



Republic of the Philippines
COMMISSION ON AUDIT
Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

PEA Tollway Corporation
Parañaque City

Report on the Financial Statements

We have audited the accompanying financial statements of PEA Tollway Corporation (PEATC), a wholly owned subsidiary of the Philippine Reclamation Authority, which comprise the statement of financial position as at December 31, 2013, the statement of joint venture profit or loss, statement of changes in stockholder's equity, statement of changes in due to venturers, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with state accounting principles generally accepted in the Philippines, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PEA Tollway Corporation as at December 31, 2013, and the results of its operation and its cash flows for the year then ended in accordance with state accounting principles generally accepted in the Philippines.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information on taxes, duties and license fees in Note 20 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

COMMISSION ON AUDIT


TEODORA M. LACERNA
Supervising Auditor

March 7, 2014

PEA TOLLWAY CORPORATION

(A Wholly-owned Subsidiary of the Philippine Reclamation Authority)

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

(With comparative figures as of December 31, 2012)

(In Philippine Peso)

	Notes	2013	2012
ASSETS			
Current Assets			
Cash and cash equivalents	3	504,325	341,429
Receivables	4	13,991	13,991
		518,316	355,420
Current Assets Held in Trust for the Joint Venture			
Cash and cash equivalents	5	227,906,401	196,667,402
Receivables-net	6	7,026,614	7,673,212
		234,933,015	204,340,614
Total Current Assets		235,451,331	204,696,034
Non-Current Assets			
Investment in Retail Treasury Bonds	7	3,385,000	3,385,000
Non-Current Assets Held in Trust for the Joint Venture			
Investments	8	30,831,244	30,746,489
Property and equipment-net	9	5,838,474	6,193,480
Other assets	10	1,617,949	1,619,368
		38,287,667	38,559,337
Total Non-Current Assets		41,672,667	41,944,337
		277,123,998	246,640,371
LIABILITIES, DUE TO VENTURERS AND STOCKHOLDER'S EQUITY			
Current Liabilities of the Joint Venture			
Accounts payable	11	9,934	42,918
Trust liabilities-inter-agency payables	12	112,900	13,728
Trust liabilities-intra-agency payables	13	2,156,176	2,032,024
Other current liabilities	14	9,655,481	7,969,216
Total Current Liabilities of the Joint Venture		11,934,491	10,057,886
Due to Venturers	15	261,286,191	232,842,065
Stockholder's Equity	17, 18	3,903,316	3,740,420
		277,123,998	246,640,371

See accompanying Notes to Financial Statements.

PEA TOLLWAY CORPORATION

(A Wholly-owned Subsidiary of the Philippine Reclamation Authority)

STATEMENT OF JOINT VENTURE PROFIT OR LOSS

For the Year Ended December 31, 2013

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

(In Philippine Peso)

	Note	2013	2012
REVENUES			
Interest income, net of final tax		4,522,873	6,954,375
MAINTENANCE AND OTHER OPERATING EXPENSES			
Depreciation	9	355,006	512,321
Bad debts		14,180	127,230
		369,186	639,551
NET PROFIT BEFORE TAX		4,153,687	6,314,824
INCOME TAX EXPENSE		-	-
NET PROFIT		4,153,687	6,314,824

See accompanying Notes to Financial Statements.

PEA TOLLWAY CORPORATION

(A Wholly-owned Subsidiary of the Philippine Reclamation Authority)

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

For the Year Ended December 31, 2013

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

(In Philippine Peso)

	Notes	2013	2012
CAPITAL STOCK			
Balance at beginning and end of year	17	2,000,000	2,000,000
RETAINED EARNINGS			
Balance at beginning of year	18	1,740,420	1,577,558
Interest income		162,896	162,862
Balance at end of year		1,903,316	1,740,420
		3,903,316	3,740,420

See accompanying Notes to Financial Statements.

PEA TOLLWAY CORPORATION

(A wholly-owned Subsidiary of the Philippine Reclamation Authority)

STATEMENT OF CHANGES IN DUE TO VENTURERS**For the Year Ended December 31, 2013**

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

(In Philippine Peso)

	Note	2013	2012
Balance at beginning of year		232,842,065	208,279,561
Prior years' adjustments	16	336,016	2,272,755
As adjusted		233,178,081	210,552,316
Joint venture net profit during the year		4,153,687	6,314,824
Additional contribution of a joint venturer to the sinking fund		23,954,423	16,500,000
Disposal of asset		-	(525,075)
Balance at end of year		261,286,191	232,842,065

See accompanying Notes to Financial Statements.

PEA TOLLWAY CORPORATION

(A Wholly-owned Subsidiary of the Philippine Reclamation Authority)

STATEMENT OF CASH FLOWS**For the Year Ended December 31, 2013**

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

(In Philippine Peso)

	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Advances from JV partners for O & M expenses	2	55,285,579	41,015,761
Liquidation of advances from JV partners	2	(54,127,563)	(41,394,702)
Collections from overages and others		747,498	3,973,050
Payments of taxes, licenses and fees		(949,605)	(721,887)
Payments for other operating and maintenance expenses		(291,577)	(1,655,741)
Net cash provided by operating activities		664,332	1,216,481
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received-JV funds		4,449,654	7,454,912
Interest received-PEATC funds		162,896	162,862
Net cash provided by investing activities		4,612,550	7,617,774
CASH FLOWS FROM FINANCING ACTIVITIES			
Monthly contributions to JV funds		26,125,013	17,078,962
Net cash provided by financing activities		26,125,013	17,078,962
NET INCREASE IN CASH AND CASH EQUIVALENTS		31,401,895	25,913,217
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		197,008,831	171,095,614
CASH AND CASH EQUIVALENTS AT END OF YEAR	3, 5	228,410,726	197,008,831

See accompanying Notes to Financial Statements.

PEA TOLLWAY CORPORATION

(A Wholly-owned Subsidiary of Philippine Reclamation Authority)

1. GENERAL INFORMATION

The Joint Venture and the Venturers with all their assignees

On May 31, 1990, the Public Estates Authority (PEA), now Philippine Reclamation Authority (PRA), the Grantee, was granted by the Republic of the Philippines, thru the Toll Regulatory Board (TRB), the Grantor, a Toll Operation Certificate (TOC) obligating the former to design, construct, and subsequently maintain, at its own cost and expenses, the R1 Expressway and the R1 Expressway Extension, more commonly known as the Manila Cavite Toll Expressway Project (MCTEP), for twenty-five (25) years.

On February 3 1994, a Memorandum of Understanding (MOU) was signed by the Philippine and Malaysian governments for the construction of vital infrastructure projects. The MOU was signed by PRA representing the Philippine Government and Renong Berhad/MARA representing the Malaysian Government.

On December 27, 1994, the Philippine Reclamation Authority and the Malaysian corporations/investors, Majlis Amanah Rakyat (MARA) and Renong Berhad (Renong), entered into a Joint Venture Agreement where they proposed and agreed to develop the MCTE which now includes the C-5 Link Expressway and to operate the same.

On November 17, 1995, a Novation Agreement was executed between the PRA, MARA, Renong and the United Engineers (Malaysia) Berhad (UEM). Under the agreement, the said parties acknowledged and agreed that all rights, liabilities and obligations whatsoever of Renong under the JVA for those stipulated in Part E (Reclamation Works and Development of Additional Reclaimed Land) shall be assigned and transferred to, and vested in UEM.

On July 26, 1996, TRB, the Grantor, entered into a Toll Operation Agreement (TOA) with the PRA and UEM-MARA Philippines Corporation (UMPC). The agreement restated and amended, where appropriate, the terms of the TOC and included the additional language by the parties. The UEM and MARA, who shall continue to be jointly and severally liable under the TOA, incorporated the UMPC to represent them to undertake the design, construction and financing of the MCTE in accordance with the terms of the concession granted under the TOA.

Foremost in the TOA are the declaration of the Grantor and the corresponding acquiescence thereto of the Grantee that the design and construction of the expressways and the financing thereof shall be the primary and exclusive privilege, responsibility and obligation of the Investor and parallel thereto is the operation and maintenance of the expressways by the Grantee. Construction shall be carried out at the expense and responsibility of UEM-MARA (the Investor), provided that the Grantor shall fulfill all its obligations to UEM-MARA. The Grantee shall advance the funds necessary for the acquisition of the right of way except the land to be reclaimed. The expressways shall be owned by the Government of the Philippines without prejudice to the rights and entitlement of the Grantee and/or UEM-MARA.

Pursuant to Section 15.03 of the TOA, the Grantee is obligated to incorporate a subsidiary company of which the Grantee shall be the sole stockholder and the powers and functions of which shall only be to undertake and perform the obligations of the Grantee therein. It was further provided that, until such time, the Grantee shall not be entitled to collect toll. In view thereof, the PEA Tollway Corporation (PEATC) was incorporated on October 7, 1997 "to manage, operate, monitor, maintain, construct and repair the MCTE including the construction of the feeder roads, interchanges and other facilities at any point of the MCTE toll roads and to collect toll fees therefrom". The Corporation started operations in July 1998.

On December 15, 1999, UEM divested its entire equity interest in UMPC to Coastal Road Corporation (CRC), officially relinquishing all of UEM's obligations and liabilities in the JVA and the TOA. CRC acquired 100% of the shares of UMPC. Consistent with the provisions of the JVA and the TOA between UMPC, RP and PRA, the transfer of stocks of UMPC to CRC was approved by PRA in 2003 subject to compliance to certain conditions.

CRC then took over the management of the project from its Malaysian owners and immediately undertook the unfinished portions of the MCTE Project. However, the construction of C-5 Link cannot be implemented due to the lack of Right-of-Way funds. According to TRB, about P3 billion is still needed to complete the acquisition of Right-of-Way. Due to the uncertainty of implementation of C-5 Link, JV Partner UMPC has requested for a shift in the priority from C-5 Link to R-1 Extension.

To finance the Project as envisioned under the JVA, UMPC entered into a P3.5 billion Omnibus Loan Agreement with a syndicate of Lenders (Development Bank of the Philippines, Banco de Oro Universal Bank, China Banking Corporation, Equitable PCI Bank, and Union Bank of the Philippines) on August 25, 2006, payable for a period of eight (8) years. One of the conditions of the Lenders is that the Project must have a strategic partner which is an Equity Contractor in the amount of P1.5 billion. // Thus, the No. 14th Metallurgical Construction Company of China Nonferrous Metal Industry (the Equity Contractor) signed an agreement to purchase 40% of UMPC for the P1.5 billion equity. //

Consequently, on November 14, 2006, the PRA, UMPC (now 100% CRC owned) and the TRB entered into an Operations and Maintenance Agreement (OMA) which is an amendment to the Joint Venture Agreement (JVA) and the Toll Operations Agreement (TOA). The salient features of the OMA, among others, are as follows:

- Redefinition of Phases 1 and 2 of the Project under Appendix 1 of the JVA;
- Temporary amendment/modification of the Revenue Sharing provision under Section 7.01 of the TOA for the 8-year repayment period of the P3.5 billion loan of UMPC;
- Acknowledgement of the CRC as the new stockholder of UMPC, its JV partner and the participation of the UMPC in the O & M; and
- Appointment of the Directors and Officers of the PEATC.

On November 16, 2006, a Voting Trust Agreement was executed between PRA and UMPC whereby UMPC committed and bound itself to exercise the voting rights of the shares of stocks of PRA in PEATC in the manner that will be in accordance with the spirit and the intent of the JVA, the TOA and the OMA and Supplemental Agreement to the OMA. Under this agreement, the PRA (stockholder of PEATC) grants UMPC (the Trustee) the voting rights over 2/3 shares of stocks in the Stock and Transfer Book of PEATC, with power and authority to exercise the voting rights of the 2/3 shares of stock at any regular and special meeting of stockholders. As a consequence of UMPC's participation in the O&M, UMPC shall nominate five (5) while PRA shall nominate two (2) members of the Board of Directors of PEATC (Clause 4, OMA).

On December 19, 2012, Cavitex Infrastructure Corp. (CIC) advised the Philippine Reclamation Authority (PRA) that Cavitex Holdings Corporation (CHC), formerly Coastal Road Corporation (CRC), entered into a financing and cooperation agreement with Metro Pacific Tollways Corporation (MPTC), a wholly owned subsidiary of Metro Pacific Investments Corporation (MPIC). The agreement involves the issuance of a P6.7 billion bond convertible into non-voting redeemable preferred shares of CHC. Under the said agreement, MPTC will provide management assistance to CIC effective January 2, 2013.

Proportionate Sharing of Revenues

For and in consideration of their respective obligations under the JVA and the TOA, Clause 3.2 of the JVA and Clause 7.01 of the TOA provide that the Project Income shall be shared by the parties in the following manner and proportion:

- Their proportionate share in the project income shall be initially 10% - 90% in favor of the Malaysian parties, during the period from the completion of the Design and Construction Works for Phase I to the repayment in full of the loans and interest costs, cost advances, capital investments of both Malaysian Parties and PEA and the return on equity to each of the parties, and, thereafter, during the remainder of the Toll Collection Period, 60% - 40% in favor of the PEA.

For the purpose of determining the said proportionate share, a Project Cash Flow shall be prepared to provide the basis for the computation of the repayment of the advances. PRA shall accordingly pay the Malaysian Parties their Proportionate share of the Project Income less the O & M Costs in accordance with the provisions of the JVA.

However, with the effectivity of the OMA in November 2006, the proportionate sharing has been redefined as follows:

- There will be a new and improved distribution of PRA and UMPC share. PRA shall receive 9% of gross toll revenue while UMPC shall receive 91% of the gross toll revenue absorbing all O&M costs and expenses. PRA shall not share from any of the O&M costs and expenses. The share of PRA shall be increased by .5% every periodic Toll Rate Adjustment under the TOA but not to exceed ten percent (10%) of gross toll revenue at any one time during the period of:
 - existence of the loan which is payable for a period of eight (8) years under the Omnibus Loan Agreement of August 25, 2006;

- repayment of the equity of the Equity Contractor which shall be converted into subordinated debt: par/passu with the Lenders for a period which shall not exceed an additional three (3) years after the period of eight (8) years.
- PRA shall share in the gross toll revenue collection from the R-1 Expressway Extension at no less than 8.5% of gross toll revenue collection subject to increase as mentioned above until repayment of the loan and payment of the Equity Contractor. Upon repayment in full of loans and interest costs, costs advances, capital investment and the return of equity, UMPC and PRA shall share at the ratio of 60-40 in favor of PRA, as originally agreed upon under the JVA, from the R-1 Expressway and R-1 Expressway Extension.
- UMPC shall continue to set aside Sinking Fund in accordance with the TOA Schedule of Maintenance per segment.

The Franchise Period

The franchise period for all the expressways shall be thirty-five (35) years calculated from the final operation date or from October 1, 1998, whichever is earlier (Clause 2.03, TOA).

Personnel Complement

The total permanent employees of PEATC is 115 as of December 31, 2013.

Principal Office

The registered office address of PEATC is in PEA Tollway Compound, Aguinaldo Blvd., Coastal Road, Brgy. San Dionisio, Parañaque City 1700.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements Preparation

PEATC's financial statements have been prepared in conformity with state accounting principles generally accepted in the Philippines under the historical cost convention.

Method of Accounting

The Corporation uses the accrual basis of accounting.

Cash Equivalents

Cash equivalents include those investments in banks with original maturity of not exceeding three (3) months from the date of placements.

Allowance for Doubtful Accounts

Provisions are made for each account where objective evidence of impairment exists. Each account is evaluated on the basis of various factors that affect its uncollectibility.

Investments

Investments in stocks are recorded at cost.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation starts on the second month following the date of purchase. An estimated residual value equivalent to 10% of the acquisition cost is deducted therefrom to arrive at the depreciable amount of the asset. Depreciation is based on a straight-line method over the estimated useful lives of the assets, as follows:

Buildings & Other Structures	-	20 years
Communication Equipment	-	10 years
Firearms	-	10 years
Furniture, Fixtures & Equipment	-	10 years
Motor Vehicles	-	7 years
R1 Toll Facilities	-	5 years
IT Equipment & Software	-	5 years
Tools & Engineering Equipment	-	5 years
Other Property Equipment	-	5 years

Distribution of Income and Joint Venture Expenses

Prior to the effectivity of the OMA on November 14, 2006 (Note 1), revenues and operating and maintenance expenses were recognized in the books of PEATC. However, upon effectivity of the OMA, the said transactions were no longer recognized in the books of PEATC because of Clause 6.a and Clause 6.e. of the OMA, which state that all gross collections shall be directly deposited on a daily basis to the respective bank accounts of PRA and UMPC and that all disbursements for O & M shall be absorbed solely by UMPC. PRA shall not share from any of the O & M costs and expenses.

Functional and Presentation Currency

The financial statements are presented in Philippine peso as the Corporation's functional currency unless otherwise stated in the report. The Corporation converts into local currency its foreign currency-denominated transactions using, whenever appropriately applicable, the average and actual foreign exchange rate prevailing during the month and date of transaction, respectively. Monetary assets and liabilities that are denominated in foreign currencies are restated using the closing exchange rate at end of reporting date. Foreign exchange gains and losses arising from foreign currency fluctuations are recognized in profit or loss for the period.

3. CASH AND CASH EQUIVALENTS

This account consists of cash with the Land Bank of the Philippines amounting to P504,325 and P341,429 as of December 31, 2013 and 2012, respectively.

4. RECEIVABLES

This account consists of the accrued interest receivable from the 5-year Retail Treasury Bond Investment in Standard Chartered Philippines with an interest rate of 6% per annum (see Note 7).

5. JOINT VENTURE CASH AND CASH EQUIVALENTS

This account consists of the following:

	2013	2012
Cash in bank–time deposit	221,583,546	191,149,080
Cash in vault–cash float	2,502,146	2,377,295
Cash in bank–savings–BDO	1,840,668	855,645
Cash in bank–DBP	1,809,725	2,115,172
Petty cash fund	100,000	100,000
Cash in bank–emergency operating fund	50,316	50,210
Cash disbursing officer (change fund)	20,000	20,000
	227,906,401	196,667,402

Cash in bank–time deposit pertains to the amount reserved to finance major repairs and re-paving of the Coastal Road, including all major contingent cost and expenses not covered in the budget, subject to the approval of the Project Committee. Starting December 2006, UMPC sets aside the monthly provision of P1.5 million or P18 million per annum pursuant to the OMA. The increase in Cash in bank – time deposit was brought about by the maturity value of emergency operating fund invested in retail treasury bond, the monthly funding for sinking fund by UMPC and interest earned from sinking fund.

Cash in vault–cash float represents the amount of small bills and coins maintained by the Company and given as change funds to all Toll Collectors on duty. The change funds are returned to the Supervisor on duty at the end of every shift.

Cash in bank–savings–BDO pertains to the account maintained with the Banco de Oro used for payroll purposes and remittances to other government agencies such as SSS, BIR and others.

Cash disbursing officer (change fund) pertains to the amount of currency on hand to pay motorists asking for their change while using the “exact toll” lane/s.

6. JOINT VENTURE RECEIVABLES

This account consists of the following:

	2013	2012
Due from UMPC	5,856,137	5,972,186
Due from officers & employees	781,539	1,180,510
Interest receivable	256,373	268,102
Due from SSS	88,541	199,741
Other receivables	116,276	114,331
	7,098,866	7,734,870
Allowance for doubtful accounts	(72,252)	(61,658)
	7,026,614	7,673,212

Due from UMPC account represents operational expenses advanced by PEATC to be reimbursed by joint venturer, UMPC, pursuant to the Operations and Management Agreement (OMA) dated November 14, 2006.

Interest receivable account represents accrual of interest from investments.

Due from SSS account represents claims for maternity and sickness benefits of employees that were advanced by PEATC. In cases where claims are disallowed by SSS, these are charged as receivables from the employees concerned.

7. INVESTMENT IN RETAIL TREASURY BONDS

Pursuant to Section 15.03 of the TOA, PRA/PEA is obligated to incorporate a subsidiary company of which it shall be the sole stockholder. The P2 million subscription payment of PRA/PEA to the Corporation's capital stock, including interest earned thereon, is invested in Retail Treasury Bonds with the Standard Chartered Philippines.

8. JOINT VENTURE INVESTMENTS

This account consists of the following:

	2013	2012
Investment in bonds—EOF	25,000,000	25,000,000
Investment in bank—BDO	5,745,494	5,660,739
Investment in stocks:		
PLDT— 4,550 shares in 10% cumulative convertible preferred stock, series "Y"	50,050	50,050
PLDT— 3,400 shares in cumulative convertible preferred stock, series "AA"	35,700	35,700
	30,831,244	30,746,489

Investment in bonds – Emergency Operating Fund (EOF) represents the amount invested in 5-years Retail Treasury Bonds value dated March 4, 2011 to mature on March 3, 2016 with interest rate of 6% p.a. The amount forms part of the Sinking Fund.

Investment in bank – BDO pertains to the investment of the P5.745 million cash bond paid by Maynilad Water Services Incorporated (MWSI) to PEATC in connection with the former's ongoing project along R-1 Expressway (see Note 14).

9. JOINT VENTURE PROPERTY AND EQUIPMENT

This account consists of the following:

	Building and Other Structures	Motor Vehicles	IT Equipment and Software	Furniture and fixtures	Other Property Equipment	Communication Equipment	Other Machineries and Equipment	Military and Police Equipment (Firearms)	Total
CY 2012									
Cost	18,635,481	6,777,798	4,811,142	2,523,059	1,451,104	110,441	1,178,491	515,520	36,003,036
Accumulated Depreciation	(14,447,383)	(6,095,531)	(4,330,028)	(2,079,797)	(1,305,994)	(68,969)	(1,060,642)	(421,212)	(29,809,556)
Net book value	4,188,098	682,267	481,114	443,262	145,110	41,472	117,849	94,308	6,193,480
Opening net book value									
	4,188,098	682,267	481,114	443,262	145,110	41,472	117,849	94,308	6,193,480
Depreciation for the year									
	(249,468)	(4,487)	-	(79,958)	-	(9,939)	-	(11,154)	(355,006)
Closing net book value	3,938,630	677,780	481,114	363,304	145,110	31,533	117,849	83,154	5,838,474
CY 2013									
Cost	18,635,481	6,777,798	4,811,142	2,523,059	1,451,104	110,441	1,178,491	515,520	36,003,036
Accumulated Depreciation	(14,696,851)	(6,100,018)	(4,330,028)	(2,159,755)	(1,305,994)	(78,908)	(1,060,642)	(432,366)	(30,164,562)
Net book value	3,938,630	677,780	481,114	363,304	145,110	31,533	117,849	83,154	5,838,474

10. JOINT VENTURE OTHER ASSETS

This account consists of the following:

	2013	2012
Other assets	1,441,709	1,441,709
Retired fixed assets	1,503,429	1,503,429
Guaranty deposits	114,520	114,520
	3,059,658	3,059,658
Allowance for doubtful accounts	(1,441,709)	(1,440,290)
	1,617,949	1,619,368

Other assets account refers to receivables from deceased and resigned members of PEATC Board of Directors and employees, the collection of which are deemed doubtful.

Retired fixed assets account represents the net book value of various unserviceable property and equipment held for disposal.

Guaranty deposits account is composed of deposits in PLDT, MERALCO and a cash bond for a hospital accredited for the PEATC self-administered health maintenance.

11. JOINT VENTURE ACCOUNTS PAYABLE

The Corporation uses the vouchers system of accounting in recognizing and recording its liabilities. The account represents liabilities already covered by accounts payable vouchers but without the corresponding check payments.

12. JOINT VENTURE TRUST LIABILITIES - INTER-AGENCY PAYABLES

This account represents amounts withheld for remittance to the following:

	2013	2012
Bureau of Internal Revenue	102,132	-
Home Development Mutual Fund	9,964	12,924
National Home Mortgage Finance Corporation	804	804
	112,900	13,728

13. JOINT VENTURE TRUST LIABILITIES - INTRA-AGENCY PAYABLES

	2013	2012
Due to JV-UEM-MARA	1,954,200	1,844,838
Due to JV-PRA	197,946	182,456
Due to PEA Tollway Employees Union	4,030	4,730
	2,156,176	2,032,024

Due to JV-UEM-MARA and Due to JV-PRA accounts pertain to the unremitted share of the JV partners from toll collections.

14. JOINT VENTURE OTHER CURRENT LIABILITIES

This account consists of the following:

	2013	2012
Cash bond of MWSI (Note 8)	5,686,987	5,686,987
Retention payable	709,212	709,212
Other payables	3,259,282	1,573,017
	9,655,481	7,969,216

Retention payable refers to the amounts deducted by PEATC from payments to contractors to guaranty faithful performance of the terms of the contract for construction, furnishing supplies and other undertakings.

Other payables account pertains to unclaimed toll collection overages, unclaimed employees' last salaries and tax adjustments.

15. DUE TO VENTURERS

This account represents the residual interest of the joint venturers in PEATC computed as follows:

	2013	2012
Joint Venture current assets	234,933,015	204,340,614
Joint Venture noncurrent assets	38,287,667	38,559,337
Joint Venture current liabilities	(11,934,491)	(10,057,886)
	<u>261,286,191</u>	<u>232,842,065</u>

Details of the above are shown in the Statement of Financial Position in relation to the Statement of Changes in Due to Venturers.

16. PRIOR YEARS' ADJUSTMENTS

This account represents adjustments on prior years' Joint Venture income and expenses. Prior years' adjustments of P336,016 for CY 2013 pertain to adjustments on allowance for doubtful accounts and trust liabilities while prior years' adjustments of P2,272,755 for CY 2012 pertain to adjustments on retention payable.

17. CAPITAL STOCK

This account represents the 50,000 shares of authorized and subscribed common stock at P100 par value, net of the subscriptions receivable of P3 million.

18. RETAINED EARNINGS

This account represents substantially the interest earned on the P2.0 million capitalization invested by PRA in PEATC shares of stocks, which is not being used in PEATC. This can be declared as dividends to PRA.

19. CONTINGENCIES

Income Tax Assessments

- December 28, 2009– “Letter of Authority” (LOA) No. 00007402 dated December 17, 2009 was received from the Bureau of Internal Revenue (BIR) to examine all internal revenue taxes of PEATC for CY 2007.
- September 2, 2010– Preliminary Assessment Notice (PAN) was received from BIR assessing PEATC of the following:

Income tax	P340.012 million
VAT	127.427 million
W/tax– compensation	0.144 million
W/tax– expanded VAT	0.209 million
W/tax– at source	0.259 million
<u>As of October 31, 2010</u>	<u>P468.051 million</u>

- November 5, 2010– PEATC paid the following amounts due as of September 17, 2010 in settlement of the withholding taxes:

W/tax– compensation	P144,977.69
W/tax– expanded VAT	210,816.16
W/tax– at source	264,850.00
- September 20, 2011 and September 30, 2011– PEATC applied for Tax Abatement covering the VAT on toll fees and entered into a Memorandum of Undertaking with BIR, respectively, in compliance with Revenue Memorandum Circular No. 39-2011 regarding the Value-Added Tax on Tollway Operators dated August 31, 2011.
- January 19, 2012– PEATC, thru OGCC, filed with the Court of Tax Appeal a Petition for Review covering Income Tax Assessment (CTA Case No. 8364).
- October 10, 2013– PEATC filed a formal offer of evidence and have rest the case for the presentation of respondents evidence/s and witness/es.
- February 10, 2014– the respondent (Commissioner of Internal Revenue) presented its first witness, Revenue Officer, who examined the books of accounts of the PEATC and identified pertinent documents stated in his Judicial Affidavit.
- The Commissioner of Internal Revenue was given five (5) days to file a formal offer of evidence and PEATC was also given five (5) days to file its comment upon receipt of the formal offer of evidence.
- PEATC filed its comment and is awaiting for the resolution of the case.

20. SUPPLEMENTARY INFORMATION ON TAXES

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

i)	PEA Tollway Corporation is a VAT-registered government-owned or controlled corporation with VAT output tax declaration of P0.00 million for the year based on the amount reflected in the sales account of P0.00 million and remitted to BIR P0.00 million net of tax credits.	
ii)	<u>The amount of VAT input taxes claimed are broken down as follows:</u>	
	a) Beginning of the year	-
	b) Current year's purchases:	
	1. Goods other than for resale or manufacture	-
	2. Services lodged under other Accounts	-
	c) Claims for tax credit	
	d) VAT written off	-
	d) Balance at the end of the year	-
iii)	<u>Other taxes and Licenses</u>	
	a) Local	
	Business Permit	54,539.49
	Real Estate Taxes	-
	Professional Tax Receipt	-
	b) National	
	BIR Annual Registration	500.00
iv)	<u>Amount of withholding taxes paid for the year amounted to:</u>	
	a) Tax on compensation	6,742,515.04
	b) Creditable withholding taxes	30,000.00
	c) Final withholding taxes	-
v)	<u>Deficiency tax assessments paid as follows:</u>	
	a) VAT	-
	b) WHT	-
vi)	<u>Corporate income taxes paid</u>	
	a) Balance of CY 2012	-
	b) 1 st quarter 2013	-
	c) 2 nd quarter 2013	-
	d) 3 rd quarter 2013	-