

PORO POINT MANAGEMENT CORPORATION

(A Member of The BCDA Group)



PORO POINT FREEPORT ZONE

Gov. Joaquin L. Ortega Avenue, Poro Point
City of San Fernando
La Union

UN-AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2018

PORO POINT MANAGEMENT CORPORATION

(A Member of The BCDA Group)

Detailed Statement of Financial Position

As of December 31, 2018

(With comparative figures as of December 31, 2017)

<u>ASSETS</u>	Notes	2018	2017
Current Assets			
Cash and Cash Equivalents			
Cash on Hand			
Cash-Collecting Officer	2	3,206,487.60	1,729,463.92
Cash in Bank	3		
Cash in Bank-Local Currency, CA		7,164,582.21	3,435,835.85
Cash in Bank-Local Currency, SA		25,139.81	25,116.16
Cash Equivalents			
Time deposits-Local Currency	4	7,050,836.26	6,993,741.96
Total		<u>17,447,045.88</u>	<u>12,184,157.89</u>
Investments			
Investments in Time Deposits			
Investments in Time Deposits-Local Currency	5	<u>70,438,695.22</u>	<u>50,811,153.62</u>
Receivables			
Loans and Receivables Account			
Accounts Receivable	6	1,760,725.86	1,867,392.33
Interest Receivable		13,575.98	98,604.65
Intra-Agency Receivables			
Due from BCDA	7	4,797,070.36	14,880,562.09
Other Receivables			
Due from Officers and Employees	8	463,721.24	465,456.96
Total		<u>7,035,093.44</u>	<u>17,312,016.03</u>
Inventories			
Inventory Held for Consumption	9		
Office Supplies Inventory		1,664,177.72	2,198,480.80
Total		<u>1,664,177.72</u>	<u>2,198,480.80</u>
Other Assets			
Advances			
Advances to Officers and Employees		-	-
Prepayments	10		
Advances to Contractors		1,172,604.34	1,172,604.34
Prepaid Registration		43,123.02	40,769.57
Prepaid Insurance		589,356.84	434,937.43
Deposits			
Guaranty deposits	11	168,884.00	168,884.00
Other Assets			
Other Assets		320,751.10	316,211.10
Total		<u>2,294,719.30</u>	<u>2,133,406.44</u>
Total Current Assets	P	<u>98,879,731.56</u>	<u>84,639,214.78</u>
Non-Current Assets			
Investments	12		
Investments in Joint Venture			
Investments in Joint Venture		15,000,000.00	15,000,000.00

	Notes	2018	2017
Other Investments			
Investment in Stocks		15,000.00	15,000.00
Total		<u>15,015,000.00</u>	<u>15,015,000.00</u>
Investment Property	13		
Land and Buildings			
Investment Property, Land		21,441,469.65	21,441,469.65
Investment Property, Buildings		6,676,047.56	6,676,047.56
Construction in Progress			
Construction in Progress-Investment Property, Buildings		49,909,596.64	49,909,596.64
Total		<u>78,027,113.85</u>	<u>78,027,113.85</u>
Property, Plant and Equipment	14		
Land Improvements			
Other Land Improvements		276,082.12	276,082.12
Accumulated Depreciation-Other Land Improvements		(262,278.01)	(262,278.01)
Infrastructure Assets			
Power Supply Systems		516,605.02	516,605.02
Accumulated Depreciation-Power Supply Systems		(490,774.77)	(490,774.77)
Buildings and Oher Structures			
Buildings		6,309,335.20	6,309,335.20
Accumulated Depreciation-Buildings		(3,785,601.28)	(3,470,134.60)
Other Structures		2,669,275.51	2,669,275.51
Accumulated Depreciation-Other Structures		(2,482,771.32)	(2,355,474.24)
Machinery and Equipment			
Office Equipment		5,442,793.13	5,282,020.13
Accumulated Depreciation-Office Equipment		(4,694,131.29)	(4,763,508.77)
Information and Communication Technology (ICT) Equipment		4,247,420.66	3,906,476.11
Accumulated Depreciation-ICT Equipment		(3,261,055.60)	(3,213,280.79)
Communication Equipment		377,262.20	343,595.00
Accumulated Depreciation-Communication Equipment		(363,572.95)	(329,906.75)
Technical and Scientific Equipment		413,387.52	413,387.52
Accumulated Depreciation-Technical and Scientific Equipment		(366,259.65)	(358,700.13)
Furniture, Fixtures and Books			
Furniture and Fixtures		2,547,033.10	2,256,063.49
Accumulated Depreciation-Furniture and Fixtures		(2,240,878.03)	(1,927,288.42)
Transportation Equipment			
Motor Vehicle		9,594,572.02	13,727,286.91
Accumulated Depreciation-Motor Vehicle		(9,254,902.58)	(12,864,974.59)
Watercrafts		773,325.00	773,325.00
Accumulated Depreciation-Watercrafts		(410,213.89)	(335,341.93)
Total		<u>5,554,652.11</u>	<u>6,101,789.01</u>
Intangible Assets			
Intangible Assets	15		
Computer Software		851,469.58	695,724.13
Accumulated Amortization-Computer Software		(830,992.68)	(675,248.23)
Total		<u>20,476.90</u>	<u>20,475.90</u>
Other Assets			
Other Assets	16	2,528,048.66	2,267,340.39
Total Non-Current Assets		<u>101,145,291.52</u>	<u>101,431,719.15</u>
TOTAL ASSETS	P	<u><u>200,025,023.08</u></u>	P <u><u>186,070,933.93</u></u>

Notes

2018

2017

LIABILITIES AND EQUITY**Current Liabilities****Financial Liabilities**

Payables

Accounts Payable

	17	P	6,514,347.28	P	6,466,735.35
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Inter-Agency Payables

Inter-Agency Payables

Due to BIR

	643,108.00	305,124.44
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Due to Pag-ibig

	113,464.60	147,627.54
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Due to Philhealth

	3,952.57	26,935.00
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Due to SSS

	24,071.36	167,050.68
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Income Tax Payable

	2,820,089.85	774,186.48
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Total

	<u>3,604,686.38</u>	<u>1,420,924.14</u>
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Intra-Agency Payables

Intra-Agency Payables

Due to Other Funds

	515,323.27	79,039.22
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Due to BCDA

	63,417,721.11	61,549,589.16
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Total

	<u>63,933,044.38</u>	<u>61,628,628.38</u>
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Trust Liabilities

Trust Liabilities

Trust Liabilities

	1,218,854.02	940,354.02
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Guaranty/Security Deposits Payable

	12,000.00	75,275.60
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Total

	<u>1,230,854.02</u>	<u>1,015,629.62</u>
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Other Payables

Other Payables

Other Payables

	20	6,643,457.47	7,354,818.93
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Total Current Liabilities

	<u>81,926,389.53</u>	<u>77,886,736.42</u>
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Non-Current Liabilities**Intra-Agency Payables**

Intra-Agency Payables

Due to BCDA

	21	18,437,109.76	18,437,109.76
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Total Liabilities

	P	<u>100,363,499.29</u>	P	<u>96,323,846.18</u>
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Equity**Stockholders' Equity**

Stockholders' Equity

Share Capital

	22	68,143,720.23	68,143,720.23
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Other Equity Instruments

	23	15,000,000.00	15,000,000.00
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Total

	<u>83,143,720.23</u>	<u>83,143,720.23</u>
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Retained Earnings/(Deficit)

Retained Earnings/(Deficit)

Retained Earnings/(Deficit)

	16,517,803.56	6,603,367.52
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Total Equity

	<u>99,661,523.79</u>	<u>89,747,087.75</u>
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	Notes	2018	2017
TOTAL LIABILITIES AND EQUITY	P	<u>200,025,023.08</u>	P <u>186,070,933.93</u>
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See Accompanying Notes to Financial Statements

PORO POINT MANAGEMENT CORPORATION

(A Member of The BCDA Group)

Detailed Statement of Comprehensive Income**For the year ended December 31, 2018**

(With comparative figures as of December 31, 2017)

	Notes	2018	2017
Revenues			
Service and Business Income			
Business Income			
Management Fees	24 P	83,818,562.19 P	62,789,975.00
Interest Income		720,314.53	932,587.62
Permit fees		1,071,867.47	-
Miscellaneous Income			
Miscellaneous Income	25	<u>1,696,769.60</u>	<u>917,539.11</u>
Total Revenues		<u>87,307,513.79</u>	<u>64,640,101.73</u>
Less: Expenses			
Personnel Services			
Salaries and Wages			
Salaries and Wages-Regular		26,926,799.35	12,844,682.96
Other Compensation			
Personnel Economic Relief Allowance (PERA)		767,051.51	-
Representation Allowance		704,500.00	640,800.00
Transportation Allowance		704,500.00	640,800.00
Clothing/Uniform Allowance		324,000.00	103,782.00
Longevity Pay		90,000.00	-
Overtime and Night Pay		1,219,790.67	1,098,175.37
Year-End Bonus		2,173,815.49	1,071,756.89
Cash Gift		265,000.00	286,500.00
Other Bonuses and Allowances		3,419,199.60	3,231,457.22
Personnel Benefit Contributions			
Pag-ibig Contributions		70,600.00	69,000.00
Philhealth Contributions		222,731.65	140,512.00
Employees Compensation Insurance Premiums		19,640.00	19,720.00
Provident/Welfare Contribution		325,465.61	632,444.48
Other Personnel Benefit Contributions			
Retirement Gratuity		-	-
Other Personnel Benefit Contributions		<u>1,027,073.86</u>	<u>1,042,816.10</u>
Total Personnel Services		<u>38,260,167.74</u>	<u>21,822,447.02</u>
Maintenance and Other Operating Expenses			
Travelling Expenses			
Travelling Expenses-Local		3,316,145.33	3,596,009.91
Training and Scholarship Expenses			
Training Expenses		1,025,024.39	1,520,995.74
Supplies and Materials Expenses		2,519,776.23	3,009,457.39
Utility Expenses			
Electricity Expenses		1,123,092.82	889,969.30
Communication Expenses			
Postage and Courier Services		62,708.29	88,992.13
Telephone Expenses		1,257,554.77	1,281,561.57
Confidential, Intelligence and Extraordinary Expenses			
Extraordinary and Miscellaneous Expenses		668,336.05	468,993.70

	Notes	2018	2017
Professional Services			
Auditing Services		1,318,685.13	1,298,547.78
Consultancy Services		18,888.89	-
General Services			
Janitorial Services		312,070.18	287,916.31
Security Services		990,871.10	459,731.04
Repair and Maintenance			
Repair and Maintenance-Building and Other Structures		244,596.46	64,966.39
Repair and Maintenance-Transportation Equipment		251,761.16	221,570.00
Repair and Maintenance-Furniture and Fixtures		50,517.00	7,390.00
Taxes, Insurance Premiums and Other Fees			
Taxes, Duties and Licenses		112,881.28	233,932.82
Fidelity Bond Premiums		19,968.75	29,562.50
Insurance Expenses	26	1,172,160.44	1,226,130.17
Income Tax Expenses		6,902,712.69	4,543,756.90
Other Maintenance and Operating Expenses			
Advertising, Promotional and Marketing Expen	27	799,807.06	1,057,504.99
Representation Expenses		1,246,273.98	1,600,692.43
Subscription Expenses		73,187.00	86,304.75
Directors and Committee Members Fees		1,611,000.00	1,639,000.00
Other Maintenance and Other Operating Expen	28	5,848,393.35	6,051,502.29
Total Maintenance and Other Operating Expenses		<u>30,946,412.35</u>	<u>29,664,488.11</u>
 Non-Cash Expenses			
Depreciation			
Depreciation-Buildings and Other Structures		442,763.76	558,978.39
Depreciation-Machinery and Equipment		322,200.92	460,895.32
Depreciation-Transportation Equipment		467,782.44	523,172.92
Depreciation-Furniture, Fixtures and Books		41,542.44	46,015.72
Amortization			
Amortization-Intangible Assets		-	29,417.16
Total Non-Cash Expenses		<u>1,274,289.56</u>	<u>1,618,479.51</u>
Total Expenses		<u>70,480,869.65</u>	<u>53,105,414.64</u>
NET INCOME / (LOSS)	P	<u>16,826,644.14</u>	P
		<u>11,534,687.09</u>	

See Accompanying Notes to Financial Statements

PORO POINT MANAGEMENT CORPORATION

(A Member of The BCDA Group)

Statement of Changes in Equity

For the year ended December 31, 2018

(With comparative figures as of December 31, 2017)

		2018		2017
Share Capital				
Balance at Beginning of the Period				
Authorized, issued and fully paid 800,000 shares, P100.00 par value	P	68,143,720.23	P	68,143,720.23
Balance at End of the Period		<u>68,143,720.23</u>		<u>68,143,720.23</u>
Other Equity Investments				
Balance at Beginning of the Period		15,000,000.00		15,000,000.00
Additions		-		-
Deductions		-		-
Balance at End of the Period		<u>15,000,000.00</u>		<u>15,000,000.00</u>
Retained Earnings				
Balance at Beginning of the Period		6,603,367.52		(411,117.57)
Correction of prior year's errors	29	<u>(6,912,208.10)</u>	29	<u>(4,520,202.00)</u>
As restated		(308,840.58)		(4,931,319.57)
Net Income (Loss)		<u>16,826,644.14</u>		<u>11,534,687.09</u>
Balance at End of the Period		<u>16,517,803.56</u>		<u>6,603,367.52</u>
TOTAL EQUITY	P	<u><u>99,661,523.79</u></u>	P	<u><u>89,747,087.75</u></u>
		-		-

PORO POINT MANAGEMENT CORPORATION

(A Member of The BCDA Group)

Statement of Cash Flows**For the year ended December 31, 2018**

(With comparative figures as of December 31, 2017)

	2018	2017
Cash Flow from Operating Activities		
Cash Inflow		
OPEX funds received from BCDA	P 97,183,085.19	P 62,789,975.00
Collection of Zone revenues in behalf of BCDA	59,441,433.04	65,398,791.60
Collection of Receivables	29,415,457.66	7,534,260.80
Collection of Regulatory Fees	1,062,867.47	1,252,374.11
Collection of Miscellaneous Income	1,834,806.40	917,539.11
Proceeds from termination of investment in time deposits	50,940,732.69	-
Total Cash Inflow	<u>239,878,382.45</u>	<u>137,892,940.62</u>
Cash Outflow		
Payment to Employees and Suppliers	(94,169,659.22)	(66,400,014.37)
Remittance of Collections to BCDA	(58,058,259.36)	(65,082,342.21)
Payment of Taxes	(12,624,645.55)	(8,781,163.97)
Investment in Time Deposit	(70,000,000.00)	-
Total Cash Inflow	<u>(234,852,564.13)</u>	<u>(140,263,520.55)</u>
Net Cash Provided by (used in) Operating Activities	<u>5,025,818.32</u>	<u>(2,370,579.93)</u>
Cash Flow from Investing Activities		
Cash Inflow		
Interest received	237,069.67	803,994.31
Cash Outflow		
Capital Expenditure projects	-	(5,466,420.88)
Acquisition of Land	-	-
Total Cash Outflow	<u>-</u>	<u>(5,466,420.88)</u>
Net Cash Provided by (used in) Investing Activities	<u>237,069.67</u>	<u>(4,662,426.57)</u>
Cash Flow from Financing Activities		
Cash Inflow		
Capex from BCDA	-	5,263,200.64
Net Cash Provided by (used in) Financing Activities	<u>-</u>	<u>5,263,200.64</u>
Net Increase in Cash and Cash Equivalents	5,262,887.99	(1,769,805.86)
Add: Cash and Cash Equivalents, Beginning	12,184,157.89	13,953,963.75
Cash and Cash Equivalents, Ending	P <u><u>17,447,045.88</u></u>	P <u><u>12,184,157.89</u></u>
	-	0.00

PORO POINT MANAGEMENT CORPORATION

(A Member of The BCDA Group)

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2018

1. CORPORATE INFORMATION

The Bases Conversion and Development Authority (BCDA) was created under Republic Act (RA) No. 7227 dated March 13, 1993. The main objective is to accelerate the sound and balanced conversion of former military reservations, especially the American Military Bases into alternative productive civilian uses for the benefit of the Filipino people.

Pursuant to this Act, Presidential Proclamation No. 216 was issued creating and designating the area covered by the former Wallace Air Station, the San Fernando Seaport and Airport, and contiguous areas in Poro Point as Poro Point Special Economic and Freeport Zone (PPSEFZ), now the Poro Point Freeport Zone (PPFZ).

On June 29, 1993, Executive Order (EO) No. 103 was issued, establishing the John Hay Development Corporation (JHDC) as a subsidiary and implementing arm of BCDA for Club John Hay.

Subsequently, on October 07, 1998, EO No. 31 was issued amending Sections 1 and 3 of EO No. 103, series of 1993, renaming John Hay Development Corporation (JHDC) to John Hay Poro Point Development Corporation (JPDC) as the authorized operating and implementing arm of the BCDA to manage the John Hay Special Economic Zone (JHSEZ) and the PPFZ and its contiguous areas.

On October 03, 2002, EO No. 132 was issued authorizing the creation of Poro Point Management Corporation (PPMC) as the implementing arm of BCDA over the PPFZ and renaming the John Hay Poro Point Development Corporation (JPDC) as the John Hay Management Corporation (JHMC).

PPMC was registered with the Securities and Exchange Commission (SEC) on January 06, 2003.

On March 20, 2007, Republic Act (RA) No. 9400 was enacted affirming the Freeport status of the PPSEFZ, renaming it as the Poro Point Freeport Zone (PPFZ).

Performance Agreement

Pursuant to EO No. 62 issued on February 27, 1993 on the prescribed policies and guidelines for the implementation of RA No. 7227, BCDA is mandated to perform oversight over subsidiaries and adopt and implement an oversight mechanism to implement efficient utilization of scarce resources and to ensure that the plans and programs of subsidiaries are proceeding according to national goals and objectives.

In order to carry out this objective, EO No. 62 likewise mandates that BCDA and its subsidiaries enter into a Performance Agreement embodying the performance criteria and target for the year and the desired goals of the succeeding years.

Towards this goal, BCDA and PPMC entered into a Performance Agreement on setting the performance standards in accordance with the general strategies and governance standards of BCDA which is mutually acceptable to both parties.

Foremost among the features of the Agreement is about the financial undertakings that BCDA and PPMC have to comply with, briefly summarized as follows:

- BCDA as property owner of the PPFZ shall earn from lease rentals or other income payments for the Property from third parties contracted by BCDA and/or PPMC, maintenance fees and charges (CUSA) collected from the locators, share in the gross gaming revenues, share in the sale of real estate projects, airport fees and other business arrangements generated in the PPFZ and from dividends to be declared by PPMC. PPMC shall record these revenues as Trust Liability and remit the same to BCDA through a designated bank account. The same shall now be recorded as income of BCDA.
- PPMC as estate manager shall earn an Estate Management Fee equivalent to Personal Services (PS), Maintenance and Other Operating Expenditures (MOOE) and Capital Outlay budget as approved by BCDA or Fifty Percent (50%) of revenues to be generated from the Property, whichever is higher. In addition, PPMC shall also earn interest income generated from cash in bank or investment activities, regulatory fees and charges as the overseer/administrator and regulatory body of the property and incentive fee equivalent to ten percent (10%) of the net revenues from the Property.
- PPMC shall ensure that all necessary and appropriate insurance coverage for properties within the zone as well as security services for the property are secured. Insurance coverage, maintenance and depreciation expenses of BCDA properties within the zone, as well as maintenance and security services for the property, however, shall be charged to BCDA as owner of the land.
- PPMC shall submit an annual operating budget to BCDA in accordance with BCDA Policy and Guidelines in the submission of Annual Operating Budget.

Note 1 – Summary of Significant Accounting Policies

The significant accounting policies are set forth to facilitate understanding of data presented in the financial statements.

Basis of preparation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines. These are the Company's first financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS), where PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, was then applied.

The financial statements comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to Financial Statements.

Use of Estimates and Judgements

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. It also requires management to exercise its judgements in the process of applying the accounting policies consistent with that of the BCDA.

PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, requires an entity adopting PFRS for the first time (a first-time adopter) to comply with each PFRS that has come into effect at the reporting date for its first PFRS financial statements. It also requires a first-time adopter to prepare an opening PFRS balance sheet at the date of transition to PFRS, the beginning of the earliest adoption to which it represents the full comparative information under PFRS.

PAS 1, *Presentation of Financial Statements*, (a) provides a framework within which an entity assesses how to present fairly the effects of transactions and other events; (b) provides the base criteria for classifying liabilities as current or non-current; (c) prohibits the presentation of items of income and expenses as extraordinary items in the financial statements; and (d) specifies the disclosures

IAS 2 – Inventories. This standard prescribes the accounting treatment for inventories. It provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

IAS 16 – Property, Plant and Equipment. This standard prescribes the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at cost. An entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The residual value and the useful life of an asset shall be reviewed at least each financial year-end and, if expectations differ from previous estimates, the changes(s) shall be accounted for as change in an accounting estimate in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less from date of acquisition.

Supplies and Materials

This account carries the value of unused supplies and materials in stock using the moving average inventory method.

Property, Plant and Equipment

Property and Equipment are stated at cost less accumulated depreciation. Depreciation is measured using the straight-line method with composite rates ranging from 5% to 20%. In accordance with COA Circular No. 2004-3 dated October 4, 2004 and COA Circular No. 2015-002 dated March 9, 2015 the computation of depreciation expense shall start on the following month after the purchase/completion of the PPE, irrespective of date within the month. The current and subsequent month depreciation expense shall be computed as follows:

$$\text{Monthly Depreciation Expense} = \frac{\text{Carrying Amount} - \text{Residual Value}}{\text{Remaining Useful Life}}$$

The effect of the recognition of depreciation as a result of the change in the estimated residual value from 10% to 5% of the cost shall be applied prospectively.

Assets acquired with value of not more than PhP15,000.00 are recorded under supplies and materials expense upon issue to the end-user pursuant to COA Circular No. 2015-007 dated October 22, 2015. However, items with individual values below the threshold of PhP15,000.00 but which work together in the form of a group of network asset whose total value exceeds the threshold shall be recognized as part of the primary PPE, e.g. computer network.

Maintenance and repairs of PPE are charged to operations. Improvements and/ or major repairs that considerably extend assets life or if the repair costs are material in amount are charged to the appropriate asset account.

Revenue Recognition

Fund released for operating expenditures (OPEX) from BCDA are reflected as Management fees in the Statement of Financial Performance.

Collections received in trust

PPMC shall remit to BCDA on a regular basis all revenues from contracts and other sources of revenues generated within the PPFZ and shall be recorded as "Cash or Accounts Receivable-Trade Accruing to BCDA" and credited to account "Due to BCDA". Collections are deposited daily to BCDA Land Bank of the Philippines (LBP) Account No. 0202-0177-54 at City of San Fernando, La Union. Results of these activities are being reported to BCDA on a monthly basis.

2. CASH ON HAND

The cash-collecting officer account consists of cash collections received on December 28, 2018 representing regulatory fees, lease rentals and airport fees. PPMC entered into a deposit

pick-up arrangement with the Land Bank of the Philippines (LBP) on November 7, 2014, wherein LBP collects daily at the PPMC Office from Monday through Friday, from 8:30 a.m. to 3:00 p.m. The un-deposited cash collections were received after the cut-off time.

3. CASH IN BANK-LOCAL CURRENCY

This account consists of the following:

	2018	2017
Cash in Bank-Local Currency, LBP Opex Current	5,840,753.96	220,012.45
Cash in Bank-Local Currency, DBP Opex Current	215,456.82	2,107,768.17
Cash in Bank-Local Currency, LBP Capex Current	1,108,371.43	1,108,055.23
Cash in Bank-Local Currency, DBP Opex Savings	25,139.81	25,116.16
Total Cash In Bank-Local Currency	7,189,722.02	3,460,952.01

Cash in Bank-Local Currency, LBP Opex Current Account

PPMC maintains a current account for its Operating Expenses (Opex) at the Land Bank of the Philippines (LBP). This was the original account of PPMC prior to its transfer to the Philippine National Bank (PNB) on 02 July 2004.

Cash in Bank-Local Currency, DBP Opex Current Account

On 23 June 2014, PPMC opened a current account for its Operating Expenses (Opex) at the Development Bank of the Philippines (DBP) pursuant to the advice of the Department of Finance (DOF) to wind down PPMC's deposits at PNB and transfer the same to either LBP/DBP.

Cash in Bank-Local Currency, DBP Capex Account

On 22 October 2014, PPMC opened a current account for its Capital Expenditures (Capex) at the Development Bank of the Philippines (DBP) pursuant to the advice of the Department of Finance (DOF) to wind down PPMC's deposits at PNB and transfer the same to either LBP/DBP.

Cash in Bank, Local Currency, DBP Opex Savings Account

On 30 June 2016, PPMC opened a savings account for its Electronic Government (e-Gov) services account at DBP as approved by the PPMC Board per Resolution No. 2016-05-372 on 20 May 2016. The facility allows PPMC to pay premiums and loans on-line to the SSS, Pag-ibig Fund and Philhealth.

4. CASH EQUIVALENTS

This account represents authorized placements of time deposit at the Land Bank of the Philippines (LBP) with a maturity of 90 days.

5. INVESTMENTS IN TIME DEPOSITS

This account represents authorized placements of time deposit at the Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) with maturities of 120 days.

6. ACCOUNTS RECEIVABLES

The accounts receivable pertains to remittances of suppliers' taxes to BIR that will be collected from the concerned suppliers. The rest of the accounts are various receivables from former Officers of PPMC.

7. INTRA-AGENCY RECEIVABLES

The due from BCDA account pertains to reimbursement of expenses for BCDA land related costs such as insurance coverage, maintenance and security services for the property.

8. OTHER RECEIVABLES

The Due from Officers and Employees account are receivables from PPMC personnel for personal calls, prior year taxes due and other miscellaneous charges.

9. INVENTORIES

The office supplies inventory, accountable forms, food supplies, chemical and filtering supplies inventory, construction materials and electrical supplies inventory are based on moving average method.

10. PREPAYMENTS

This account includes:

	2018	2017
Advances to Contractors	1,172,604.34	1,172,604.34
Prepaid Insurance and Registration	632,479.86	475,707.00
Total Prepayments	1,805,084.20	1,648,311.34

The Advances to Contractors account pertains to the advance payment (15% mobilization fees) made to the contractor of the Baywalk with events center project and miscellaneous advances made to other suppliers.

Prepaid registration refers to various prepayments made for the renewal of vehicles, firearm and radio licenses with a minimum coverage period of one (1) year.

Prepaid insurance represents unexpired portion of insurance premiums of PPMC occupied building, building contents, directors and officers liability insurance and vehicle insurance.

11. GUARANTY DEPOSITS

Guaranty deposits pertain on payments to service providers such as telephone and electric companies that are refundable upon cancellation/termination of contracts.

12. INVESTMENTS

This account includes:

	2018	2017
Investments in Joint Venture	15,000,000.00	15,000,000.00
Other Investments-Investment in Stocks	15,000.00	15,000.00
Total Investments	15,015,000.00	15,015,000.00

The investment in joint venture pertains to the 15% investment share of PPMC to Poro Point Industrial Corporation (PPIC) pursuant to the Pre-Incorporation Agreement dated September 21, 1999.

The investment in stocks represents subscription of shares of stock to PLDT.

13. INVESTMENT PROPERTY

This account consists of:

	2018	2017
Investment Property-Land	21,441,469.65	21,441,469.65
Investment Property-Building	6,676,047.56	6,676,047.56
Construction in Progress	49,909,596.64	49,909,596.64
Total Investment Property	78,027,113.85	78,027,113.85

Investment property-land refers to the validated land held-in trust within the Poro Point Freeport Zone in behalf of BCDA. Acquisition cost was valued at Php1,250.00/Php2,300.00 per square meter plus documentary stamp taxes & other similar incidental charges.

There are forty-seven (47) original land titles already forwarded to BCDA out of the seventy-three (73) land titles covering 5.43 hectares, more or less. Titles of the remaining lots are still subject to reconstitution as a result of the fire that gutted the Register of Deeds building on August 26, 2000.

On August 2, 2012, the Land Registration Administration (LRA) informed BCDA/PPMC that the following titles were issued with reconstitution orders: T-52521; T-52526; T-52530; T-52518; T-46198; T-52588. The LRA likewise informed BCDA that the rest of the TCT's with pending applications for reconstitution may have been damaged during the fire that destroyed the LRA office on July 22, 2011. PPMC will file the necessary documents in order to safeguard PPMC's rights to the properties.

Investment property-buildings represents finished capital expenditure projects such as provision of lighting at the industrial area and the relocation and replication of the Philippine Air Force (PAF) fence and guardhouse amounting to Php2,959,962.96 and Php3,716,084.60 respectively. These projects were already liquidated to BCDA on 11 February 2016 and 14 September 2016. However, BCDA will issue accounting instructions to PPMC to effect the liquidation in the books once the Certificate of Acceptance has been released by PPMC to the Contractors.

Construction in progress held in trust of Php49,909,596.64 constitutes capital expenditure projects for the construction of baywalk with events center which is being funded by BCDA. Upon completion, this project together with relevant documents will be turned-over to BCDA and the corresponding advances granted to PPMC are liquidated.

14. PROPERTY, PLANT AND EQUIPMENT (PPE)

The details of this group of accounts consist of the following:

	2018	2017
Land Improvements	276,082.12	276,082.12
Infrastructure Assets	516,605.02	516,605.02
Buildings & Other Structures	8,978,610.71	8,978,610.71
Machinery and Equipment	10,480,863.51	9,945,478.76
Furniture, Fixtures and Books	2,547,033.10	2,256,063.49
Transportation Equipment	10,367,897.02	14,500,611.91
Total	33,167,091.48	36,473,452.01
Less: Accumulated Depreciation	27,612,439.37	30,371,663.00
Total	5,554,652.11	6,101,789.01

Property, plant and equipment pertain to assets acquired and are utilized and directly benefits PPMC which includes among others, properties such as buildings, furniture, fixtures, machineries, equipment and motor vehicles.

15. INTANGIBLE ASSETS

This account consists of computer software used by PPMC in its operations.

16. OTHER ASSETS

This account consists of accounts receivable held in trust by PPMC for BCDA amounting to Php2,528,048.66. The accounts receivable-current of Php1,518,324.16 refer to collectibles from locators representing revenues generated within the Poro Point Freeport Zone held in trust by PPMC for BCDA while non-current trade receivables held in trust of Php1,009,724.50 is long outstanding airport fees due from Ace Pilots Aviation Academy subject of a legal move to pursue collection in Court.

17. ACCOUNTS PAYABLE

This account represents the outstanding payables on purchases made from local suppliers and contractors.

18. INTRA-AGENCY PAYABLES

Due to other funds refers to the provident fund premium contributions and loans payable. Provident premiums of PPMC employees corresponds to 2.5% of their monthly salary and PPMC counterpart of 5% as provided under PPMC Policy No.011-2003. This will pool funds to serve as a financial facility to be utilized at some time in the future at more favorable terms and conditions. Provident loans payable refers to loans of PPMC employees to the Provident

fund. The Board of Trustees approved the implementing guidelines for the Employees Provident Fund Loan Program on October 20, 2005.

Due to BCDA pertains to the earned revenues within the PPFZ held in trust by PPMC for BCDA. Collections there from are to be remitted to BCDA through the designated bank account. Part of this account is the long outstanding airport fees due from ACE Pilots Aviation Academy in the amount of Php1,009,724.50 subject of a legal move to pursue collection in court; and the accounts receivable current of Php1,518,324.16. This account also includes funds released by BCDA for capital expenditure projects such as construction of bay walk with events center per accounting instructions issued by BCDA. Upon completion of these construction projects, PPMC will liquidate the advances made by turning over the completed projects to BCDA.

19. TRUST LIABILITIES

This account consists of trust liabilities and performance security payables. Trust liabilities refer to bid fees collected from bidders. Performance security payable is posted by a bidder to guarantee the faithful performance of its obligations of an awarded contract, which may be forfeited or refunded in accordance with RA 9184.

20. OTHER PAYABLES

This account consists of bid bond payables, retention payables and miscellaneous payables. Bid bond or bid security is posted by a bidder as a guarantee that the latter will enter into contract with the procuring entity. Retention payable represents the amount due to the contractor which shall be due for release upon final acceptance of its works to PPMC.

21. DUE TO BCDA

This account refers to the cash advances from BCDA for the acquisition of private lots within the Wallace Area.

22. CAPITAL STOCK

The company was authorized to issue 800,000 shares at Php100 cost per share. BCDA has approved for an increase of authorized capital stock from Php80 million to Php300 million per letter dated May 4, 2012. PPMC is now currently evaluating the necessity to proceed with the application for the increase in capital stock in coordination with BCDA.

23. EQUITY IN JOINT VENTURE

The Pre-Incorporation Agreement entered into on September 24, 1999 by and between the Bases Conversion and Development Authority (BCDA) and John Hay Poro Point Development Corporation (JPDC) now, Poro Point Management Corporation (PPMC) and Bulk Handlers, Inc. (BHI), a corporation duly organized under Philippine laws, created a joint venture corporation under the name of Poro Point Industrial Corporation (PPIC).

Section 1, paragraph 1.02 of the Pre-Incorporation Agreement provides that the PPIC shall be organized for the principal purpose of undertaking the utilization, development, operation,

management, and administration of the seaport and industrial areas as well as all reclamation works within the project area.

Section 1, paragraph 1.03 also provides that the authorized capital stock of PPIC shall initially be in the amount of Php100,000,000. BCDA/PPMC shall subscribe to shares equal to Php30,000,000.00 constituting thirty percent (30%) ownership of the total outstanding capital stock. On the other hand, BHI and/or its consortium shall subscribe to and fully pay for shares equal to Php70,000,000.00 for a seventy percent (70%) ownership of the total outstanding capital stock of PPIC.

It was likewise provided under the terms of the Agreement that BHI shall fund the thirty percent (30%) equity participation of BCDA/PPMC in exchange for the leasehold rights over the project area and that BHI shall always fund the equity participation of BCDA/PPMC in the event the capital stock of PPIC is increased to avoid dilution of the BCDA/PPMC shares.

To date, PPMC's equity share amounts to Php15,000,000.00 which is equivalent to fifteen percent (15%) of the total authorized capital stock of PPIC.

24. MANAGEMENT FEES

This account consists mainly of management fees. PPMC as estate manager of the PPFZ is compensated by BCDA in the form of OPEX fund releases corresponding to the budget for Personal Services (PS) and Maintenance and Other Operating Expenses (MOOE) of PPMC for the year. Such fund releases are recognized as estate management fees in the books of PPMC and are being released by BCDA at the start of the year.

BCDA, as property owner is entitled to the revenues generated from the PPFZ which comprise of lease rentals, airport fees, gaming revenue share, share in the sale of real estate projects and share in sub-lease agreements.

For the year ended December 31, 2018, BCDA earned a total revenue of Php94,957,302.60, net of Php48,929,375.00 uncollectible PPIC account subject to litigation.

The entry of Thunderbird Pilipinas Hotels and Resorts, Inc, whose Casino opened for business on April 28, 2006, provided a significant share in the revenues generated. Total percentage share in net winnings of 3% amounted to Php30,007,119.41 for the year ended December 31, 2018. This amount represents variable income for BCDA/PPMC on top of the monthly fixed lease rentals of Php1,797,646.25.

All collections accruing BCDA are deposited to BCDA's bank account.

25. MISCELLANEOUS INCOME

This account consists of fees collected during Sillag Festival and sale of unserviceable properties.

26. INSURANCE EXPENSES

This account consists of insurance coverage at the Government Service Insurance System (GSIS) of motor vehicles, building and contents and Directors', Officers' Liability Insurance

(DOLI) coverage of the Board of Directors and key officers of PPMC. Registration expense pertains to the registration of motor vehicles at the Land Transportation Office (LTO).

27. ADVERTISING, PROMOTIONAL AND MARKETING EXPENSES

This account consists of advertisement to various media infrastructures, sponsorship to marketing events, procurement of marketing collaterals, membership in the Philippine Investment Promotion Plan (PIPP), participation in local expositions and various marketing events conducted inside the Poro Point Freeport Zone such as the Sillag Festival of Lights and promotion of the Baywalk Events Center.

28. OTHER MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of:

	2018	2017
Special Projects	5,385,223.66	5,477,466.98
Other Board Expense-Meals	445,543.78	543,565.82
MV Registration	17,625.91	30,469.49
Total Other MOOE	5,848,393.35	6,051,502.29

One of the items under special projects is the Sillag Festival or Poro Point Festival of Lights which is an annual festival launched by PPMC on April 28, 2012. The festival focuses on the Poro Point Lighthouse which is being promoted by PPMC as an integral component of the tourism development inside the PPFZ. The festival aims to attract domestic and foreign tourists to create a mass market to encourage business and tourism inside the PPFZ as well as the City of San Fernando and the rest of the Province of La Union.

Special projects also included community development or inclusive growth which is paramount to PPMC. Alongside the development efforts and creation of business opportunities in the PPFZ, PPMC pursued community development projects to improve the quality of life of the impact communities. PPMC HELPS was institutionalized as PPMC's vehicle to implement Corporate Social Responsibility Program. HELPS stands for the various components of the program – health, education/environment, livelihood program and strengthening linkages.

Also part of the special projects is the trade mission to provide opportunity to showcase and promote the PPFZ as an investment destination in the Philippines. Trade missions also provide an avenue for PPMC to explore business opportunities as well as get insights on the developments and trends in the markets of Asia and other countries.

29. RETAINED EARNINGS

Correction of Prior Year's Errors charged to Retained Earnings as of December 31, 2018 are shown below:

Date	Reference	Particulars	Amount
1/31/18	JV 2018-01-005	Collection of revenue share in the Sillag golf cup for the CY 2016 to CY 2017	36,146.40

1/31/18	JV 2018-01-005	Collection of electricity charges of R.U. Aquino Construction for the month of Nov 2017	4,172.97
1/31/18	JV 2018-01-008	Adjustment of prior year's expenses	(68,706.50)
1/31/18	JV 2018-01-009	Adjustment of prior year's expenses	(8,344.20)
1/31/18	JV 2018-01-010	Cancellation of stale checks and reversal of accrued payables	97,935.50
1/31/18	CDB	Prior year's expenses	(36,630.00)
2/28/18	JV 2018-02-018	Prior year's expenses	(81,342.00)
2/28/18	JV 2018-02-019	Adjustment of prior year's expenses	7,802.26
2/28/18	CDB	Prior year's expenses	(27,776.32)
3/31/18	JV 2018-03-021	Prior year's expenses	(52,251.24)
3/31/18	CDB	Prior year's expenses	(24,365.38)
4/30/18	CDB	Prior year's expenses	(53,271.38)
5/31/18	CDB	Dividends for CY 2017	(5,767,343.54)
5/31/18	CDB	Prior year's expenses	(6,706.60)
5/31/18	JV 2018-05-050	Prior year's expenses	1,393.75
6/30/18	JV 2018-06-060	Adjustment of prior year's expenses	142,535.67
6/30/18	CDB	Prior year's expenses	(525.00)
7/31/18	CDB	Retirement benefits/monetization of leaves of retired employees	(818,652.25)
7/31/18	CDB	Adjustment of prior year's expenses	82,702.75
8/31/18	JV 2018-08-075	Receipt of retroactive pay of employees for 2017 per E.O. 36	13,135,110.00
8/31/18	JV 2018-08-072	Release of retroactive pay to employees for CY 2017 per E.O. 36	(12,491,419.89)
9/30/18	CDB	Prior year's expenses	(603,428.98)
10/31/18	JV 2018-10-095	Prior year's expenses	269.50
10/31/18	CDB	Prior year's expenses	(54,815.50)
11/30/18	JV 2018-11-102	Prior year's expenses	(22,641.00)
11/30/18	JV 2018-11-105	Additional retroactive pay of employees for CY 2017 per E.O. 36	229,413.00
11/30/18	JV 2018-11-110	Prior year's expenses	456.22
11/30/18	CDB	Prior year's expenses	(206,772.00)
12/31/18	JV 2018-12-120	Prior year's expenses	(325,154.34)
		TOTAL	(6,912,208.10)

30. STATUS OF PENDING LITIGATIONS

CASE	STATUS/UPDATE
<p>1. PPMC vs. Spouses Reynaldo Q. Dyquiango and Yolanda V. Dyquiango Civil Case No. 5012 Recovery of Possession of Personal Property with Application for Issuance of Writ of Replevin</p>	<p>-Writ of Execution was implemented and vehicle was duly recovered and turned-over to plaintiff. The Sheriff of Municipal Trial Court of the City of San Fernando, La Union issued a Certificate of Possession on June 26, 2018. The vehicle subject of replevin was recovered and turned-over to PPMC by the Sheriff on June 26, 2018.</p>
<p>2. PPMC vs. Ace Pilots Aviation Academy, Inc. Civil Case No. 9007 Collection of Sum of Money PhP1,031,258.80</p>	<p>-The Honorable Court issued a Notice of Garnishment on July 11, 2018 and served upon BPI and BDO head offices, Makati on July 17, 2018 and July 19, 2018 respectively. BPI and BDO in their reply dated 19 July 2018, stated that defendant had no account with their bank.</p>
<p>3. BCDA/PPMC vs. Lepanto Consolidated Mining Co. and Shippers Incorporated Re: Expropriation Cases (for eminent domain)</p>	<p>-Defendants filed petition for Certiorari from the decision of the Court of Appeals to remand the case to the trial court. The case is pending in the Supreme Court. PPMC is waiting for an update from the Office of the Solicitor General (OSG) and Office of the Government Corporate Counsel (OGCC) as the handling and statutory counsel.</p>
<p>4. Bulk Handler's Inc. (BHI), Moran, Tan, Venturina and Poro Point Industrial Corporation (PPIC) vs. BCDA and PPMC Re: Petition for Injunction brought under the Interim Rules of Procedure Governing Intra-Corporate Controversies (to prevent implementation of PPMC Resolution No. 2006-01-10 declaring the Pre-Incorporation Agreement null and void <i>ab initio</i>.)</p>	<p>-BCDA opted to wait for the final decision of the higher court and did not approve the proposal to enter into a compromise agreement with BHI. The case is pending in the Supreme Court where BCDA elevated the adverse decision of the Court of Appeals. PPMC is waiting for an update from the Office of the Solicitor General (OSG) and Office of the Government Corporate Counsel (OGCC) as the handling and statutory counsel.</p>
<p>5. PPMC vs. Poro Exim Corporation Re: Collection of Sum of Money with damages</p>	<p>-PPMC filed in court, RTC Branch 26, City of San Fernando, La Union. Summon was served to defendants on 23 November 2018.</p>