



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

Qualified 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, 2017 and 2016, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of BCDA as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Qualified Opinion

The Business Resolution Agreement (BRA) among BCDA and its affiliate - Fort Bonifacio Development Corporation (FBDC), and FBDC's related parties - Bonifacio Global (BG) Companies, executed on December 22, 2017, resolved that the BG Companies pay BCDA the amount of P5.4 billion covering the shortfall in the government's 45 per cent share from the sale of several lots in Bonifacio Global City by FBDC to BG Companies in CYs 2012 to 2013.

The lack of relevant documents pertaining to the sale and buyback of lots developed by BG Companies covered by the BRA, precluded us to ascertain 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. We were not able to conduct alternative audit procedures, thus the adjustments necessary in the circumstances cannot be determined.

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 the Authority 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 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 qualified opinion.

Emphasis of Matter

We draw attention to Note 34 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 qualified in respect of these matters.

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 the 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 the Authority'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 the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority'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 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 the Authority's internal control.

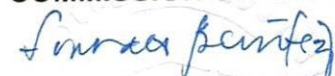
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in 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 the Authority to cease to continue as a 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.

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 for the year ended December 31, 2017 required by the Bureau of Internal Revenue as disclosed in Note 40 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with the Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, except for the possible effect of the information on the matter described in the Basis for Qualified Opinion paragraph, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT



LOURDES D. BENITEZ
Supervising Auditor

June 11, 2018

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

(In Philippine Peso)

	Note	2017	2016 As restated
ASSETS			
Current Assets			
Cash and cash equivalents	6	6,108,454,474	2,520,422,518
Investments in treasury bills/UITF	7	2,669,270,078	6,868,047,115
Receivables, net	8	4,930,766,517	4,673,575,320
Inventories	9	631,898,550	645,543,604
Prepayments and other current assets	10	2,350,862,250	2,324,732,520
		16,691,251,869	17,032,321,077
Non-Current Assets			
Investments in affiliates	11	18,253,526,458	18,437,603,309
Investments in government bonds	12	7,022,062,105	4,522,564,297
Investments in stocks	13	103,024,319	103,024,319
Property and equipment, net	14	1,954,768,118	1,496,726,237
Service concession assets	15	28,050,223,256	27,544,828,341
Investment properties	16	75,159,228,701	44,714,783,091
Deferred tax asset, net	28	3,084,012,459	3,143,789,990
Other non-current assets	17	9,097,966,097	10,885,981,714
		142,724,811,513	110,849,301,298
TOTAL ASSETS		159,416,063,382	127,881,622,375
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payables	18	1,558,262,072	1,662,852,689
Inter-agency payables	19	4,788,530,178	5,019,613,659
Current portion of long-term borrowings	22	843,100,760	810,314,567
Provisions	20	21,507,861	20,152,746
Other payables	21	815,438,508	673,664,500
		8,026,839,379	8,186,598,161
Non-Current Liabilities			
Borrowings	22	19,391,317,485	19,447,549,618
Deferred credits	23	10,694,481,979	9,925,110,269
		30,085,799,464	29,372,659,887
Equity		121,303,424,539	90,322,364,327
TOTAL LIABILITIES AND EQUITY		159,416,063,382	127,881,622,375

See accompanying Notes to Financial Statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2017 and 2016
(In Philippine Peso)

	Note	2017	2016 As restated
REVENUES	25	9,268,092,909	3,616,847,682
EXPENSES			
Personnel Services	26	251,881,336	280,473,938
Maintenance and Other Operating Expenses	27	5,167,003,603	2,339,407,327
TOTAL OPERATING EXPENSES		5,418,884,939	2,619,881,265
INCOME FROM OPERATIONS		3,849,207,970	996,966,417
OTHER INCOME (EXPENSES), NET	28	(2,588,749,956)	(1,956,716,064)
INCOME (LOSS) BEFORE INCOME TAX		1,260,458,014	(959,749,647)
INCOME TAX EXPENSE/(BENEFIT)	29	217,281,528	(387,975,326)
NET INCOME (LOSS)		1,043,176,486	(571,774,321)
OTHER COMPREHENSIVE INCOME	30		
Unrealized gain on available-for-sale assets		0	81,586,509
TOTAL COMPREHENSIVE INCOME (LOSS)		1,043,176,486	(490,187,812)

See accompanying Notes to Financial Statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2017 and 2016

(In Philippine Peso)

	Note	Capital Stock (Note 31)	Contributed Capital (Note 31)	Unappropriated Retained Earnings	Appropriated Retained Earnings	Other Comprehensive Income	Total Equity
Balance at December 31, 2015		75,310,524,920		10,037,396,996	6,000,000,000	28,001,998	91,375,923,914
Correction of prior years' error/estimates	32			(492,516,715)			(492,516,715)
Restated Balance, January 1, 2016		75,310,524,920		9,544,880,281	6,000,000,000	28,001,998	90,883,407,199
Changes in equity for 2016							
Net loss for the year				(571,774,321)			(571,774,321)
Dividends				(88,281,755)			(88,281,755)
BCDA's share on asset disposition proceeds thru sale of various properties		17,426,695					17,426,695
Reclassification of unrealized gain on AFS						81,586,509	81,586,509
Balance at December 31, 2016		75,327,951,615		8,884,824,205	6,000,000,000	109,588,507	90,322,364,327
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 ..		201,641,889					201,641,889
Net income for the year				1,043,176,486			1,043,176,486
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	9,797,975,602	6,000,000,000	0	121,303,424,539

See accompanying Notes to Financial Statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016
(In Philippine Peso)

	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from Business Resolution Agreement		5,940,000,000	0
Proceeds from joint venture projects		1,576,710,403	1,762,433,576
Proceeds from concession fee		1,009,269,245	862,810,645
Cash receipts from lessees		794,301,451	764,905,363
Proceeds from the disposition of transferred properties		531,051,135	71,677,003
Dividends received		483,121,308	30,896,792
Collection/(refund) of performance, bid bonds and bid securities		146,348,859	4,707,645
Miscellaneous receipts		25,968,007	27,143,640
Collection of guarantee deposit/development control fees		16,524,051	28,360,059
Proceeds from disposition of Heritage Park Certificates		7,461,869	19,103,377
Receipts from BCDA housing projects		4,688,580	4,979,357
Collection of receivables		3,541,086	8,721,977
Remittance of beneficiaries' share to the Bureau of the Treasury		(4,841,231,952)	(3,540,791,673)
Payment of taxes, duties and fees		(936,205,367)	(239,737,874)
Payment of personnel services		(217,356,521)	(235,910,026)
Payment to suppliers/creditors/employees		(317,853,416)	(245,141,200)
Payment of estate management expenses		(197,599,755)	(210,053,242)
Payment of indemnities to CGC-PAP		(63,172,599)	(36,056,927)
Payment of operations and maintenance expenses of SCTEx		0	(185,419,933)
Net cash provided by (used in) operating activities		3,965,566,384	(1,107,371,441)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds in short and long term investments		14,132,535,438	14,006,232,176
Interest income from cash equivalents and short/long term investments		322,940,422	308,948,189
Redemption of Preferred shares		135,000,000	315,000,000
Collection of BEPF seed money		17,000,000	3,000,000
Additional investment in fund placements		(12,546,001,748)	(13,066,015,637)
Acquisition of property and equipment and payment for various infrastructure projects		(682,976,001)	(109,407,590)
Advances in subsidiaries and affiliates		(424,567,647)	(104,659,380)
RROW acquisition		(68,280,755)	(16,407,978)
Capital call infusion of BCDA to PJIC		(19,203,028)	0
Initial amount of the Trust account re: BCDA DOLF		0	(24,000,000)
Net cash provided by investing activities		866,446,681	1,312,689,780
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of subsidy income		1,350,590,026	1,162,827,463
27.50 % share of BCDA from asset disposition		201,641,889	24,385,709
Payment of subsidy expenses to CDC		(1,350,590,026)	(1,162,827,463)
Partial settlement of JICA loan		(860,351,635)	(842,147,673)
Payment of guarantee fees to the Bureau of the Treasury		(250,000,000)	(370,926,572)
Payment of financing charges		(205,236,842)	(208,133,716)
Dividends paid to the Bureau of the Treasury		(130,025,089)	(88,281,755)
Net cash used in financing activities		(1,243,971,677)	(1,485,104,007)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		(9,432)	362,725
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS		3,588,031,956	(1,279,422,943)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,520,422,518	3,799,845,461
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	6,108,454,474	2,520,422,518

See accompanying Notes to Financial Statements.