.**

7. **The General Insurance for Subic-Clark-Tarlac Expressway (SCTEx) properties was procured from private insurance companies, contrary to Administrative Order (AO) No. 141 dated August 17, 1994 and Section 5 of Republic Act (RA) No. 656.**

   7.1 During our audit of properties, contracts, rights of action and other insurable risks of BCDA for CY 2018, we noted that all properties are insured with Government Service Insurance System (GSIS) except for the Concession Assets, SCTEx properties.

   a. Section 2 of AO No. 141 provides that no insurable interest of the Government or any part or portion thereof shall be covered by or insured with and no bonds to the extent of such interest shall be obtained from any entity, enterprise, firm, company, person, corporation or partnership, or any other juridical person other than the GSIS (General Insurance Group).

   b. In addition, Section 5 of RA No. 656, the Property Insurance Law, prohibits securing the insurance of the insurable assets of the government with private insurance companies. It is only when such property or part thereof are not acceptable to the General Insurance Fund (GIF) that these may be insured with a private insurance company.

   c. Likewise, Policies, Implementing Guidelines and Powers of GSIS as provided on AO No. 141, states that:

   > "II.2 Any government involvement or exposure in corporations, partnerships, joint ventures, associations and the like in whatever form x x x x x x shall be construed as government interest. It shall be mandatory for these corporations, partnerships, joint ventures, associations and the like to obtain their insurances or bonds from the GSIS to the extent of the involvement or interest of the Government therein.
   >
   > II.3 In all cases, the principals concerned herein or the assured, including the proponents or administrators of BOT projects shall see to it that contracts, agreements or memoranda of understanding and the like shall contain provisions expressly referring to the requirements of AO 141. In any case, however, absence thereof shall be construed as an abdication neither of the concerned's duty nor of GSIS' right to require and provide the needed insurance or bond."

   d. BCDA is tasked to adopt, prepare and implement a comprehensive and detailed development plan for the sound and balanced conversion of the Clark and Subic military reservations and their extensions into alternative productive uses, inclusive of the development of transport infrastructure that would make them accessible in order to promote the economic and social development of Central Luzon in particular and the country in general.

   e. To carry out its mandate, BCDA undertook the design, construction, operation and maintenance of the SCTEx, a major road project to serve as the backbone of a new economic growth corridor in Central Luzon, pursuant to a Toll Operation Agreement entered into between BCDA and the Republic of the Philippines, acting through the Toll Regulatory Board (TRB). As such, it has an insurable interest on the said expressway.

f. It is understood that for the duration of the Business Agreement with BCDA and Manila North Tollways Corporation (MNTC) the title to the SCTEx remains with BCDA while all the rights, interests and obligations related to the management, operation and maintenance of the SCTEx originally held by BCDA were assigned/transferred to MNTC. The assignment was confirmed by the execution of the Supplemental Toll Operation Agreement (STOA) among BCDA, MNTC and TRB as representative of the Government of the Republic of Philippines.

g. The assignment involves no transfer of ownership but merely effects the transfer of rights which the assignor has at the time, to the assignee. By assigning the property, ownership thereof is not parted with. At the end of the contract term or upon termination of the Agreement all the rights, interest and obligation will revert back to BCDA.

h. Upon evaluation of the documents submitted by Management disclosed that the insurance policy of the SCTEx, covering the period from September 2017 to September 2018 under Collective Policy No. GRA-17/032 was procured by MNTC from various private insurance companies amounting to total annual premium of P33.862 million and total sum insured of P20.633 billion as shown in the table, as follows:

Insurers	Share of (TSI)	Sum Insured	Total Premiums
PNB General Insurers Co., Inc.	40%	8,253,071,534	3,544,749
Asia Insurance (Phils.) Corp.	20%	4,126,535,767	6,772,374
Republic Surety & Insurance Co., Inc.	15%	3,094,901,825	5,079,281
Charter Ping An Insurance Corp.	15%	3,094,901,825	5,079,281
FPG Insurance Company, Inc.	10%	2,063,267,883	3,386,187
	100%	**20,632,678,834**	**33,861,872**

i. The MNTC insured SCTEx with private insurers and making itself as beneficiary. Such insurance coverage is intended to indemnify MNTC for any damage to the expressway due to fire, earthquake or storm that may result to operational losses.

j. Such act is in contravention of aforementioned laws and deprives the government of adequate and reliable insurance protection to its properties, assets, and interests.

k. BCDA has insurable interest over SCTEx. An insurable interest is that interest which a person is deemed to have in the subject matter insured, where he has a relation or connection with or concern in it, such that the person will derive pecuniary benefit or advantage from the preservation of the subject matter insured and will suffer pecuniary loss or damage from its destruction, termination, or injury by the happening of the event insured against. The existence of an insurable interest gives a person the legal right to insure the subject matter of the policy of insurance.

l. The non-compliance with the requirement of insuring government assets with GIF denies the government adequate and reliable protection against any damage to or loss of its properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty.

m. **We recommended that Management require MNTC to procure the comprehensive insurance policies of the SCTEx properties with the General Insurance Fund of the GSIS based on Section 2 of AO 141 and Section 5 of RA No. 656.**

n. Management submitted the following comments:

n.1 Based on BCDA's experience with GSIS, its premiums tend to be more expensive vis-à-vis the premiums that were procured by MNTC/NLEx Corporation from private insurers. Below is a comparative table showing the premium rates of the policies obtained by MNTC/NLEx Corporation from private insurers and the GSIS premium rate for the last policy procured by BCDA:

Particulars	2017-2018 Policy	2018-2019 Policy	Last insurance policy procured from GSIS
Sum Insured	20,632,678,834	20,680,798,174	17,534,430,817
Premium (excluding DST, VAT, local tax)	27,154,669	27,217,998	31,400,000
Premium rate	**0.13%**	**0.13%**	**0.18%**

n.2 Also, past premiums paid by BCDA to GSIS were also higher despite the fact that the sum insured remained the same during said periods, thus:

Amount of Premium	Covered Period	Duration
45,817,209	September 2009-September 2010	1 year
43,530,921	September 2010- September 2011	1 year
10,972,177	September to December 2011	3 months
35,065,170	December 2012- December 2013	1 year
17,484,551	December 2013-June 2014	6 months
31,400,000	June 2014-June 2015	1 year

n.3 MNTC/NLEx Corporation secured lower premiums from its insurers because its insurance broker also carries the other insured properties of the Metro Pacific Group. Also, the risk against catastrophic events was spread out when MNTC/NLEx Corporation procures from a pool of insurers.

n.4 GSIS's process of bidding out its reinsurance contract to private insurers resulted to a period where the SCTEx was without cover. During the one year from December 2011 to December 2012, the GSIS failed to provide insurance cover for the SCTEx.

n.5 GSIS did not extend (even for three months) the existing policy that expired in December 2011. The reason it gave was its failure to get re-insurance coverage due to a shrinking re-insurance market. Thereafter, it encountered two failed biddings during 2012 when it bid out the reinsurance for the SCTEx policy. It was only in December 2012 that GSIS was able to procure a reinsurance coverage that a new one-year policy was issued for SCTEx. Thus, the SCTEx was exposed to various risks for a year because of this practice of GSIS. BCDA was left with no alternative and could not procure insurance from a private insurer because GSIS always insisted AO 141. Management felt that said regulation proved to be disadvantageous to BCDA and only beneficial to GSIS.

n.6 In addition, it took GSIS almost three (3) years to process BCDA's claim for the damage that happened on the Pasig-Potrero Bridge. The damage on the bridge happened in August 2013. Immediately, BCDA filed the claim and submitted the necessary documents because proceeds were needed to restore the bridge. Not waiting for GSIS, BCDA had to act quickly and pursued the immediate repair of the bridge using its own funds, knowing that the restoration was important for the province of Pampanga and to all users of SCTEx. The proceeds were only released in 2016. The delay in the processing of the claim defeated the intention of AO 141, which is "to provide adequate and reliable insurance protection ..."

8. **The procurement process particularly the bidding of Infrastructure Projects and related Consultancy Contracts with an Approved Budget for the Contract (ABC) of P100 million for the period January 1, 2018 to June 30, 2018 did not comply with pertinent provisions of the IRR of RA 9184.**

8.1 BCDA, being one of the agencies concerned in the "Build Build Build" program of the national government, planned and started the procurement process for major infrastructure projects and related consultancy contracts.

8.2 From January 1 to June 30, 2018, BCDA started the bidding for two (2) Infrastructure Projects and one (1) Consulting Service as follows:

	Construction of NCC to Subic-Clark-Tarlac Expressway (SCTEx) Access Road	Consulting Service for the Construction, Management, and Supervision (CMS) of the New Clark City (NCC) to SCTEx Access Road	Construction of Airport to NCC Access Road (Phase I)
Approved Budget for the Contract (ABC)	P3,358,500,000.00	P100,555,000.00	P3,900,000,000.00
Period of Advertising of the Invitation to Bid/Request for Expression of Interest	January 24, 2018 to January 30, 2018 6 CDs	April 23, 2018 to April 30, 2018 7 CDs	April 25, 2018 to May 2, 2018 7 CDs
Date of BAC Resolution declaring the Eligible and Shortlisted Bidders	N/A	May 24, 2018	N/A
Date of Pre-Bid Conference	January 31, 2018	June 7, 2018	May 3, 2018
Deadline of Submission of Bids	February 27, 2018	June 19, 2018	June 29, 2018

8.3 Republic Act (RA) 9184, otherwise known as the Government Procurement Reform Act, and its Implementing Rules and Regulation (IRR) and Government Procurement Manual (GPM) of the Government Procurement Policy Board (GPPB) prescribes the necessary rules and regulations for the modernization, standardization, and regulation of the procurement activities of the Government of the Philippines.

During the audit, we noted the following observations:

8.4 **Contract terms and conditions including the warranty requirements and possible causes of failure of biddings were not included in the discussion during the pre-bid conference.**

a. The Generic Procurement Manual (GPM) of Procedures for Infrastructure Projects issued by the GPPB provides that, during the pre-bid conference, the BAC is expected to present, at the minimum, the following requirement:

- The bidding procedure;
- The eligibility;
- Technical and financial requirements of the contract, including an explanation of the different documents to be submitted;
- Bid evaluation procedure;
- Contract terms and conditions including the warranty requirements; and
- Possible causes of failure of bidding.

b. Upon verification of the minutes of pre-bid conferences held on May 3, 2018 and January 31, 2018 for the Construction of Airport to NCC Access Road Project and Construction of NCC to SCTEx Access Road Project, respectively, we noted that the Project Engineer presented and discussed the overview of the said projects, the salient points of the Terms of Reference (TOR), the qualifications and requirements for the prospective bidders, and other matters relative to the submission of bids.

c. However, we noted that certain topics expected to be presented and discussed during the pre-bid conference were not expressly included particularly the contract terms and conditions including the warranty requirements and possible causes of failure of bidding. Although these items were stated in the bidding documents, they are important to be included in the discussion and presentation during the pre-bidding conference as a minimum requirement in the GPM of GPPB.

d. Additionally, the Minutes of the Pre-Bid Conference did not include contents of the actual presentation made by the Management nor was the report annexed in the Minutes.

e. Failure to discuss the warranty requirements increases the risk of errors in the preparation of bids and could possibly place the government in a disadvantageous position.

f. Likewise, it is important to emphasize the possible causes of failure of bidding to prevent confusion and possible complaint from the bidder and damages to the government.

g. **We recommended and Management agreed that:**

   g.1 **The Bids and Awards Committee (BAC) and Technical Working Group (TWG) include the warranty requirements, the terms and conditions of the contract and the possible causes of failure of bidding as part of the topics to be presented and discussed during pre-bid conferences; and**

   g.2 **The BAC Secretariat include in the preparation of the Minutes of Meetings of pre-bid conferences significant information in the presentation of the project details and bidding documents.**

h. Management issued and are now enforcing an Office Order for End-User Representatives to conduct a presentation during the Pre-Bid Conference of their project undergoing procurement. Office Order No. 007, series of 2018 addresses the recommendations regarding the inclusion of warranty requirements and possible causes of failure of bidding as part of the discussion during Pre-Bid Conferences.

i. Management likewise issued Office Order No. 008, which instruct the Secretariat of the various Bids and Awards Committees to record and prepare more detailed Minutes of the Pre-Bid Conference, and post the same in the BCDA website within five days from the Pre-Bid Conference.

8.5 **Minutes of the Pre-Bid Conference was not posted in the BCDA Website as required by the amended Section 22.4 of the 2016 IRR of RA 9184 and as approved by the Government Procurement Policy Board (GPPB) under Resolution No. 03-2018 on March 9, 2018.**

a. On June 7, 2018, BCDA conducted a pre-bid conference for the Consulting Service for the CMS of NCC to SCTEx Access Road project. The said conference was presided by the BAC Chairman at the BCDA Corporate Center, 2/F, Bonifacio Technology Center. Bonifacio Global City.

b. The 2016 revised IRR of RA 9184 as amended under GPPB Resolution No. 03-2018 dated March 9. 2018 states that:

> "22.4 The minutes of the pre-bid conference shall be recorded and prepared not later than five (5) calendar days after the pre-bid conference, and shall be made available to prospective bidders not later than five (5) days upon written request. ***The minutes of the pre-bid conference shall likewise be posted in the website of the procuring entities.***" (emphasis ours)

c. We observed that the minutes of the said pre-bid conference was not posted in the BCDA website and no proof was shown/given that the minutes of the conference was prepared and recorded by the BAC Secretariat. Furthermore, Bid Bulletins issued by BCDA did not include the said minutes but only included the responses to the queries raised by bidders during the conference.

d. Verification was made from BCDA's Records Department on the non-preparation and non-submission of the minutes of the pre-bid conference, and disclosed that the BAC Secretariat of the said project has not yet submitted the documents because the documents are still being used by the Committee.

e. The purpose of the pre-bid conference is to clarify matters on bidding requirements to minimize the occasions of bidders' disqualification due to non-compliance with the bidding requirements. Furthermore, unprepared, unrecorded and unposted minutes of the pre-bid conference increases the chance of receiving fewer bids due to unclarified matters related to bidding requirements which could prejudice the government by not getting/obtaining competent bidders.

f. **We recommended that the BAC be stringent in complying with the required period of posting, recording and preparing of the minutes of the pre-bid conference to help reduce competent bidders' disqualification due to non-compliance with the bidding requirements.**

g. Management commented that the BAC for Consultancy posted Bid Bulletin No. 2 instead of Minutes because the Bid Bulletin contained clarifications or modifications of the Bidding Documents which form an integral part of the Bid Documents. Bid Bulletin No. 2 contains responses to queries raised during the Pre-Bid Conference. Nevertheless, the recommendation to provide Minutes of the Pre-Bid Conference is now covered by Office Order No. 008.

8.6 **Bid Bulletin No. 2 for the procurement of Consulting Service for the Construction Management and Supervision (CMS) of New Clark City (NCC) to SCTEx Access Road project was issued by the BAC a day short of the allowable minimum seven (7) calendar days before the deadline for the submission and receipt of bids in violation of Sections 22.5.1 and 22.5.2 of the 2016 Revised IRR of RA 9184.**

a. We likewise, observed that Management during the conduct of its bidding for the procurement of Consulting Service for the CMS of NCC to SCTEx Access Road project, issued three (3) Bid Bulletins for purposes of clarifying or modifying any provision of the bidding documents.

b. The 2016 revised IRR of RA 9184 provides guidelines to follow with regard to the issuance of the supplemental/bid bulletins as stated below:

> "Section 22.5.1. Requests for clarification(s) on any part of the Bidding Documents or for an interpretation must be in writing and submitted to the BAC of the Procuring Entity concerned at least ten (10) calendar days before the deadline set for the submission and receipt of bids. **The BAC shall respond to the said request by issuing a Supplemental/Bid Bulletin, duly signed by the BAC Chairperson, to be made available to all those who have properly secured the Bidding Documents, at least seven (7) calendar days before the deadline for the submission and receipt of bids".** (emphasis ours)
>
> "Section 22.5.2. For purposes of clarifying or modifying any provision of the Bidding Documents, Supplemental/Bid Bulletins may be issued upon the Procuring Entity's initiative at least seven (7) calendar days before the deadline for the submission and receipt of bids. Any modification to the Bidding Documents shall be identified as an amendment."

c. We noted that Bid Bulletin No. 2 issued on June 13, 2018, containing clarifications on questions/queries raised during the Pre-Bid Conference, was only six (6) calendar days before the deadline for the submission of bids which is on June 19, 2018.

d. The purpose of issuing the supplemental/bid bulletin for at least seven (7) calendar days is to give ample time to prospective bidders to modify or prepare their bids in accordance with the modifications or clarifications made by the BAC.

e. Shortening the period will limit the chance of prospective bidders to modify or prepare their bids competently. This could put the government in a disadvantageous position if prospective bidders would submit unmodified bids and eventually would lead to disqualification of bidders due to non-compliance with the bidding requirements.

f. **We recommended and Management agreed that the BAC maximize the period prescribed in RA 9184 from the issuance of bid bulletins to the deadline of submission of bids to give prospective bidders ample time to modify or prepare their bids competently.**

g. Management admitted that Bid Bulletin No. 2, was posted on June 13, 2018 or six (6) days before the deadline of submission of bids on June 19. 2018. While they were aware that the last day for posting of said Bid Bulletin should be at least seven (7) days before the deadline for submission of bids, however, due to inadvertence in the calculation of the number of days, in that the seventh day prior to deadline of submission of bids fell on June 12, a holiday, thus the Bid Bulletin was posted on June 13, 2018.

h. Management explained that the pre-bid conference, which was subject of the Bid Bulletin, was held on Thursday June 7, 2018 while the deadline for clarification was set on Friday June 8, 2018 at 5:00 pm. It also happened that the BAC-C Chairperson and one BAC Member were on official travel in Australia from June 11 to 15, 2018, and it was only on June 13 when they were able to review and approve the Bid Bulletin. Considering the urgency of the project, as the construction is already on-going and the bidders were all present and informed during the Pre-Bid Conference, the BAC-C decided to proceed with the June 19 deadline for submission and opening of bids.

9. **BCDA utilized a total amount of P0.843 million or 14.05 per cent of the budget in the implementation of four (4) out of seven (7) activities of the targeted GAD activities for CY 2018.**

9.1 Executive Order (EO) No. 273 dated September 8, 1995, the Philippine Plan for Gender-Responsive Development (PPGD) 1995-2025, directs all government agencies, departments, bureaus, offices and instrumentalities, including government-owned and controlled corporations, to institutionalize GAD efforts in government by incorporating GAD concerns in their respective planning, programming and budgeting processes.

9.2 The Annual GAD Budget of BCDA for the CY 2018, which was submitted to the Philippine Commission on Women (PCW), is six million pesos or 0.38 per cent of the total Corporate Operating Budget for the year. There were seven GAD activities for the year to address specific Gender Issues and GAD Mandate, as follows:

	Targeted Activities	Accomplishments	Budget	Actual Expenses
1	Conduct three (3) self-empowerment and leadership building seminars w/ at least 50 participants each wherein participants have an enhanced understanding of gender roles and responsibilities, and demonstrate earmarked increase in the level of	Activities not done due to right of way issues in development of New York City.	1,000,000	0

	Targeted Activities	Accomplishments	Budget	Actual Expenses
	leadership by the end of the year.			
2	Monitoring of GAD component of BCDA's subsidiaries.	On-going coordination with BCDA's subsidiaries.	500,000	0
3	Monitoring of implementation of GAD policy and IRR in project development cycle.	Drafted GAD policy.	500,000	0
4	Conduct of training /workshop on HGDG for GFPS members and planning on immediate and strategic interventions	None	1,000,000	0
5	Conduct of four (4) seminars/training programs w/ at least 25 persons on gender mainstreaming, gender analysis and other gender related laws.	Participated in two (2) PCW –endorsed activities: (1) W2W Talks: Fathers for Daughters: Building Next Gen. Business Mindsets. WBC, Phil. March 22, 2018, Makati City (18 persons); (2)W2W Talks: Crawling Out of the Blackhole of Depression and Mental Illness, WBC Phil. Sept. 27, 2018, Makati City.	1,000,000	86,000
6	Participation in nationwide celebration of Women's month to enhance awareness on women's initiatives among employees.	a.)Display of 2018 NWMC streamer in all BCDA offices b.)Printing and distribution to all BCDA personnel of 2018 NWMC shirts. c.)Procurement and distribution to all BCDA personnel of 2018 NWMC peripherals. d.)Conducted medical mission on April 26, 2018 in Bamban, Tarlac as part of BCDA's GAD and CSR	1,000,000	757,000

	Targeted Activities	Accomplishments	Budget	Actual Expenses
		initiatives in observance of 2018 NWMC. e.)Conducted enhancing image program w/c served as a venue for women to inspire and appreciate each other and create an environment supportive of each other.		
7	Participation in nationwide celebration of the 18-Day Campaign to end Violence Against Women to raise awareness among all stakeholders that VAW is a public issue of national concern.	None	1,000,000	0
			6,000,000	**843,000**

9.3 As shown in the above table, BCDA was able to accomplish four out of seven targeted activities during the year and they were able to utilize P0.843 million or 14.05 per cent of the allocated amount, leaving an unutilized balance of P5.157 million or 85.95 per cent of the total GAD Budget at year end.

9.4 Section 4.4 of DBM-NEDA-NCRWF Joint Circular No. 2004-1 also requires that GAD planning and budgeting be observed annually and incorporated in all programming exercises of agencies. The GAD activities in the GAD plan and budget must be included in the agency budget proposal in accordance with the budget call. Agencies shall ensure that the cost of implementing the GAD activities is part of their approved budget. At least five per cent of the total agency budget appropriations as authorized under the annual General Appropriations Act, shall correspond to activities supporting GAD. Agency heads shall be responsible for ensuring that GAD activities are provided with adequate resources.

9.5 The non-implementation of the other planned GAD activities led to the poor performance of BCDA in terms of attaining the objective of the government's GAD program to advocate women empowerment, promote gender equality, protect the rights and improve the welfare of women.

9.6 Likewise, during the evaluation of the comments of the Philippine Commission on Women (PCW) on the Annual GAD Accomplishment submitted by BCDA, it can be noted that with regards to the gender issue on the inadequate program for gender related capacity building for BCDA and its subsidiaries, the Management were not able to conduct training/workshop for GAD Focal Point System (GFPS) members and planning on immediate and strategic interventions by the second half of the year 2018.

9.7 **We recommended that Management:**

a. **Ensure that all identified program/activities due for implementation will be fully and timely undertaken; and**

b. **Prioritize capacity development activities on GAD planning and budgeting and Gender Analysis to assist Management in formulating client-focused and organization-focused GAD activities.**

9.8 Management recognized that the CY 2018 GAD budget was underutilized and that BCDA's performance with respect to the implementation of its GAD program is low due to the intermittency of their GAD activities brought about by their ongoing organizational restructuring and the transition they are now experiencing. The changes in the BCDA organization triggered the retirement of a significant number of their employees, including those who are managing the GAD program.

9.9 Moreover, most of the targeted client-focused activities they held in abeyance as BCDA has concentrated its efforts in resolving right-of-way issues in the New Clark City development, where BCDA has been heavily engaged in several infrastructure projects.

9.10 Management acknowledged that BCDA has been unable to attribute portions of the budget for these infrastructure projects to GAD budget. Correspondingly, Management agreed with the recommendation of BCDA to prioritize capacity development activities, particularly on Gender Mainstreaming Evaluation Framework (GMEF), GAD budget attribution, and integration of gender concerns in project development, implementation, monitoring and evaluation.

9.11 To express BCDA's commitment to gender mainstreaming, BCDA shall be working on finalizing the BCDA Policy on Gender and Development that aims to institutionalize GAD principles in the BCDA system, in its structure, policies, programs, processes and procedures and in the various stages of the project cycle.

9.12 BCDA has already reconstituted the BCDA-Gender Focal Point System (GFPS) with the Executive Vice President of the BCDA being assigned as the Chairperson of the GFPS Executive Committee.

10. Status of Notice of Suspensions, Disallowances and Charges

10.1 As of year-end, the status of audit suspensions, disallowances and charges issued is as follows:

Audit Action	Beginning Balance January 1, 2018	Issued	Settled	Ending Balance December 31, 2018
Suspensions	0	0	0	0
Disallowances	3,108,000	0	0	3,108,000
Charges	0	0	0	0
	3,108,000	**0**	**0**	**3,108,000**

10.2 The disallowance of P3.108 million as of December 31, 2018 pertains to the following:

a. Payment of legal fees to private lawyers/consultants amounting to P2.845 million under Notice of Disallowance (ND) No. 09-0014-01111(2006-2008) dated October 22, 2009 was affirmed under COA Decision No. 2013-201 dated November 20, 2013. This is covered by COA Order of Execution (COE) dated January 5, 2015. BCDA sent Statements of Account to persons liable.

b. The Manager of the Budget Department of BCDA was excluded from persons liable under COA Decision No. 2014-235 dated September 11, 2014. One of the persons liable in the said ND passed away last September 19, 2016.

c. On June 6, 2018, BCDA transmitted a letter to the General Counsel endorsing the said COE together with all the documents to the Office of the Solicitor General for appropriate collection.

d. The amount of P0.263 million represents the unsettled balance of the disallowed payment of Christmas Package/annual gift check to the members of the Board of Directors and consultant in CYs 2003 to 2007 totaling P1.318 million. This is due from two payees who are no longer connected with BCDA. An Appeal dated January 13, 2010 was filed at the Office of the then Cluster B Director, CGS which was received on February 23, 2010 under Order Docket No. (CGS-B) 2010-005 dated February 26, 2010.

e. The P3.108 million disallowance does not include the Notices of Disallowance, Notices of Charge and Notices of Suspension issued prior to the effectivity of the Rules and Regulations on the Settlement of Accounts issued by the COA.

C. PERFORMANCE AUDIT

11. **The Business Resolution Agreement (BRA) among BCDA, FBDC and Bonifacio Global (BG) Companies, executed on December 22, 2017, resolved that the BG Companies shall pay BCDA the amount of P5.400 billion covering the shortfall in the government's 45 per cent share from the sale of several lots in Bonifacio Global City (BGC), but did not include interest charges in spite of the fact that the 2017 settlement pertains to various sales that occurred in 2012 and 2013.**

11.1 In the 2017 AAR, we recommended that propriety dictates that interest charges should be considered seeing further that Accommodation Value (AV) in 2017 is already P80,000 per gross floor area (a significant increase from the AV of P31,191 and P25,600 in 2013 and 2012, respectively).

11.2 Management commented that while it is not mentioned in the BRA, the interest impact of the transactions was discussed during the negotiation with FBDC. It was not reflected in the BRA because (a) interest may not have been due since, in the case of North Central Business District (NCBD), FBDC even advanced

P2.200 billion as payment for the property and the net proceeds will only be due upon completion of the project under the Supplemental Implementing Agreement (SIA); and (b) for FBDC lots, the "shortfall" was paid to BCDA when ordinarily, the amount should have been retained by FBDC for re-investment or dividend payment to its shareholders.

11.3 Hence, the transaction years are not the reckoning points of payment to BCDA to entitle it to ask for interest on any late payment.

11.4 Moreover, the parties have agreed that all issues related to the transactions, except as otherwise indicated in the BRA, would have been covered by the settlement amount. It is worthy to note that the negotiated amount far exceeded all appraisals of the properties done by third-party appraisers. Also, the final amount was much closer to the BCDA's negotiated value than to BG Companies' counter-offer as follows:

Accommodation Value	BCDA's Initial Position	BG Companies' Counter Offer	2017 Final Negotiated Amount
2012 (City Center)	34,000	16,500	25,600
2012 (NCBD)	34,000	16,500	25,600
2013	36,000	22,000	31,191

11.5 This is precisely the point of the Audit Team that interest should have been part of the computation. The net proceeds will only be due upon completion of the project under the SIA. Since the properties were sold in years 2012 and 2013, the net proceeds could have already been computed then and could have been paid to BCDA. CYs 2012 and 2013 should be the reckoning year.

11.6 On the Management's response that FBDC could have just retained the "shortfall" for re-investment or dividend payment to its shareholders, it would only justify the interest claim. Assuming the sale was made with unrelated parties in 2012 and 2013 at the Negotiated amount per BRA, FBDC would have promptly collected the amount or if not, would definitely charge interest for delayed payments. If the amount was re-invested, BCDA would also benefit as part owner of FBDC at a rate probably higher than the standard interest rate.

11.7 We also noted that although the amounts were redacted from the term sheets, the retail units bought-back from the BG Companies were paid by FBDC on instalment basis incurring interest.

11.8 Contrariwise, the Deed of Absolute Sale (DOAS) of City Center lots shows that the properties were sold to the BG Companies on installment basis ranging from 5 months to 6 years without interest.

11.9 Management should contemplate on the fact that FBDC's upstream transactions with the BG Companies included interest but the downstream transactions are interest free and that the computation for the BRA also did not consider interest.

11.10 Management commented that BRA was a product of negotiations among the parties. It is a settled jurisprudence that a Compromise Agreement is a contract whereby the parties make reciprocal concessions in order to resolve their differences thereby putting an end to litigation (Harold vs. Alba, 534 SCRA 478; DMG Industries, Inc. vs Philippine American Investments Corporation, 526 CRA 682). BCDA decided to enter into a Business Resolution Agreement, which is in the nature of a Compromise Agreement, since BCDA does not want to tie up the properties in lengthy litigation considering the uncertainty of its outcome, the expenses involved and the man-hours that would be dedicated in pursuing the case. It is to be emphasized that the conversion of the Joint Development Arrangement covering the subject properties into a sale of the same was duly approved by the FBDC Board, wherein BCDA was duly represented by seven of its Board members. The approval was subsequently ratified during the FBDC Annual Stockholders meeting wherein likewise, BCDA was again represented by seven of its Board members. Given this scenario, the issue on the interest was not pursued since it is one of the concessions that BCDA made to settle the matter.

11.11 Management further explained that the parties agreed that interest may not be imperative in this case for the above reasons as well as to come to an expeditious and timely settlement so that BCDA and the government will be able to get the payments. The scenario that BCDA will lose if cases are filed and will get nothing are quite possible under the circumstances.

11.12 As a rejoinder, we would like to emphasize that under Section 28 of Executive Order No. 292 or the Administrative Code of 1987, the Commission on Audit shall exercise such powers and functions relative to the examination, audit, and settlement of the accounts, funds, financial transactions, and resources of the agencies under its audit jurisdiction. We are mandated to see to it that all resources of the government are managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition.

11.13 Thus, even if BCDA, FBDC and BG companies have already entered into a Business Resolution Agreement, the transaction is still subject to review by COA to determine its propriety and whether the interest of the government was protected.

11.14 **We recommended that Management consider the time value of money in entering into agreements concerning its share/proceeds from disposition of properties by including a provision for interest in case of delayed remittance.**

11.15 As regards the determination of the reasonableness of the P5.400 billion settlement or share of BCDA from the successful sale of residential units recorded as Miscellaneous Revenue, we requested for a confirmation by FBDC, through the BCDA Financial Management Services Department (FMSD), that the retail units at a discount of P3.900 billion or at the discounted price of P2.800 billion, from the BG Companies, are part of the inventory of FBDC as of December 31, 2017. Also, we reiterated our request for copies of the Deed of

Absolute Sale with buyback provisions executed between FBDC and BG Companies to conclude our validation on the said account.

11.16 On July 23, 2018, the Certification signed by the Comptroller of FBDC was received by the Audit Team stating that retail units enumerated therein were recorded in the FBDC's books of accounts under Asset Under Construction (AUC) - Investment in Building and Improvements.

11.17 On August 31, 2018, the Management made a partial submission of documents relevant to the BRA which included among others copies of Deed of Absolute Sale (DOAS) between FBDC and BG Companies regarding the buyback of retail units.

11.18 However, upon evaluation of the submitted documents, we noted the following deficiencies:

a. On FBDC's presentation, the discount on buyback of retail units was based on the value paid for retail units amounting to P2.825 billion, as shown in the following table:

Computation of Discount as Presented by FBDC

	A	B	C (A x B)	G (D x 150%)	H	J (B x E)
Project	**Value Paid for Retail (per GLA)**	**Gross Leasable Area**	**Value Paid for Retail Units (Total)**	**MV of Retail w/ Parking @150%**	**Value of Discount (per GLA)**	**Total Value of Discount (@150%)**
Suites	118,489	12,285	1,455,639,675	285,000	166,511	2,045,585,325
Corporate Plaza	92,652	5,791	536,547,234	235,254	142,602	825,809,921
Maridien	97,278	4,484	436,195,009	196,766	99,488	446,100,052
Verve	88,847	4,461	396,345,588	241,524	152,677	681,093,454
			2,824,727,506			**3,998,588,752**

b. On the Certification signed by the Comptroller of FBDC, the total purchase price of all retail units bought-back by FBDC from BG companies is P3.274 billion. The amounts could not be verified because the principal and interest amount and interest rates were redacted from the Term Sheets.

Assets Under Construction (AUC)-Investment in Building and Improvements

Project Name	Area (in sqm)	Purchase Price*	Total Amount Paid to Date
The Suites	19,941	1,678,735,235	1,678,735,235
Maridien	4,484	505,954,402	484,992,945
HSS Corporate Plaza	5,791	629,408,991	542,665,200
Verve T1 & T2	4,461	460,218,934	371,505,652
		3,274,317,562	**3,077,899,032**

*inclusive of VAT and other charges

c. Moreover, as we compared values from the two tables, we noted a difference of P449.590 million from the total purchase price of retail units bought back and the value paid for retail, as shown in the following table:

	GLA used in computation of Discount	Area Purchased per Certification	Purchase Price per Certification	Value Paid for Retail (Per Computation of Discount)	Difference
The suites	12,285	12,285*	1,678,735,235	1,455,639,675	223,095,560
Corporate plaza	5,790	5,791	629,408,991	536,547,234	92,861,757
Maridien	4,484	4,484	505,954,402	436,195,009	69,759,393
Verve	4,461	4,461	460,218,934	396,345,588	63,873,346
	27,020	**27,021**	**3,274,317,562**	**2,824,727,506**	**449,590,056**
Note: Per Certification the Area is 19,941 sqm, but it was clarified that the GLA is only 12,285 sqm					
				BCDA Share - 45%	**202,315,525**

d. We noted that the Purchase Price used in computing the discount for the BRA was significantly lower than that of the Certification provided by FBDC.

e. Management explained that the variances between the prices of retail units [from FBDC documents and used in computing the discount on the buy-back of retail units under the Business Resolution Agreement (BRA)] versus those of the Certification provided by FBDC are due to VAT and other charges except for Verve where the "as planned" Gross Leasable Area (GLA) of 4,515 sq.m. was reduced to "as built" GLA of 4,461 sq.m.

f. We were able to verify Management's explanation based on the submitted documents including the Term Sheets, among others, showing retail values for The Maridien, High Street South Corporate Plaza and Verve Residences units and reconcile the differences between the amounts on FBDC's presentation and the purchase price per certification. With this information we are able to conclude the reasonableness of the P5.4 billion settlement or share of BCDA from the successful sale of residential units, recorded as Miscellaneous Revenue.

g. Thus, the issue on the reasonableness of the P5.400 billion settlement (excluding interest for delayed payment of shortfall) is addressed.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the thirty-nine (39) audit recommendations contained in the CY 2017 Annual Audit Report (AAR), twenty-seven (27) were implemented, eight (8) were partially implemented, one (1) was reconsidered and three (3) were not implemented, as shown below:

Reference	Audit Observations	Recommendations	Status/Actions Taken
CY 2017 AAR, Observation No. 1, page 70	The Business Resolution Agreement (BRA) among BCDA, FBDC and BG Companies, executed on December 22, 2017 resolved that the BG Companies pay BCDA the amount of P5.400 billion covering the shortfall in the government's 45 per cent share from the sale of several lots at BGC.		
	1. The BRA did not consider the interest charges on the P5.400 billion shortfall.	a. Consider the interest on the shortfall of P5.400 billion; and	Not Implemented Reiterated in Audit Observation No. 11 of this report.
	2. There is a need to confirm the recognition in the books of accounts of FBDC of the retail units bought back at a discount of P3.900 billion comprising 27,020 gross leasable areas, from which BCDA has a 45 per cent share once these units are sold.	b. Submit the required documents.	Implemented Management submitted the required documents on March 15, 2019.
	3. The receipt of P5.400 billion taken up as Other Income in the books of accounts of BCDA need to be disclosed in the notes to financial statements		

Reference	Audit Observations	Recommendations	Status/Actions Taken
	as to its nature as described in the BRA, including an emphasis on the discount of P3.900 billion. 4. There is a need to clarify whether or not there was conflict of interest on the part of FBDC for selling the Central City Lots and NCBD lots to its newly created affiliates, the BG Companies at discounts when it should be the one to develop the lots; and, whether or not FBDC breached the Supplemental Implementing Agreement of 2009 when it sold the NCBD lots which are wholly-owned by BCDA. With regard to the Supplemental Implementing Agreement of 2009 being referred by Article 4 of the BRA, may we be apprised on the due dates of the following deliverables by FBDC: i. The accounting of the net proceeds of the NCBD sales to be finalized and remitted by FBDC to BCDA ii. The Excluded Parcels (as defined in the SIA) to be conveyed to BCDA, and		

Reference	Audit Observations	Recommendations	Status/Actions Taken
	iii. All the remaining outstanding Preferred B shares of BCDA in FBDC to be redeemed.		
CY 2017 AAR, Observation No. 3, page 77	The AFP has no share from revenues derived from BCDA operations in military camps outside Metro Manila (MM).	Embark in a campaign, draft and propose a legislation for presidential or congressional action to authorize the entitlement of the AFP to share from revenues derived from the sale, lease, joint venture and transactions other than sale involving military camps outside MM.	Implemented a. BCDA prepared a draft bill to authorize the entitlement of the AFP to share from revenues derived from the sale, lease, joint venture and transactions other than sale, involving other military camps aside from Metro Manila camps. b. This was not yet formally transmitted but the BCDA President/CEO has discussed this with several legislators. c. The proposed charter change shall be elevated to the Congress for deliberation. It will include not only to fund the AFP modernization program, but also to remit fund to the AFP for military pension and retirement fund.

Reference	Audit Observations	Recommendations	Status/Actions Taken
			d. Management prepared a transmittal of the draft Senate bill No. 2207 dated March 26, 2019 for Senator Richard J. Gordon.
CY 2017 AAR, Observation No 4, page 79	The land donated to the City of Taguig subsequently leased out beyond the purpose of the donation resulted in bypassing the AFP's share in the disposition of BCDA assets.	Representatives from the BCDA, AFP and the City of Taguig discuss amicably their differences and resolve what is fair for the AFP without resorting to tedious and expensive legal battle.	Partially Implemented BCDA is willing to explore the amicable settlement of the issue with the City of Taguig notwithstanding the complaint for rescission of contract and declaration of lease agreement as null and void with application for a Temporary Restraining Order (TRO) and/or writ of Preliminary Injunction with damages filed by BCDA against the City of Taguig and SM Prime Holdings, Inc. (SMPHI) before the RTC of Makati which was eventually dismissed on the ground that the venue was improperly laid.

Reference	Audit Observations	Recommendations	Status/Actions Taken
CY 2017 AAR, Observation No. 5, page 81	The Memorandum of Agreement (MOA) among the BCDA, Fort Bonifacio Development Corporation (FBDC) and Bonifacio Vivendi Water Corporation [(BVWC), now known as Bonifacio Water Corporation (BWC)] for the Water and Sewage System in Fort Bonifacio Global City (BGC) appears to be disadvantageous to the Government.	Revisit the subject MOA and consider the leasing for a fee of the said 23,126 sq. m. lot and the recomputation of BCDA's share in the capitalized interest and *losses-non-cash.*	Implemented The free use of the 23,126 sq.m. lot is a misnomer because the use of the Sewage Water Treatment Plant (SWTP) lot is not free. In exchange for the use of the SWTP lot, Section 9 of the MOA provides that BWC shall maintain and preserve the assets to be transferred to BCDA from BWC, and the SWTP lot itself. Verification from the National Water Resources Board (NWRB) confirmed that: a. The same water rates/tariffs are applicable in the FBDC-owned areas as in BCDA-owned areas. b. NWRB monitors, regulates and approves the water/tariff rates charged by BWC. BCDA is also represented in the BWC Board. Thus, it will be

Reference	Audit Observations	Recommendations	Status/Actions Taken
			NWRB and BWC Board that will hold accountable BWC for the water rates/tariffs in BGC. As a public utility concessionaire, any entity or individual for that matter can lodge a complaint with NWRB against BWC for non-performance of BWC's commitments or violations of BWC's obligations.
CY 2017 AAR, Observation No. 6, page 84	The grant of financial assistance to Project Affected Persons (PAPs) in the clearing of New Clark City to give way to the implementation of the Project has no legal basis.	a. Submit the legal bases, other than BCDA Board Resolution No. 2015-12-177, specifically authorizing the grant of financial assistance at P30 per sq. m. to occupants of land owned by the government or at the value of trees planted thereon, whichever is higher; and b. Discontinue the granting thereof, in case of lack of basis.	Implemented The legal bases submitted by the management are still under evaluation for opinion by the COA - Legal Service Sector. Not Implemented As of December 31, 2018, the total financial assistance paid by BCDA amounted to P329.680 million.

Reference	Audit Observations	Recommendations	Status/Actions Taken
CY 2017 AAR, Observation No. 7, page 86	Lack of validation controls and non-observance of control measures as provided in the Business Agreement between MNTC and BCDA may render the concession fees doubtful as to accuracy and completeness:		
	1. Management may have inadvertently overlooked the audit of MNTC's books and records, systems and procedures.	a. Conduct periodic audit of MNTC's books and records and systems and procedures.	Implemented BCDA, together with TRB, conducted the audit of MNTC's system and procedures.
	2. The excel format of revenue reports submitted by MNTC to BCDA may not be a precise copy of the system-generated monthly traffic.	b. Require MNTC to provide system-generated reports on traffic and revenues or back-up file of concession fees, both paper and electronic trail.	Implemented BCDA has provided COA team an access to Jaspersoft Toll Collection System.
	3. The overpayment of concession fees amounting to P5.256 million, as claimed by MNTC took one year to be adjusted.	c. Adopt a standard validation procedure for concession fees and committed maintenance works.	Implemented The current validation procedure was taken from the General Procedures adopted by SAPMD for contract monitoring.
	4. No documents to show that the Status Reports submitted by MNTC were subsequently reviewed by BCDA.	d. Adhere to the applicable provisions of the Business Agreement.	Implemented BCDA verified the documents/ reports submitted by MNTC which

Reference	Audit Observations	Recommendations	Status/Actions Taken
			were required under applicable provisions of the Business Agreement on February 11, 2019 for CY 2018 transactions.
CY 2017 AAR, Observation No. 8, page 89	Land assets are either not covered by TCTs; or with TCTs but were not available for inspection; not updated or unreconciled.		
	1. Land assets valued at P27.505 billion are not covered by TCTs in the name of BCDA.	a. Take appropriate actions on the titling of land in BCDA's name to attest legal ownership.	Implemented Appropriate actions were made on the titling of land.
	2. TCTs of land assets with an area of 809,019 sq. m. valued at P583.001 million were not available upon inspection.	b. Account for the TCTs of land assets with an area of 809,019 sq. m. valued at P583.001 million.	Partially Implemented BCDA has acted on the following: a. Sixty-seven (67) and twenty-four (24) land certificates of title in the acquisition of road-right-of-way (RROW) in SCTEX and NCC, respectively. b. TCT No. 31329, now covered by TCT No.201800425 will only be released to Megaworld upon receipt of payment.

Reference	Audit Observations	Recommendations	Status/Actions Taken
			c. TCT No. 1729-P is already covered by TCT No. 164-2015001776, now in the custody of TID. d. PPMC TCT No. 13488 – owner's copy of TCT is still with Poro Point Management Corp.
	3. SCTEX land titles valued at P864.689 million per FMSD records are still not updated and reconciled with LADD records.	c. Require FMSD and LADD to update and reconcile their records of SCTEx lots valued at P865 million.	Implemented Significant portion of the SCTEx lots valued at P865 million were already updated and reconciled in the books of accounts.
	4. Land assets valued at P1.00 per sq. meter or P1 per parcel of land understated the National Government's equity in the Authority, a deviation from Section 2 of EO 40.	d. Record all land assets transferred by the NG to the Authority based on appraised values as required under Section 2 of EO 40.	Implemented The land assets recorded at P1.00 per sq. m. have already been adjusted in the books of accounts except the 163,253 sq. m. lot with a book value P25, 478.
	5. Thirteen (13) TCTs are in the possession of TID but are not listed in the Schedule of Land assets, thus,	e. Record in BCDA's books of accounts the land assets covered by said 13 TCTs after determining	Implemented The SRDP lots (13 TCTs) are

Reference	Audit Observations	Recommendations	Status/Actions Taken
	may not be recorded in the books of accounts.	ownership and disclose in the Notes to FS the land assets still in the books of accounts but covered by a Contract to Sell by and between BCDA and City of Makati.	included in the LADD inventory.
	6. Incomplete accounting of land may have understated the value of Land Account reported in the Financial Statements.	f. Clarify/resolve the incomplete accounting of lots covered by TCTs so that adjustment in the records of FMSD and LADD may be effected.	Implemented The road lot was already recognized in the books of accounts.
CY 2017 AAR, Observation No. 9, page 98	The Real Estate Inventory - Newport Units account amounting to P130.960 million does not tally with the reference value of remaining units based on the Subsidiaries Affiliates and Projects Monitoring Department's (SAPMD's) inventory. Moreover, the said inventory account is not presented at lower of cost and net realizable value.	a. Authorize SAPMD to make representations with MEGAWORLD, if allowed under the JVA, to fix the more advantageous contract price for BCDA's units at 25 per cent higher than the reference value or more. b. Require SAPMD to include the appropriate value in the inventory reports and after validation and review of these reports, submit copies to the FMSD.	Reconsidered. Since the start of the implementation of the JVA, MEGAWORLD has been given a full authority to sell BCDA units. The selling prices of the units are market driven. Implemented The new allocations for 2018 were recorded at Net Realizable Value under JV No. 2018-018311 dated October 31, 2018.

Reference	Audit Observations	Recommendations	Status/Actions Taken
		c. FMSD to record sales in the books of accounts sales and other related transactions timely. Comply with PAS 2 in recording the inventories at lower of cost and NRV. Effect adjusting entries to correct the balances of affected accounts as of 31 December 2017.	Implemented The adjustments were made in 2017 under JV No. 2017-2300009859 dated December 13, 2017.
		d. Regularly reconcile records between SAPMD and FMSD.	Implemented Allocated units for 2018 were already recorded at Net Realizable Value (NRV).
CY 2017 AAR, Observation No. 10, page 101	The Framework and Landing Party Agreements are beyond the BCDA mandate. BCDA and DICT signed the Framework Agreement, a joint endeavor that would involve the construction and operation of the Luzon Bypass Infrastructure supported by a Backhaul that connects the Last Mile with BCDA's six areas of jurisdiction to provide the high speed internet facility. The framework covers: a. The Luzon Bypass Infrastructure, a 250-kilometer multi-duct cable conduit path which will traverse five (5) provinces that	BCDA and DICT should, collectively, submit the three components of the project with aggregate project cost of P2.588 billion to the ICC (Investment Coordination Committee) for review and decision.	Partially Implemented The updated and joint DICT/BCDA certificate was sent to NEDA on July 15, 2018.

Reference	Audit Observations	Recommendations	Status/Actions Taken
	will connect the two (2) terminal stations or the modular information technology facilities that will be constructed, one in Poro Point, La Union, and one in Baler, Quezon. BCDA shall construct at estimated cost of P975 million and DICT shall operate, maintain and be responsible for the infrastructure's security at estimated annual amount of P97.500 million; b. The Backhaul Infrastructure, an internet network between the landing station in Poro Point, La Union and Baler, Quezon to be constructed by DICT at P1.083 billion; c. The Last Mile Infrastructure, the internet network within the BCDA area of jurisdiction which BCDA shall construct, operate and maintain at P530 million and DICT shall be the technical advisor. For the enforceability of the FA, the BCDA and DICT entered into a Landing Party Agreement (LPA) with EDGE, the submarine system owner.		

Reference	Audit Observations	Recommendations	Status/Actions Taken
CY 2017 AAR, Observation No. 11, page 102	ASEAN Projects in the aggregate amount of P861.771 million were not audited due to non-submission of pertinent documents.	Request for the submission of documents.	Partially Implemented The ABCs submitted by management are not the prescribed format by the DPWH D.O. No. 197, series of 2016. Management committed to use the prescribed format by the DPWH D.O. for future projects. Reiterated in Audit Observation No. 6 of this report.
CY 2017 AAR, Observation No. 12, page 103	Section 32.2.1 (a) of the Revised Implementing Rules and Regulations (IRR) of RA 9184 was not observed in the bidding for the Construction of BCDA Remaining Infrastructure Works inside Bonifacio Global City, Package 2 Project.	Observe the provisions of the Revised IRR of RA 9184, cautions to avoid the recurrence of violating Section 32.2.1 (a).	Implemented Observation on BCDA's conduct of bidding shows that Section 32.2.1 (a) of the Revised Implementing Rules and Regulations (IRR) of RA 9184 are currently being observed by the BAC.
CY 2017 AAR, Observation No. 13, page 105	The applicable DPWH Department Order (DO) in the preparation of the Approved Budget for the Contract was not observed.	Observe the applicable DPWH Department Order in the formulation of the Approved Budget for the Contract (ABC).	Not Implemented During the conduct of 2018 BCDA Exit Conference on April 26, 2019, Management has

Reference	Audit Observations	Recommendations	Status/Actions Taken
			committed to submit the ABCs for future projects adopting the applicable DPWH D.O.
CY 2017 AAR, Observation No. 14, page 107	Hiring of individual consultants by BCDA in CYs 2016 and 2017 may have exceeded what is necessary.	Review its hiring policy for individual consultants, formulate guidelines on hiring, define what is highly technical considering expertise/ skills, downsize the existing pool of consultants, apply consistently whether to pay contract amounts at gross or net of tax and submit relevant documents.	Implemented BCDA ceased the engagement of a number of consultants. BCDA will implement necessary improvements in policies and processes with regard to the application of tax rates for consultancy contracts.
CY 2017 AAR, Observation No. 15, page 111	1. Disbursements or liquidations of cash advances on foreign travels by officials/ employees totaling Seven Million are not supported with reports on the benefits derived from each travel.	a. Attach the reports to liquidation/ journal vouchers.	Implemented Foreign travels were supported with accomplishment reports.
	2. Foreign Travel Orders (FTO) authorizing project employees to travel to Seoul, Korea, incurring expenses of P 136,929.24, do not conform to Section 5 of Memorandum Circular No. 35 of the	b. Observe/ conform to Memorandum Circular No. 35 of the Office of the President.	Implemented BCDA is currently not authorizing unqualified personnel to travel.

Reference	Audit Observations	Recommendations	Status/Actions Taken
	Office of the President. 3. There is no basis in charging the foreign travel expenses amounting to P416,626.25 of persons other than BCDA personnel to BCDA funds, except maybe in highly meritorious circumstances.	 c. Refrain from funding foreign travel expenses of persons other than BCDA officials and employees.	 Implemented BCDA has not funded foreign travel expenses of unqualified personnel.
CY 2017 AAR, Observation No. 16, page 113	Vacation and Sick leave credits were monetized without considering Sections 22 and 23 of the Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book V of Executive Order No. 292.	Observe the provisions of Sections 22 and 23 of the Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book V of Executive Order No. 292 in the grant of monetization of leave credits.	Implemented Sections 22 and 23 of the Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book V of Executive Order No. 292 are currently being observed by the Management.
CY 2017 AAR, Observation No. 17, page 115	The BCDA targeted Gender and Development (GAD) programs, activities and projects (PAPs) were aligned with the Sustainable Development Goal (SDG) No. 11 of the Government but were sparingly implemented during the year.	Revisit BCDA's corporate social responsibility through the implementation of GAD programs, activities and projects and review how to carry out BCDA's commitment in this regard.	Implemented BCDA has already drafted GAD policy.
CY 2017 AAR, Observation on Serendra	The objective to raise funds through the disposition of Lot B may		

Reference	Audit Observations	Recommendations	Status/Actions Taken
Project, page 117	not be fully achieved as envisioned because: 1. The proposal submitted by Ayala Land, Inc. (ALI) did not meet the guidelines and parameters set by BCDA. 2. The projected cash inflows in ALI's proposal may not be fully realized.	Develop strategies to mitigate the risk of not realizing the targeted cash inflows for the project.	Implemented There is a deadlock in the negotiations between BCDA and ALI regarding the interpretation on ALI's obligation to remit the "unsecured portion of its proposed cash flows. On-going discussion to submit the issues for arbitration.
CY 2017 AAR, Observation on Newport City Project, page 122	1. Relocation and replication of structures by MEGAWORLD which are considered completed by BCDA were not substantiated with relevant documents.	a. Ensure that the relocation and replication of structures affected by the development of the property are completed according to the terms of the JVA and the MOA between BCDA and DND-PAF and recorded in the books of accounts once the documentation is completed.	Implemented Replication of PAF facilities affected by the development of the property were already completed, turned over to PAF in accordance with the terms of the JVA and the MOA between BCDA and DND-PAF and recorded in the books of accounts.
	2. The 17.16 per cent deduction made by MEGAWORLD from the net proceeds it received from the	b. Study and assert the best options to protect the interest of the government.	Partially implemented The SIA was executed by

Reference	Audit Observations	Recommendations	Status/Actions Taken
	sale of BCDA allocated units relative to the 3-hectare land it stands to lose to service the relocation needs of the schools and facilities within the property was unwarranted and remained uncollected.		BCDA and MEGAWORLD on May 25, 2018. Reiterated in Audit Observation No. 4 of this report.
	3. Unbilled and uncollected interest arising from the late remittance of the P125.830 million proceeds from the sale of BCDA allocated units in Sarasota and Pinecrest units are yet to be determined and collected.	c. Collect the penalty due arising from the late remittances in accordance with the provision of JVA.	Implemented Reiterated in Audit Observation No. 5 of this report.
	4. Megaworld did not provide BCDA allocation for Plaza 66 and 150 Newport Boulevard of the Newport City Project.	d. Demand the allocations for Plaza 66 and 150 Newport Boulevard and ensure that share in income from prior year's operation of these developments is collected by BCDA.	Implemented A Supplemental Implementing Agreement (SIA) was executed by BCDA and Megaworld.
CY 2017 AAR, Observation on Heritage Park Project, page 131	Portion of the proceeds from the development of the Heritage Park (HP) Project was not accounted as government funds. Funds generated from the Heritage Park Project of BCDA should be accounted as	a. Revisit the existing arrangement with HPMC to ensure that any and all proceeds generated from the HP Project are accounted by BCDA as government funds.	Partially Implemented The BCDA Internal Audit Office (IASO) is continuing the audit of previous years and exerting all efforts to recover from

Reference	Audit Observations	Recommendations	Status/Actions Taken
	government funds. However, no accounting of the cash proceeds from the HP Project and the related disbursements therefrom was rendered by BCDA as required by regulations and in the spirit of transparency.	b. Render an accounting of all the proceeds generated from the HP Project that remain unaccounted in BCDA's books of accounts.	PNB the supporting documents for the inflows and outflows of the different Heritage Accounts. Partially Implemented The IASO's comprehensive audit of the HP funds is underway which includes conduct of the following: Implementation of Record Management System (RMS); Maintenance softcopies of all HPMC approvals, Board Resolutions, Minutes of Meetings and Other Board Materials; and Monitoring all HP receivables and collections due to BCDA.
CY 2016 AAR, Observation No.5, page 69	Advances to BCDA Board of Directors (BOD) totaling P4.567 million remained uncollected.	Recover from the BOD the P4.567 million.	Partially implemented In CY 2017, Management collected a total of P0.821 million from Custodio Acorda Sicam De Castro and Panganiban Law Offices (CASDP).