



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

ANNUAL AUDIT REPORT

on the

CLARK INTERNATIONAL AIRPORT CORPORATION

For the Year Ended December 31, 2016



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

INDEPENDENT AUDITOR'S REPORT

The OIC - President and Acting Chief Executive Officer
Clark International Airport Corporation
Clarkfield, Pampanga

We have audited the accompanying financial statements of the Clark International Airport Corporation, an agency attached to the Department of Transportation and Communications (DOTC), which comprise the statement of financial position as at December 31, 2016, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 Public Sector 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 audit 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 misstatements 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

We rendered a qualified opinion on the fairness of the presentation of financial statements because the correctness of the Property, Plant and Equipment (excluding Buildings, Building Improvements, Land Improvements, and Construction in Progress) as of December 31, 2016 with a net book value of ₱775,395,354.66 or 39% of total PPE of ₱1,988,864,313 as of December 31, 2016 remained unreliable due to unreconciled balances between Accounting books and Annual Inventory Report for CY 2016 by a total cost of ₱579,983,920.36 which resulted from lack of coordination in recording, monitoring, and reporting between the Accounting Department and the Property Department, contrary to COA Circular No. 80-124 dated January 18, 1980.


Auditor's Opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of Clark International Airport Corporation as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with state accounting principles generally accepted in the Philippines.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees paid or accrued during the taxable year described in Note 28 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 supplementary 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 a whole.

COMMISSION ON AUDIT

by:


VIRGINIA A. YACAT
OIC-Supervising Auditor

16 May 2017



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Clark International Airport Corporation is responsible for all information and representation contained in the Balance Sheet as of December 31, 2016 and the related Statement of Income and Expenses and Statement of Cash Flows for the period then ended. The Financial Statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on best estimated and informed judgement of management with an appropriate consideration of materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal control to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities recognized.



LAURO A. ORTILE
Vice President, Finance and
Administration Group



ALEXANDER S. CAUGUIRAN
Officer-in-Charge/ Acting President and
Chief Executive Officer

CLARK INTERNATIONAL AIRPORT CORPORATION
STATEMENT OF FINANCIAL POSITION

As of the year ended December 31, 2016

(With comparative figures for CY 2015)

(Amounts rounded to the nearest peso)

	<i>Notes</i>	2016	2015
A S S E T S			
Current Assets			
Cash and cash equivalents	2, 3	295,616,916	297,526,048
Receivables	4	397,151,862	346,899,139
Prepaid expenses	5	3,868,059	42,156,036
Other current assets	6	19,036,946	18,149,291
Total Current Assets		715,673,783	704,730,514
Noncurrent Assets			
Investments	7	55,385,301	45,958,698
Property, plant and equipment, net	2, 8	1,988,864,313	1,825,004,755
Other assets	9	2,545,310	56,431,558
Total Noncurrent Assets		2,046,794,924	1,927,395,011
TOTAL ASSETS		2,762,468,707	2,632,125,525
LIABILITIES, NET OF CAPITAL DEFICIENCY			
Current Liabilities			
Payable accounts	10	85,500,381	203,094,320
Inter-agency payables	11	103,097,953	45,837,811
Intra-agency payables	12	4,057,298	17,343,880
Other liability accounts	13	190,858,825	244,690,948
Total Current Liabilities		383,514,457	510,966,959
Noncurrent Liabilities			
Loans payable	14	397,239,183	493,840,630
Long-term liabilities	15	76,891,789	77,735,809
Due to CDC	16	53,637,640	62,001,506
Due to BCDA	17	1,128,574,872	1,019,359,861
Due to DOTC	18	672,932,197	491,265,018
Total Noncurrent Liabilities		2,329,275,681	2,144,202,824
Total Liabilities		2,712,790,138	2,655,169,783
Capital/Deficiency		49,678,569	(23,044,258)
TOTAL LIABILITIES, NET OF CAPITAL			
DEFICIENCY		2,762,468,707	2,632,125,525

See accompanying Notes to Financial Statements.

CLARK INTERNATIONAL AIRPORT CORPORATION
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2016
(With comparative figures for CY 2015)
(Amounts rounded to the nearest peso)

	<i>Notes</i>	2016	2015
BUSINESS INCOME			
Rent income		329,845,894	292,780,782
Toll and terminal fees		165,666,840	151,519,350
Landing and parking fees		85,062,029	86,554,417
Other business income	19	75,990,651	56,302,965
TOTAL BUSINESS INCOME		656,565,414	587,157,514
OPERATING EXPENSES			
Personnel services	21	208,195,809	213,124,648
Maintenance and other operating expenses	22	352,082,024	322,611,701
TOTAL OPERATING EXPENSES		(560,277,833)	(535,736,349)
INCOME FROM OPERATIONS		96,287,581	51,421,165
Other Income	20	16,110,623	11,523,282
Financial Expenses		(27,894,496)	(30,203,687)
INCOME BEFORE INCOME TAX		84,503,708	32,740,760
INCOME TAX EXPENSE		(7,100,174)	(2,959,122)
NET PROFIT/(LOSS)		77,403,534	29,781,638

See accompanying Notes to Financial Statements.

CLARK INTERNATIONAL AIRPORT CORPORATION
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2016
(With comparative figures as of December 31, 2015)
(Amounts rounded to the nearest peso)

	<i>Notes</i>	2016	2015
CAPITAL STOCK			
Authorized 200,000 shares @ ₱100 par value, Paid-up 12,500 shares			
Balance at end of year	<i>23</i>	1,250,000	1,250,000
DEPOSIT ON FUTURE STOCK SUBSCRIPTIONS	<i>24</i>	832,248,261	832,248,261
DONATED CAPITAL	<i>25</i>	19,852,716	19,852,716
DEFICIT			
Balance at beginning of year		(876,395,236)	(883,470,858)
Net Profit (Loss)		77,403,534	29,781,638
Dividends declared		0	0
Prior years adjustments	<i>26</i>	(4,680,706)	(22,706,015)
Balance at end of year		(803,672,408)	(876,395,235)
CAPITAL DEFICIENCY		49,678,569	(23,044,258)

See accompanying Notes to Financial Statements.

CLARK INTERNATIONAL AIRPORT CORPORATION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2016
(With comparative figures for CY 2015)
(Amounts rounded to the nearest peso)

	<i>Notes</i>	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of income and receivables		569,061,169	549,318,334
Payment of operating expenses		(244,819,972)	(226,671,502)
Payment of payables		(208,379,748)	(179,641,009)
Payment of advances, tax remittances		25,928,745	(36,748,774)
Net Cash Provided/(Used) by Operating Activities		141,790,194	106,257,049
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances from CDC		56,000,000	25,000,000
Advances from BCDA		100,000,000	25,000,000
Advances from DOTC		181,667,180	416,265,018
Proceeds from Termination/Pre-Termination of Time Deposits		52,509,308	0
Investments (Time Deposits)		198,505,593	0
Interest Earned from Time Deposits added on Investments		19,000	0
Placements in Time Deposits		(250,441,184)	0
CAPEX		(359,105,345)	(302,356,503)
Net Cash Provided/(Used) by Investing Activities		(20,845,448)	163,908,515
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		0	22,550,000
Cash payment of interest on loans/bonds payable and other financial charges		(26,252,432)	(12,439,361)
Payments of domestic and foreign loans		(96,601,446)	(42,191,769)
Net Cash Provided/(Used) by Financing Activities		(122,853,878)	(32,081,130)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,909,132)	238,084,434
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		297,526,048	59,441,614
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	295,616,916	297,526,048

See accompanying Notes to Financial Statements.

CLARK INTERNATIONAL AIRPORT CORPORATION
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2016
(With comparative figures for CY 2015)
(Amounts rounded to the nearest peso)

1. HISTORICAL BACKGROUND

By virtue of Executive Order (EO) No. 192, which was issued on July 27, 1994, Clark International Airport Corporation (CIAC) was organized as a wholly-owned subsidiary corporation of the Clark Development Corporation (CDC). CIAC is tasked and mandated to develop, operate, manage and maintain the Clark Civil Aviation Complex (CCAC).

After two years, EO No. 360 was issued on August 16, 1996, which amended EO No. 192, making CIAC as a wholly-owned subsidiary corporation of the Bases Conversion and Development Authority (BCDA).

On July 5, 2002, the Securities and Exchange Commission (SEC) approved the merger of CDC and CIAC pursuant to EO No. 7 issued on March 26, 2001, with the former as the surviving entity. Thus, the financial statements of CIAC for CY 2002 were combined with the financial statements of CDC.

CIAC was re-established as a subsidiary of the BCDA under EO No. 186 issued on March 10, 2003. After a month, EO No. 186 was repealed by EO No. 193 issued on April 4, 2003, reverting back CIAC as a subsidiary of CDC. The SEC subsequently approved this on September 4, 2003 and as a consequence, all transactions related to CIAC operations were separated from CDC books beginning October 1, 2003. However, the real accounts of CIAC prior to its re-incorporation in September 2003 were still carried in the books of CDC until October 31, 2006. It was only in November 2006 that the balances of the real accounts were transferred from CDC's financial records to CIAC books. Thus, effective November 2006, the accounts of CIAC were fully segregated from the books of CDC.

On April 3, 2008 EO No. 716 was issued, which amended EO No. 193, transforming CIAC as a subsidiary of BCDA. The Implementing Plan was finalized and approved in 2010. CIAC was able to collect from CDC the amount of 41.74 million, representing 50% share on revenues collected by CDC, pursuant to EO No. 716. The full amount was included in the revenues of CIAC for the year 2012.

On December 21, 2011, EO No. 64 was issued making CIAC an agency attached to the Department of Transportation and Communications (DOTC) which shall exercise administrative control and supervision over CIAC and further ordering the transfer of the shares of stock of CIAC to the National Government which has been partially realized in 2015 with the transfer of 1.25 million worth of stocks from BCDA to the National Government as approved by the SEC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment

Under EO No. 716 issued on April 3, 2008, the whole aviation complex measures 2,367 hectares. Ownership of the land remains with BCDA, therefore not recorded in the books of CIAC. The property and equipment taken up in the books represent only those that were purchased or acquired by CIAC upon its organization in 1995.

Property, plant and equipment are carried at cost less accumulated depreciation. Significant improvements and renewals, including incidental costs are capitalized, while cost of maintenance and repairs is charged to expense. When property is disposed, the cost and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged to current operations. Depreciation policies are as follows:

- a. Straight-line method of depreciation is used based on the economic life of the assets.
- b. Transportation equipment are depreciated for 5 years using the Sum of the Years Digit Method.
- c. COA Circular Nos. 2003-007 and 2004-005 were adopted by the Corporation starting January 2004.
- d. The estimated useful life in the computation of the depreciation of the radar equipment and its spare parts, under account Airport Equipment-Navigational Aids, is 15 years based on the Project Evaluation Report of the National Economic Development Authority (NEDA).

Income Recognition

Accrual method is used in recognizing rent income, landing and parking fees and income from concessionaires, except for interest and penalty charged to locators which are recorded at the time of payment (cash method).

Extent of Compliance with IAS

CIAC has adopted the following IAS:

IAS 7: Statement of Cash Flows -Direct Method presentation is used by CIAC

IAS 17: Lease Agreements – Operating Lease only

IAS 37: Provisions, Contingent Liabilities and Contingent Assets – applies to accounting and reporting of provisions, contingent liabilities and contingent assets, except provisions covered by other IAS – Disclosure only

IAS 16: Property, Plant and Equipment (PPE) – PPE are valued at cost while the computation of depreciation is based on COA Circulars

IAS 8: Accounting Estimates - The depreciation of the radar equipment and its spare parts was accordingly adjusted based on the evaluation made by the NEDA, in which the project life of the equipment was estimated to be at 15 years.

IAS 19: Employee Benefits

CIAC implements a retirement program for its regular employees as provided for under Sec. 4, Art. XIII in the Collective Bargaining Agreement (CBA). To be eligible for the benefit, an employee must have rendered at least five years of service in CIAC and has no pending administrative case. As of December 31, 2016, total unrecorded retirement benefits amounted to ₱200.42 million.

The Commission on Audit has issued an Audit Observation Memorandum No. 2014-007(2013) dated March 7, 2014 questioning the aforementioned retirement package, thus this benefit is on hold while awaiting for the response of COA on the appeal of Management.

3. CASH AND CASH EQUIVALENTS

The Cash - Collecting Officers account consists of terminal fees, parking fees and other revenues collected by the Collectors and the Cashier, which are still under their accountability subject for deposit by the Cashier the next banking day.

This account consists of:

	2016	2015
Cash - Collecting Officers	2,311,552	1,518,600
Cash on Hand - Petty Cash Fund	114,652	99,251
Cash in Bank - Local Currency PVB Clark	7,800,475	1,323,645
Cash in Bank - Local Currency LBP Clark	46,297,703	56,332,370
Cash in Bank - Local Currency LBP Clark (DOTC Funds)	20,935,275	178,589,483
Cash in Bank - Local Currency UCPB Clark	9,569,079	12,322,019
Cash in Bank - Local Currency, Time Deposits	183,864,706	0
Cash in Bank - Foreign Currency PVB \$	933,986	766,513
Cash in Bank - Foreign Currency LBP \$	9,129,600	46,574,167
Cash in Bank - Foreign Currency, Time Deposits	14,659,888	0
Total Cash and Cash Equivalents	295,616,916	297,526,048

Petty Cash Fund represents the revolving fund issued to designated petty cash custodians intended for petty and miscellaneous expenses.

Cash in Bank – LBP Clark (DOTC Funds) is the depository bank account on fund releases of DOTC intended for the procurement of safety and operations equipment of CIAC.

Foreign Currency Transactions

Transactions in foreign currency are recorded in Philippine peso based on the exchange rate prevailing at the time of the transactions. Exchange gains or losses are being realized

as follows: 1) during the end of the year based on the closing/prevaling rate as of balance sheet date; 2) during periodic adjustments; and 3) during trade/conversion of dollar to peso. Last in-first out (LIFO) method is used in recording dollar withdrawals. Under this method, withdrawals are converted to peso at the rate of exchange prevailing at the time of the latest deposit.

4. RECEIVABLES

This account consists of the following:

	2016	2015
Accounts Receivable – Trade	108,244,864	110,800,143
Impairment of Receivables	(34,412,740)	(20,310,327)
Accounts Receivables (Accrued Landing and Parking Fees)	8,077,674	8,763,739
Accounts Receivable – Others	7,274,329	5,949,133
Accounts Receivable – Bank Charges	7,646	7,646
Due from Officers and Employees	795,777	710,982
Interest Receivable	564,493	0
Due from GOCC (CDC)	43,374,643	37,691,592
Due from GOCC (CDC/BCDA)	240,486,339	180,486,339
Due from GOCC (MIAA)	173,434	173,434
Due from GOCC (CIAC Provident Fund)	22,322,943	22,322,943
Other Receivables	242,460	303,515
Total Receivables	397,151,862	346,899,139

The Accounts Receivable – Trade account represents rent and aeronautical fees due from various locators, airline operators and concessionaires. Included in the account are the receivables previously recorded in CDC books, of which the outstanding balances (including the impairment in the amount of ₱3.4 million) as of October 31, 2006 were transferred by CDC to CIAC in November 2006.

Included also under the Accounts Receivable – Trade account, booked in June 2010, is the lease rental arrears of Clark Airport Ground Handling System Inc. (CAGHSI) for the period January 2007 to December 2008 amounting to ₱12.01 million covered under Memorandum of Agreement (MOA) between CIAC and CAGHSI dated December 12, 2008. An on going case in court has been pursued by CIAC against CAGHSI on its arrears. Aside from the ₱12.01 million already booked, a contingent income of ₱96.58 million, representing unpaid lease rentals and utility bills for the period March 2002 to January 2013 inclusive of interest and penalty, remain unrecorded pending a resolution of the case filed against CAGHSI.

The Impairment of Receivables of ₱3.49 million is included among the accounts transferred by CDC in November 2006. The said impairment of receivables was already set-up prior to the merger of CIAC and CDC in 2001. With the adoption of a new policy

approved in December 2013 in accordance with Board Resolution No. RM-12-05, series of 2013, the amount of impairment on the receivables as of the December 31, 2016 is ₱34.41 million.

Comprising the Accrued Landing and Parking Fees are the aeronautical fees and charges of various airline operators.

Under the Accounts Receivable – Others are charges to concessionaires representing their power consumption. Included also in this account are the electrical charges of CAGHSI, recorded in June 2010, for the period March 2002 to December 2008 amounting to ₱4.27 million in accordance with Memorandum of Agreement (MOA) signed with CIAC.

Lodged under the Accounts Receivable – Bank Charges are the bank charges on returned checks deposited by CIAC. Said checks were issued by locators/airline operators for payment of their outstanding accounts with CIAC, thus the bank charges are included on the locators/airlines' account balance.

The Due from Officers and Employees account are receivables from CIAC personnel for personal calls, medical expenses and SSS delinquent loans.

The Interest Receivable account represents the accrued interest income from time deposits as of December 31, 2016.

Entered under the Due from GOCC (CDC) are the remittances of UPS of its rent payment to CDC to service the payment of interest and bank charges on the balance of Deutsche Bank loan acquired by CDC for CIAC in financing the TRACON Project. Only the transactions starting May 2011 are recorded under this account since the balance as of April 30, 2011 has been included in the reconciled intercompany balances among BCDA, CDC and CIAC.

The Due from GOCC (CDC/BCDA) account represents the 50% share on the estimated revenues collected by Clark Development Corporation from locators within the Civil Aviation Complex. The amount is net of the estimated maintenance and security expenses. Contingent additional income may arise from this source pending the resolution of the appeal made by the BCDA on the opinion issued by the Department of Justice (DOJ) ruling the grant of a 100% share of CIAC on the disputed areas of the 50% in pursuance of the IRR of the E.O. No. 716.

Due from GOCC (MIAA) refers to the expenses paid by CIAC for MIAA for the capsule laying activity. Efforts to collect the same have been exerted.

Due from GOCC (CIAC Provident Fund) represents the retirement portion on the CIAC's corporate share remitted to the Provident Fund.

Other receivables refer to the personal telephone calls of employees of support agencies; SSS benefit claims advanced by CIAC to its employees; receivable from an airline for

meals served to their stranded passengers due to cancelled flight; and those which were turned-over by CDC in November 2006.

5. PREPAID EXPENSES

This account includes:

	2016	2015
Prepaid Insurance	2,780,773	3,008,222
Advances to Contractors	947,059	39,127,108
Other Prepaid Expense	140,227	20,706
Total Prepaid Expenses	3,868,059	42,156,036

Prepaid insurance represents unexpired portion of insurance premiums of CIAC occupied buildings, aero bridge, baggage conveyor system and baggage x-ray machine, radar, airport liability insurance, two finger aerobridge, arrival baggage claim carousel, passenger baggage screening equipment and directors and officers liability insurance.

The Advances to Contractors account represents the mobilization, net of recoupment on progress billings, paid to contractors for their individual projects.

The Other Prepaid Expense account refers to various prepayment made for the subscription to an airline magazine.

6. OTHER CURRENT ASSETS

This account includes:

	2016	2015
Office Supplies Inventory	837,043	878,968
Drugs and Medicines Inventory	193,774	164,082
Gasoline, Oil and Lubricants Inventory	53,413	11,505
Spare Parts Inventory	7,332,708	7,344,009
Construction Materials Inventory	1,064,542	753,919
Guaranty Deposits	8,915,520	8,692,402
Unused Tax Credits	639,946	304,406
Total Other Current Assets	19,036,946	18,149,291

The various inventory accounts, such as office supplies, gasoline, oil and lubricants, spare parts and construction materials inventory, are valued based on the moving average method while for the drugs and medicines inventory, this is valued at cost using the first in-first out (FIFO) method.

Guaranty Deposits pertains on payments to utility companies (electric, water, etc.) and various suppliers that are refundable upon cancellation/termination of contracts. Inclusive of the total is the balance of the deposits turned over by CDC in November 2006 amounting to ₱175,837.

Unused tax credits represent taxes withheld by airline operators/concessionaires which can be applied by CIAC as a deduction from its income tax payment.

7. INVESTMENTS

	2016	2015
Investment in Stocks – SCADC	300	300
Other Investments – MGCC Shares	884,000	884,000
Sinking Fund (LBP Debt Service Payment Account)	54,501,001	45,074,398
Total Investments	55,385,301	45,958,698

The Investment in Stocks – Subic Clark Alliance Development Corporation (SCADC) represents subscription of three shares of stock to SCADC.

The Other Investments – Mimosa Golf and Country Club (MGCC) Shares pertains to CIAC's investment of ₱884,000 for golf membership at the MGCC which was turned over by CDC in May 2007.

Sinking Fund - LBP Debt Service Payment Account (DSPA) pertains to the ₱10 million initial deposit with the LBP pursuant to the provision of the Loan Agreement signed with LBP in 2012. Major increase on this account is in compliance with the terms and conditions of the loan agreement, while minor increase or decrease may represent interest earnings and documentary stamps charges on loan.

8. PROPERTY, PLANT AND EQUIPMENT (PPE)

The details of this group of accounts follow:

	Balance 12/31/2015	Net Addition/ Reduction)	Balance 12/31/2016
Equipment	1,887,363,355	119,157,387	2,006,520,742
Furniture and fixtures	18,516,713	714,000	19,230,713
Land and building improvements	1,702,646,873	90,239,019	1,792,885,892
Construction in progress	62,268,212	116,194,299	178,462,511
Total	3,670,795,153	326,304,705	3,997,099,858
Less Accumulated depreciation	1,845,790,398	162,445,147	2,008,235,545
Total PPE, Net	1,825,004,755	163,859,558	1,988,864,313

The properties of CIAC previously booked in CDC before and during the merger costing ₱1.186 billion, with a net book value of ₱565 million as of October 31, 2006, were turned over by CDC to CIAC in November 2006 and accordingly included in the property and equipment accounts.

The PPE group of accounts includes the Terminal Radar Approach Control (TRACON) Project awarded to Selex Sistemi Integrati (formerly Alenia Marconi). The project was funded through a term loan facility granted by Deutsche Bank S.P.A. and guaranteed by the Trade and Investment Development Corporation of the Philippines (TIDCORP). The project was completed on May 25, 2007 and total cost reached ₱593 million as of August 31, 2007. The TRACON was commissioned by the Department of Transportation and Communications effective October 25, 2007.

The depreciation of the radar equipment was adjusted based on the Project Evaluation Report of the NEDA, in which the project life of the equipment was estimated to be at 15 years. The computation of the adjusted depreciation of the said equipment and its spare parts was based on COA Circular No. 2004-005.

Included also under the PPE group of accounts is the cost of the Terminal I Expansion Phase II Project funded from a loan acquired from the Land Bank of the Philippines. The project was completed on May 31, 2014 with a total cost of ₱450 million, inclusive of the borrowing costs amounting to ₱9.72 million, with an interest rate of 4.5%, for period September 19, 2013 to May 31, 2014.

On February 10, 2015, the DOTC turned over to CIAC a Semi-Permanent Terminal Building costing ₱19.8 million. The construction of the said building was handled by the DOTC and completed based on the Certificate of Project Completion as of September 28, 2014.

9. OTHER ASSETS

	2016	2015
Cash in Bank - LBP (Hold Out Deposit Account)	129	50,235,424
Restricted Fund/Assets	2,545,181	4,564,204
Unserviceable Assets	0	1,631,930
Total Other Assets	2,545,310	56,431,558

Cash in Bank - LBP Hold Out Deposit Account refers to the deposit with the Land Bank of the Philippines in the amount of ₱50 million assigned as collateral on the LBP loan, approved in February 2012, pursuant to the Loan Agreement. The increase represents interest earned on said deposits every quarter. In June 2016, the collateral was replaced by CIAC with a Chattel Mortgage. Consequently, the P50.0 million hold out deposit was released and the proceeds were deposited to LBP Current Account in the amount of P40.8 million and to LBP Debt Service Payment Account in the amount of P9.2 million. In

December 2016, the remaining balance was transferred to LBP Current Account, thus remaining balance pertains to interest income only.

The Restricted Fund/Assets amounting to ₱2.5 million was posted on labor cases filed against CIAC, breakdown as follows: 1) ₱0.49 million representing supersede as bond posted in August 2011 for non-payment of overtime pay, moral and exemplary damages and attorney's fees before the NLRC Regional Arbitration Branch No. III. A decision on this case was issued, however, CIAC filed for a reconsideration which was subsequently denied. In February 2013, the plaintiffs moved for the issuance of a writ of execution; 2) ₱2.02 million representing cash bond posted in February 2015 for illegal dismissal based on NLRC Case No. RAB-III-06-17828-11; and 3) ₱0.04 million cash bond posted in April 2016 for a labor case based on NLRC Case No. RAB-III-10-23305-15 for non-payment of salary and 13th month pay.

The Unserviceable Assets refer to the various equipment which are no longer serviceable that will be due for disposal. In October 2016, the said assets were among the disposed properties, thus the account was closed.

10. PAYABLE ACCOUNTS

This account includes:

	2016	2015
Accounts Payable	75,805,567	193,248,518
Due to Officers and Employees	224,885	375,873
Dividends Payable	9,469,929	9,469,929
Total Payable Accounts	85,500,381	203,094,320

The Accounts Payable refers to the accrual of various expenses; Due to Officers and Employees account represents the tax refund due to CIAC personnel; and the Dividends Payable refers to the dividends due to the CIAC stockholders (for CY2013). For CY2014 henceforth, CIAC has lodged a request to the Department of Finance (DOF) for an exemption on the declaration and payment of dividends owing to the corporation's negative Retained Earnings. To date, CIAC is awaiting for a reply on the said request.

11. INTER-AGENCY PAYABLES

This caption consists of:

	2016	2015
Due to BIR	8,057,385	7,101,515
Due to SSS	481,461	530,628
Due to HDMF (Pag-ibig Fund)	389,941	491,133
Due to Philhealth	106,313	83,738

	2016	2015
Due to GOCC (CDC)	94,062,853	37,630,797
Total Inter-Agency Payables	103,097,953	45,837,811

The Due to BIR refers to the withheld taxes on compensation of employees, withheld expanded taxes on suppliers and the provision for income tax, which are due for remittance while the Due to SSS, HDMF and Philhealth are the premiums and loans for remittance.

The Due to GOCC (CDC) account are the expenses of CIAC paid for by CDC after the cut-off date of April 30, 2011 on the reconciled intercompany accounts. Included on the account are the cash advances by CDC to CIAC in the amount of P25.0 million each in June 2015, February and August 2016, and P6.0 million in November 2016.

12. INTRA-AGENCY PAYABLES

This caption is comprised of:

	2016	2015
Due to Provident Fund	4,007,501	17,293,834
Due to CIAC EMPC	8,097	8,096
Due to SMD	41,700	41,950
Total Intra-Agency Payables	4,057,298	17,343,880

The Due to Provident Fund and CIAC EMPC refer to premiums and loans due for remittance while the Due to SMD are the union dues for remittance.

13. OTHER LIABILITY ACCOUNTS

This account consists of:

	2016	2015
Guaranty Deposits Payable	2,361,236	9,227,691
Performance Bond/Bidders Payable	12,173,671	10,773,336
Concessionaires' Advance Fee	320,120	310,423
Locators' Advance Rent	25,516,135	73,932,443
Advance Landing and Parking Fees	86,608	0
Concessionaires' Security Deposit	7,887,519	7,435,238
Untraced Deposits	4,179,570	5,633,236
Unapplied Concessionaires' Utilities	570,466	570,466
Unapplied Rent and Concessionaire Privilege Fees	1,162,054	206,669
Loans Payable Domestic (Land Bank of the Phil.)	40,000,000	40,000,000

	2016	2015
Loans Payable Domestic (Philippine Veterans Bank)	42,191,769	42,191,769
Loans Payable Domestic (Land Bank of the Phil.)	54,409,677	54,409,677
Total Other Liability Accounts	190,858,825	244,690,948

Guaranty deposits refer to the payment of suppliers to guarantee the faithful performance of an awarded project/contract. These may be forfeited in case of non-compliance of the terms of the contract, thus income is realized, or may be refunded to the supplier once the performance is satisfactorily completed.

Performance bond pertains to cash performance security tendered by the bidders and concessionaires, in compliance with the provisions in the contract. Cash bond or bid security 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. Also, the performance bond is paid by a concessionaire to ensure faithful compliance with all the terms and conditions of the lease agreement which shall be forfeited as liquidated damages in the event of (1) failure to perform any or all obligations, undertakings and performance commitments, (2) pre-termination of lease agreement, or (3) failure to correct said failure within a period specified by the CIAC as stipulated in the lease agreement.

Advance rent/fee refers to advance payment made by locator/concessionaire as required in the lease agreement equivalent to three months rental which are chargeable against future payments.

Advance landing and parking fees refers to advance payment by an airline which will be applied to future billings.

Concessionaires' security deposit, equivalent to three months rental, is also being required from a concessionaire as a proof of intent to cover for any damage or unpaid rentals that may arise.

The Untraced Deposits account refers to the inter branch deposits of locators which will be applied to appropriate accounts once identified.

Credited under the Unapplied Concessionaires' Utilities account are the advance payments of concessionaires on their power consumption which will be reversed in the books once due.

The Unapplied Rent and Concessionaire Privilege Fees account are the payments of locators/concessionaires whose contracts are being processed for renewal. Once the contracts are signed, the said payments will be applied on locators/concessionaires rent.

A short term loan, was availed from the Land Bank of the Philippines on September 3, 2014 in the amount of ₱40 million, with an interest rate of 4% per annum, for the purpose of augmenting the operating funds of the corporation.

The current loan amortizations to Philippine Veterans Bank amounted to ₱42.1 million while for the Land Bank of the Philippines' term loan, amount due is ₱54.4 million, which are payable in four quarters.

14. LOANS PAYABLE

This account consists of:

	2016	2015
Loans Payable - Domestic (Philippine Veterans Bank)	84,383,538	126,575,307
Loans Payable - Domestic (Land Bank of the Phil.)	312,855,645	367,265,323
Total Loans Payable	397,239,183	493,840,630

A domestic loan from the Philippine Veterans Bank was availed for the Terminal I Expansion Phase I project. The loan was granted/approved in December 2009 with the following terms: payable in ten years with two years grace period on principal from date of release of the loan. Total drawdown amounted to ₱337.5 million.

The payment of the first loan amortization of ₱10.5 million was made in March 2012 and the succeeding payments every quarter thereafter. The outstanding balance as of December 31, 2016 is ₱126.6 million, inclusive of the current liability portion of the loan amounting to ₱42.1 million under Other Liability Accounts (refer to Note 13).

CIAC is also at present servicing the payment of interest, based on London Interbank Offered Rate (LIBOR) on due date, for a loan procured from Deutsche Bank for the funding of the Terminal Radar Approach Control (TRACON) Project. The balance to date stood at \$374,523.75.

The Land Bank of the Philippines approved a ₱1 billion loan facility for CIAC on February 21, 2012 for the funding of the Terminal I Expansion Phase II Project, procurement of navigational aids equipment and contingent operating fund. Total drawdown to date amounted to ₱434.5 million.

The payment of the first loan amortization of ₱12.8 million was made in December 2015 and the succeeding payment of ₱13.6 million every quarter thereafter. Balance as of December 31, 2016 is ₱367.2 million, inclusive of the current liability portion of the loan amounting to ₱54.4 million under Other Liability Accounts (refer to Note 13).

15. LONG-TERM LIABILITIES

Lodged under this account are as follows:

	2016	2015
Locators' Security Deposit	42,296,445	40,820,786
Locators' Performance Bond	32,072,899	28,915,639
Locators' Advance Rent	2,522,445	7,999,384
Total Long-Term Liability	76,891,789	77,735,809

Security deposit is one of the requirements under the lease agreement to be paid by the locator equivalent to three months rental refundable at the time of termination of lease agreement less for any unpaid rentals, utility bills or damages that may arise. This shall be forfeited in favor of CIAC in case of pre-termination by the lessee.

The performance bond, either in the form of cash bond or surety bond equivalent to six months of rentals is also included in the lease agreement to guaranty the faithful performance of a locator in accordance with the said lease agreement.

Advance rent equivalent to three months rental is also paid by a locator based on lease agreement chargeable against future lease payments.

16. DUE TO CDC

This account refers to the advances made by CDC for CIAC. Part of the account were various CIAC operating expenses and capital expenditures paid for by CDC in the previous years until 2007. Also included in this account are the various assets and liabilities with a net amount of ₱597.85 million as of October 31, 2006 transferred by CDC to CIAC in November 2006.

The balance of the account was reduced to ₱242.3 million on July 31, 2011 as a result of the recording of the agreed booking entries among BCDA, CDC and CIAC of the reconciled intercompany account balances as of April 30, 2011 in accordance with the Implementing Plan of E.O. 716. The said amount will be reduced for every loan amortization, scheduled in May and November of each year that will be paid by CDC to Deutsche Bank relative to the Radar project of CIAC. For every reduction in the account, there will be a corresponding addition to the Due to BCDA account since the payment of CDC for the account of CIAC will be shouldered by BCDA. To date, the balance of the account is ₱53.6 million.

For the CIAC expenses paid by CDC starting May 2011, these were recorded in a separate account under the Due to GOCC (CDC).

17. DUE TO BCDA

This account pertains initially to the ₱37 million advanced by BCDA to fund the payment to Selex Sistemi Integrati representing 35% initial payment for the purchase of spare

parts for the Terminal Radar Approach Control (TRACON) Project and the supply of radome, spare parts, accessories and installation. In July 2011, the amount of ₱735 million was added to this account representing the inter-company settlement of CDC-CIAC cash advances as of April 30, 2011 pursuant to the Implementing Plan of E.O. 716. Further, in November 2011, BCDA released ₱50 million to finance the operating requirements of CIAC increasing the amount of Due to BCDA to ₱822 million as of November 30, 2011.

Other funds given by BCDA to CIAC, as advances of CIAC, on July 27, 2015 and September 8, 2016 amounted to P25 million and P100 million, respectively. The balance to date of Due to BCDA account is P1.13 billion.

18. DUE TO DOTC

Due to DOTC refers to funding from the DOTC for the procurement of safety and operations equipment, which shall eventually be booked as equity contribution pursuant to the Memorandum of Agreement signed between CIAC and DOTC on December 26, 2013.

On December 18, 2013, the Department of Budget and Management (DBM) issued a Special Allotment Release Order (SARO) to the Department of Transportation (DOTr) for the funding of the following projects of CIAC:

1. Supply, Installation, Testing and Commissioning of Dual Passenger Boarding Bridges	92.88 million
2. Supply and Delivery of Two Units Firetrucks	115.48 million
3. Supply, Delivery, Testing and Commissioning of Instrument Landing System (ILS) and Doppler Very High Frequency Omni Directional Range (DVOR)	225.54 million
4. Installation of Security Fence and Perimeter Lighting System	<u>157.58 million</u>
Total	<u>591.48 million</u>

In 2014, another tranche of funds in the amount of P270.0 million was appropriated from the DOTC for the funding of APEC related projects.

Initial funds released by the DOTC to CIAC on April 29, 2014 amounted to ₱75.0 million and additional funds were released on March 18, June 30 and December 29, 2015 in the amount of ₱141.54 million, ₱132.11 million and ₱142.61 million. On June 9 and December 29, 2016 funds released amounted to ₱172.81 million and ₱8.86 million respectively, thus balance to date stood at ₱672.92 million.

In December 2016, another MOA was signed between CIAC and DOTC for the downloading of the following:

Funding Source		Amount	Purpose	
1.	GAA 2015 (R.A. 10651) Building	0.800 billion	New	Terminal
2.	GAA 2016 (R.A. 10717) Building	2.093 billion	New	Terminal

19. OTHER BUSINESS INCOME

This account consists of:

	2016	2015
Security Fees	32,204,700	29,690,400
CPF Share on Gross Income	15,687,063	9,424,421
Ad Space Rentals	13,731,049	5,625,000
Parking Fees	8,640,540	7,400,170
Check in Counter Fees	3,919,653	2,266,035
Concessionaire Privilege Fees	1,807,646	1,896,939
Total Other Business Income	75,990,651	56,302,965

The P19.69 million increase in Other Business Income is attributed to various accounts, to wit: 1) Security Fees increased by P2.5 million due to increase in the volume of paying passengers; 2) CPF Share on Gross Income increased by P6.3 million as a result of the increase in the revenue generated by Duty Free Philippines and Miascor Catering Services; and 3) Ad Space Rentals increased by P8.1 million due to realized income from Speed Mail Delivery Service (concessionaire).

20. OTHER INCOME

This account consists of:

	2016	2015
Miscellaneous Income	9,546,304	6,796,817
Interest Income	5,170,638	2,141,742
Gain/Loss on Foreign Exchange	2,502,665	3,570,615
Gain/Loss on Sale of Disposed Assets	(1,108,984)	(985,892)
Total Other Income	16,110,623	11,523,282

The P4.59 million increase in Other Income is attributed to various accounts, as follow: 1) Miscellaneous Income rose by P2.75 million accounted from an increase in the issuance of various access passes of P1.65M, shooting fees of P0.41M and bidding documents of P0.34M; and 2) Interest Income increase of P3.03 million accounted mostly from penalty charges to locators/concessionaires amounting to P3.96 million.

21. PERSONNEL SERVICES

This account consists of the following:

	2016	2015
Salaries and wages	114,257,664	113,473,816
Other compensation	63,318,946	71,921,611
	2016	2015
Personnel benefits contribution	7,090,370	7,162,020
Other personnel benefits	23,528,829	20,567,201
Total Personnel Services	208,195,809	213,124,648

22. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account consists of the following:

	2016	2015
Travelling expenses	825,598	518,335
Training and scholarship expenses	1,830,764	2,019,617
Supplies and material expenses	8,394,307	8,273,014
Utility expenses	49,566,493	48,360,152
Communication expenses	2,430,256	2,590,929
Awards and indemnities	200,000	0
Advertising expenses	3,639,470	12,126,225
Printing and binding expenses	1,083,113	1,003,380
Rent expenses	59,558	217,205
Representation expenses	1,248,271	1,644,085
Subscription expenses	762,092	950,101
Professional services	76,544,102	73,394,821
Repairs and maintenance	25,732,093	21,249,839
Taxes, insurance premiums and other fees	6,475,969	5,720,238
Bad debts expense	14,102,413	7,258,113
Depreciation expense	159,187,525	137,285,647
Total MOOE	352,082,024	322,611,701

23. CAPITAL STOCK

This account consists of the following:

	No. of Shares	Amount
Authorized (200,000 shares @ P100.00 par value)	200,000	20,000,000
Subscribed (25% of P20 million)	50,000	5,000,000
Paid-up Capital (25% of P5 million)	12,500	1,250,000

An increase in capital authorization from ₱20 million to ₱5 billion was approved by the Board of Directors in its Stockholders' Meeting on June 10, 2011.

The requirements of the Securities and Exchange Commission have been completed in November 2011 which were to be reviewed by the BCDA, but the latter's action had been overtaken by the issuance of EO No. 64 transferring CIAC as an attached agency of the DOTC and providing for the transfer of the shares of stock of the CIAC to the National Government.

To date, the move to increase authorized capital stock has been revived with the Board approving the initial increase to ₱1.0 billion on December 14, 2015.

24. DEPOSIT FOR FUTURE STOCK SUBSCRIPTION - BCDA

The CDC investment in CIAC in the amount of ₱832.25 million represents the investment of BCDA to CIAC after recording in July 2011 the agreed booking entries of the reconciled intercompany account balances as of April 30, 2011 pursuant to the Implementing Plan of E.O. 716.

The ₱832.25 million is composed of the book value of the CIAC fixed assets transferred from BCDA to CDC upon the merger of the CDC and CIAC in 2002. The value of the fixed assets is entered under Deposit for Future Stock Subscription account.

25. DONATED CAPITAL

Pending further clarification of the nature of transfer, entered under this account is the Semi-Permanent Terminal Building costing ₱19.8 million which was turned over by the DOTC to the CIAC on February 10, 2015.

26. CORRECTION OF PRIOR YEARS' ERRORS

This account pertains to correction of prior years' income and expenses as follows:

	2016	2015
Depreciation of various spare parts (July to Dec 2015)	(954,644)	0
Depreciation of project: repair of damaged pavement at portion of Taxiway D and F2	(1,899,937)	0
Forfeiture of performance security	1,643,334	0
Adjustment on rent income (Aug to Dec2015)	(2,601,123)	0
Borrowing costs (from June 1 to December 31, 2014) on LBP loan	0	(10,744,679)

	2016	2015
for the construction of Terminal I Expansion Phase II Project		
Depreciation of Terminal 1 Phase 2 Project (June to December 2014)	0	(7,888,415)
Adjustment on rent income (January to June 2008)	0	(5,141,541)
Depreciation of Semi-Permanent Building (October to December 2014)	0	(148,895)
Income Account	(551,450)	0
Various operating expenses	(316,886)	1,217,515
Total Correction of Prior Year's Errors	(4,680,706)	(22,706,015)

27. CONTINGENCIES

A labor case was filed against CIAC before the National Labor Relations Commission (NLRC) Regional Arbitration Branch No. III for non-payment of overtime pay, moral and exemplary damages and attorney's fees. On June 7, 2013, a Notice of Order/Resolution on the case docketed as NLRC Case No. RAB III-07-16541-10 was issued stating that the issuance of a writ of execution may not be forthcoming even as the complainants are directed to file claim for payment of their judgment award with the Commission on Audit in accordance with Commonwealth Act No. 327 as amended by Presidential Decree No. 1445.

Another two labor cases were filed against CIAC before the NLRC for illegal dismissal. To date, one of the cases based on NLRC Case No. RAB-III-06-17828-11 is pending for resolution on the Motion for Reconsideration filed by the complainant while the other case based on NLRC Case No. RAB-III-10-23305-15, a decision was issued by the NLRC, in May 2016, in favor of the complainant.

28. SUPPLEMENTARY INFORMATION

In compliance with the requirements set forth by BIR RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

a. Value-Added Tax

There are no Value- Added taxes paid for CY 2016. CIAC, being a locator inside the Clark Freeport Zone, applies tax rulings under R.A. 9400, which entitles it to zero VAT rating. Further, it is exempted from paying local and national taxes, rather it pays taxes following the 5% rate on gross income earned (GIE).

b. Documentary stamps tax (DST)

DST on term loan with LBP	<u>221,990</u>
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The DST paid were charges on loan drawdown from the LBP.

DST on short-term loan with LBP	<u>197,260</u>
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The DST paid are charges on the short term loan availed from the LBP.

c. Withholding Taxes

Tax on compensation and benefits	25,421,977.54
Creditable withholding tax- expanded	10,390,181.70
Total Withholding Taxes	<u>35,812,159.24</u>

An accrual of ₱2.84 million and ₱0.6 million were recorded for tax on compensation and expanded, respectively, as of year-end which will be remitted in January 2017.

d. Other taxes and licenses

5% Tax on Gross Income Earned (GIE):	
Local Government Units (LGUs) share	3,530,061
National Government/BIR share	5,295,091
BIR Annual Registration	500
Total Other Taxes and Licenses	<u>8,825,652</u>

A portion of the above GIE amounting to ₱4.9 million was accrued at year end. This will be due for remittance to the LGUs and the BIR in April 2017.