



**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, 2017



Republic of the Philippines
COMMISSION ON AUDIT
COA REGIONAL OFFICE III
City of San Fernando, Pampanga

INDEPENDENT AUDITOR'S REPORT

ALEXANDER S. CAUGUIRAN

OIC-President and CEO

Clark International Airport Corporation

Clark Freeport Zone, Pampanga

Report on the Financial Statements

We have audited the accompanying financial statements of the Clark International Airport Corporation, a subsidiary of BCDA, and subject to the policy supervision and operational control of Department of Transportation (DOTr), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, 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 unqualified audit opinion.

Unqualified Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Clark International Airport Corporation as at December 31, 2017, and its comprehensive income and its cash flows for the year then ended in accordance with State accounting principles generally accepted in the Philippines.

COMMISSION ON AUDIT

by:


MADONNA S. ATENCION
OIC-Supervising Auditor

28 February 2018




STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Clark International Airport Corporation is responsible for the preparation of the financial statements as at December 31, 2017, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material statement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the Clark International Airport Corporation in accordance with the Philippine Public Sector Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.



MANUEL ANTONIO L. TAMAYO
Alternate Chairman, Board of Directors

5/30/2018

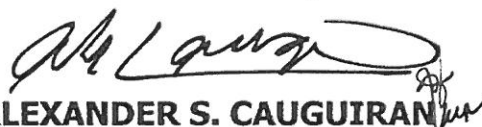
Date Signed



LAURO A. ORTILE
Vice President, Finance and
Administration Group

5/30/2018

Date Signed



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

5/30/2018

Date Signed

CLARK INTERNATIONAL AIRPORT CORPORATION
STATEMENT OF FINANCIAL POSITION
As at December 31, 2017, 2016 and January 01, 2016 as restated
(CY 2016 and January 01, 2016 as restated)
(Amounts rounded to the nearest peso)

| | | | | January 1, 2016 |
|-------------------------------------|--------------|----------------------|----------------------|----------------------|
| | <i>Notes</i> | 2017 | 2016 | as Restated |
| Current Assets | | | | |
| Cash and cash equivalents | 2, 3 | 473,605,496 | 280,957,028 | 297,526,048 |
| Receivables | 4 | 167,399,457 | 397,151,862 | 346,899,140 |
| Inventories | 5 | 9,726,619 | 9,481,480 | 9,152,482 |
| Other current assets | 6 | 29,333,736 | 13,423,526 | 51,152,844 |
| Total Current Assets | | 680,065,308 | 701,013,896 | 704,730,514 |
| Noncurrent Assets | | | | |
| Other investments | 7 | 109,105,914 | 70,045,188 | 45,958,698 |
| Property, plant and equipment, Net | 2, 8 | 2,311,696,263 | 1,988,864,313 | 1,825,004,756 |
| Intangible assets | 9 | 2,883,237 | 0 | 0 |
| Other noncurrent assets | 6 | 14,236,078 | 2,545,310 | 56,431,557 |
| Total Noncurrent Assets | | 2,437,921,492 | 2,061,454,811 | 1,927,395,011 |
| TOTAL ASSETS | | 3,117,986,800 | 2,762,468,707 | 2,632,125,525 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Financial Liabilities | 10 | 250,791,226 | 212,631,899 | 330,225,838 |
| Inter-agency payables | 11 | 50,831,224 | 103,097,953 | 45,837,811 |
| Intra-agency payables | 12 | 4,082,033 | 4,057,298 | 17,343,880 |
| Trust liabilities | 13 | 65,337,081 | 22,329,631 | 27,340,961 |
| Deferred credits/Unearned income | 10 | 39,506,573 | 27,084,917 | 74,449,535 |
| Other payables | 15 | 13,755,166 | 14,312,760 | 15,768,935 |
| Total Current Liabilities | | 424,303,303 | 383,514,458 | 510,966,960 |
| Noncurrent Liabilities | | | | |
| Financial liabilities | 10 | 300,637,737 | 397,239,183 | 493,840,630 |
| Inter-agency payables | 11 | 1,681,641,435 | 1,855,144,708 | 1,572,626,384 |
| Trust liabilities | 13 | 94,898,837 | 74,369,344 | 69,736,425 |
| Deferred credits/Unearned income | 14 | 10,912,632 | 2,522,445 | 7,999,384 |
| Total Noncurrent Liabilities | | 2,088,090,641 | 2,329,275,680 | 2,144,202,823 |
| Total Liabilities | | 2,512,393,944 | 2,712,790,138 | 2,655,169,783 |
| Equity | | | | |
| Retained earnings/(Deficit) | | (606,173,205) | (803,672,408) | (876,395,235) |
| Stockholders' equity | 16 | 1,211,766,061 | 853,350,977 | 853,350,977 |
| Total Equity | | 605,592,856 | 49,678,569 | (23,044,258) |
| TOTAL LIABILITIES and EQUITY | | 3,117,986,800 | 2,762,468,707 | 2,632,125,525 |

The notes on pages 9 to 30 form part of these statements.

CLARK INTERNATIONAL AIRPORT CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2017 and 2016

(Amounts rounded to the nearest peso)

| | <i>Notes</i> | 2017 | 2016 |
|---|--------------|----------------------|----------------------|
| INCOME | | | |
| Service and business income | 17 | 774,722,693 | 656,565,413 |
| Gains | 18 | 3,437,525 | 4,513,747 |
| Other non-operating income | 19 | 38,949,866 | 14,716,943 |
| Total Income | | 817,110,084 | 675,796,103 |
| EXPENSES | | | |
| Personnel Services | 20 | (204,844,826) | (208,195,809) |
| Maintenance and other operating expenses | 21 | (228,822,932) | (179,211,337) |
| Financial expenses | 22 | (21,705,110) | (27,475,245) |
| Non-cash expenses | 23 | (171,031,446) | (176,410,005) |
| Total Expenses | | (626,404,314) | (591,292,396) |
| Profit/(Loss) Before Tax | | 190,705,770 | 84,503,707 |
| Income Tax Expense/(Benefit) | | (13,530,388) | (7,100,173) |
| Profit/(Loss) After Tax | | 177,175,382 | 77,403,534 |
| Assistance and Subsidy | | 0 | 0 |
| Net Income/(Loss) | | 177,175,382 | 77,403,534 |
| Other Comprehensive Income/(Loss) for the period | | 0 | 0 |
| Comprehensive Income/(Loss) | | 177,175,382 | 77,403,534 |

The notes on pages 30 to 33 form part of these statements.

CLARK INTERNATIONAL AIRPORT CORPORATION
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2017 and 2016
(Amounts rounded to the nearest peso)

| | Notes | Retained Earnings/(Deficit) | Contributed Capital | Donated Capital | Share Capital | Total |
|---|-------|--------------------------------|------------------------|--------------------|------------------|---------------------|
| Balance at January 1, 2016 | | (876,395,236) | 832,248,261 | 19,852,716 | 1,250,000 | (23,044,259) |
| Changes in Equity for 2016 | | | | | | |
| Add/(Deduct): | | | | | | |
| Issuances of share capital | | 0 | 0 | 0 | 0 | 0 |
| Additional capital from National Government | | 0 | 0 | 0 | 0 | 0 |
| Other equity instruments | | 0 | 0 | 0 | 0 | 0 |
| Deposit for future stock subscription | | 0 | 0 | 0 | 0 | 0 |
| Members' contribution | | 0 | 0 | 0 | 0 | 0 |
| Comprehensive income for the year | | 77,403,534 | 0 | 0 | 0 | 77,403,534 |
| Dividends | | 0 | 0 | 0 | 0 | 0 |
| Other adjustments | 24 | (4,680,706) | 0 | 0 | 0 | (4,680,706) |
| Balance at December 31, 2016 | | (803,672,408) | 832,248,261 | 19,852,716 | 1,250,000 | 49,678,569 |
| Changes in Equity for 2017 | | | | | | |
| Add/(Deduct): | | | | | | |
| Issuances of share capital | | 0 | 0 | 0 | 0 | 0 |
| Additional capital from National Government | | 0 | 0 | 0 | 0 | 0 |
| Other equity instruments | | 0 | 0 | 0 | 0 | 0 |
| Deposit for future stock subscription | 16 | 0 | 358,415,084 | 0 | 0 | 358,415,084 |
| Members' contribution | | 0 | 0 | 0 | 0 | 0 |
| Comprehensive income for the year | | 177,175,382 | 0 | 0 | 0 | 177,175,382 |
| Dividends | | 0 | 0 | 0 | 0 | 0 |
| Other adjustments | 24 | 20,323,821 | 0 | 0 | 0 | 20,323,821 |
| Balance at December 31, 2017 | | (606,173,205) | 1,190,663,345 | 19,852,716 | 1,250,000 | 605,592,856 |

The notes on pages 29 to 30 and 33 to 34 form part of these statements.

CLARK INTERNATIONAL AIRPORT CORPORATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017 and 2016

(Amounts rounded to the nearest peso)

| | Notes | 2017 | 2016 |
|--|-------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Inflows | | | |
| Collection of income/revenue | | 418,214,353 | 375,210,301 |
| Collection of receivables | | 467,632,711 | 328,682,152 |
| Receipt of inter-agency fund transfers | | 392,725,084 | 181,667,180 |
| Trust receipts | | 20,397,801 | 12,787,423 |
| Other receipts | | 444,262,127 | 324,148,503 |
| Total Cash Inflows | | 1,743,232,076 | 1,222,495,559 |
| Adjustments | | 3,228,486 | 7,204,792 |
| Adjusted Cash Inflows | | 1,746,460,562 | 1,229,700,351 |
| Cash Outflows | | | |
| Payment of expenses | | 257,601,340 | 244,972,321 |
| Grant of cash advances | | 3,704,640 | 1,423,311 |
| Payment of accounts payable | | 186,989,394 | 209,130,749 |
| Remittance of taxes withheld-expanded and income tax | | 24,618,032 | 13,088,526 |
| Other disbursements | | 321,442,706 | 276,842,171 |
| Total Cash Outflows | | 794,356,112 | 745,457,078 |
| Adjustments | | 5,610,674 | 4,127,106 |
| Adjusted Cash Outflows | | 799,966,786 | 749,584,184 |
| Net Cash Provided By/(Used In) Operating Activities | | 946,493,776 | 480,116,167 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash Inflows | | | |
| Investments in time deposits | | 438,383,964 | 197,846,800 |
| Receipt of interest earned | | 2,457,129 | 19,000 |
| Proceeds from matured investments | | 327,198,734 | 52,509,308 |
| Total Cash Inflows | | 768,039,827 | 250,375,108 |
| Adjustments | | 0 | (14,659,887) |
| Adjusted Cash Inflows | | 768,039,827 | 235,715,221 |
| Cash Outflows | | | |
| Purchase/construction of property, plant and equipment | | 380,523,201 | 359,105,345 |
| Placements in time deposits | | 548,351,311 | 250,441,184 |
| Termination of time deposits | | 349,523,970 | 0 |
| Total Cash Outflows | | 1,278,398,482 | 609,546,529 |
| Net Cash Provided By (Used In) Investing Activities | | (510,358,655) | (373,831,308) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Total Cash Inflows | | 0 | 0 |
| Cash Outflows | | | |
| Payment of long-term liabilities | | 136,601,446 | 96,601,446 |
| Payment of interest on loans and other financial charges | | 20,004,350 | 26,252,433 |
| Payment of cash dividends to the National Government | | 86,880,857 | 0 |
| Total Cash Outflows | | 243,486,653 | 122,853,879 |
| Net Cash Provided By (Used In) Financing Activities | | (243,486,653) | (122,853,879) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 192,648,468 | (16,569,020) |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | 2,3 | 280,957,028 | 297,526,048 |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | 2,3 | 473,605,496 | 280,957,028 |

The notes on pages 9 to 13 form part of these statements.

CLARK INTERNATIONAL AIRPORT CORPORATION
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017

(With comparative figures for CY 2016)

(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.

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 ₱41,741,196 in December 2012, 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 (DOTr) 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 ₱1,250,000 worth of stocks from BCDA to the National Government as approved by the SEC.

On February 28, 2017 EO No. 14 was issued, which restructured CIAC from an attached agency of DOTr to a subsidiary of BCDA. The DOTr was ordered to facilitate the transfer and conveyance of the shares owned by the National Government and the nominee stockholders, in favor of BCDA and its nominees. However, the DOTr shall maintain the policy supervision and operational control of CIAC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of the Revised Chart of Accounts pursuant to COA Circular No. 2016-006 dated December 29, 2016

CIAC has adopted the revised chart of accounts through conversion of the accounts based on the statement of financial position as at December 31, 2016 and on the 2017 transactions from January 1 to December 31, 2017.

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.

In accordance with PAS 16, property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. To date, there is no recorded impairment losses due to non-appraisal of the properties. 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).
- e. Other fixed assets were depreciated with estimated useful life based on past performance of such assets.

Income Recognition

Accrual method is used in recognizing rent income, landing & 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 Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS)

PFRS 1: This is the first time adoption of the PFRS and PAS.

The presentation of the financial statements is in accordance with the following PAS:

PAS 2: Inventories

The various inventory accounts carried in the books of CIAC are inventories held for consumption which are valued using the weighted average method.

PAS 7: Statement of Cash Flows

The statement of cash flows is presented using the direct method, thus generation and use of cash equivalents are classified by operating, investing and financing activities.

PAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

Accounting Policies includes the depreciation based on COA Circular Nos. 2003-007 and 2004-005 adopted by the Corporation starting January 2004.

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 fifteen (15) years. Other fixed assets were depreciated with estimated useful life based on past performance of such assets.

Errors - Overstated/understated revenues/expenses in prior years were charged/ credited to Retained Earnings account.

PAS 16: Property, Plant and Equipment (PPE)

PPE are valued at cost while the computation of depreciation is based on COA Circulars. Please refer Note 2.

PAS 38: Intangible Assets

Finite useful life was adopted in the amortization of various computer softwares acquired by the corporation. Please refer to Note 9.

PAS 36: Impairment of Assets

To date, there is no recorded impairment loss due to non-appraisal of the properties.

PAS 17: Leases

CIAC is engaged in leasing of properties, but the ownership of the property is not transferred to lessees, thus the lease activity is classified as operating lease. Revenue from lease is recognized based on lease rates stated in the contract over the lease term, usually for a period ranging from one to fifty years. The lessee has the option to renew upon the expiration of the lease contract.

PAS 19: Employee Benefits

Post-employment benefits provided by CIAC to its employees are the following:

The defined contribution plan are the contributions, both employer and employee shares, remitted by CIAC to the Social Security System (SSS) and to the CIAC Provident Fund, Inc. (CPFI).

The provident fund for CIAC employees was established in July 2002 during the merger of CDC and CIAC, thus the provident fund was handled and managed by the CDC Provident Fund, Inc., since CDC is the surviving entity. On July 25, 2007, EO No. 641 was issued authorizing the establishment of a provident fund in each government agency. SEC approved the incorporation of CPFI as a non-stock, non-profit corporation on September 28, 2007. All transactions related to CIAC provident fund were separated from CDC Provident Fund, Inc. beginning September 1, 2007.

The rate of contributions of the Provident Fund was included in the Collective Bargaining Agreement approved by the Board. The employer counterpart on the CPFI contributions is 2.5% of the basic salary and annual increase is 0.5%, which to date is 7%, while the employees contribution is fixed at 2.5% of the basic salary.

For the defined benefit plan, 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 (5) years of service in CIAC and has no pending administrative case. As of December 31, 2017, total unrecorded retirement benefits amounted to ₱217.41 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.

PAS 21: The Effects of Changes in Foreign Exchange Rates

Refer to Note 3 related to foreign exchange rates.

PAS 23: Borrowing Costs

Refer to Note 8 on capitalization of borrowing costs directly attributable to the qualifying assets.

PAS 37: Provisions, Contingent Liabilities and Contingent Assets

Please refer to Note 4 for contingent income and Note 35 for contingent liability.

3. CASH AND CASH EQUIVALENTS

This account consists of:

| | 2017 | 2016 | January 1, 2016 |
|--|---------------------|---------------------|----------------------|
| Cash - Collecting Officers | ₱ 4,453,458 | ₱ 2,311,552 | ₱ 1,518,600 |
| Petty Cash | 76,827 | 114,652 | 99,251 |
| Cash in Bank - Local Currency (LC), Current Account (CA) Philippine Veterans Bank (PVB), Clark | 1,836,483 | 7,800,475 | 1,323,644 |
| Cash in Bank - LC, CA United Coconut Planters Bank (UCPB), Clark | 50,676,260 | 9,569,079 | 12,322,019 |
| Cash in Bank - LC, CA Land Bank of the Philippines (LBP), Clark | 57,284,409 | 46,297,703 | 56,332,370 |
| Cash in Bank - LC, CA LBP - Department of Transportation (DOTr) Funds | 26,487,265 | 20,935,275 | 178,589,483 |
| Cash in Bank - LC, CA LBP - CIAC Non- Infrastructure | 10,747,704 | 0 | 0 |
| Cash in Bank - LC, CA LBP - CIAC Operating Expense (OPEX) | 13,784,111 | 0 | 0 |
| Cash in Bank - LC, CA LBP - CIAC Infrastructure Projects | 1,393,919 | 0 | 0 |
| Cash in Bank - Foreign Currency (FC), Savings Account (SA) PVB, Clark | 218,251 | 933,986 | 766,513 |
| Cash in Bank - FC, SA LBP, Clark | 33,071,091 | 9,129,600 | 46,574,168 |
| Time Deposits - LC | 197,112,693 | 183,864,706 | 0 |
| Time Deposits - FC | 76,463,025 | 0 | 0 |
| Total Cash and Cash Equivalents | ₱473,605,496 | ₱280,957,028 | ₱ 297,526,048 |

The Cash - Collecting Officers account consists of terminal fees, parking fees and other revenues collected by Collectors and Cashiers, which remain under their accountability until deposited the next banking day.

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

Cash in Bank - PVB Clark is the bank account where some of CIAC's locators and concessionaires deposit their payments.

Cash in Bank - UCPB Clark is the depository account of collected security fees disbursed for expenses related to security matters.

Cash in Bank - LBP Clark is the bank account where most of the CIAC collections are deposited and most of the operating expenses, such as, but not limited to the personnel services, remittances to government agencies, are drawn.

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

Cash in Bank – LBP Clark (CIAC Non-Infrastructure) is the bank account where funds for claims for non-infrastructure projects is drawn.

Cash in Bank – LBP Clark (CIAC OPEX) is the bank account where funds will be used to pay claims for operating expenses, such as, but not limited to outsourcing services, janitorial services, ground maintenance services, are drawn.

Cash in Bank – LBP Clark (CIAC Infrastructure Projects) is the depository account of the fund releases from BCDA intended for ASEAN related projects.

Cash in Bank (Foreign Currency Account) - PVB Clark is the depository account of foreign currency denominated collections from locators and concessionaires.

Cash in Bank (Foreign Currency Account) - LBP Clark is the depository account of foreign currency denominated collections from locators and concessionaires. Payments requiring settlement in foreign currency are drawn from this account.

Time Deposits - Local Currency represents short-term placements with maturity periods ranging from 60 to 120 days bearing interest rates from 1.85% to 2.50%.

Time Deposits - Foreign Currency represents short-term placements of foreign currency denominated funds with maturity periods ranging from 32 to 62 days bearing interest rates from 0.75% to 0.875%.

Foreign Currency Transactions

PAS 21: The Effects of Changes in Foreign Exchange Rates

The functional currency used by CIAC is Philippine peso, thus foreign currency transactions are converted in Philippine peso. The presentation currency of the financial statements are also translated in Philippine peso. Transactions in foreign currency are recorded in Philippine peso using the spot exchange rate. Exchange gains or losses are being realized as follows: 1) at the end of the year/reporting date based on the closing rate; 2) periodic adjustments; 3) trade/conversion of dollar to peso; and 4) termination of dollar time deposits. First in-first out (FIFO) method is used in recording dollar withdrawals on foreign currency transactions.

4. RECEIVABLES

This account consists of the following:

| | 2017 | 2016 | January 1, 2016 |
|--|----------------------|----------------------|----------------------|
| Accounts Receivable-Trade | ₱ 109,704,030 | ₱ 108,244,864 | ₱ 110,800,143 |
| Allowance for Impairment- Accounts Receivable | (32,706,250) | (34,412,741) | (20,310,326) |
| Accounts Receivable-Others | 7,199,635 | 7,274,329 | 5,949,133 |
| Accounts Receivables-Accrued Landing and Parking Fees | 9,144,261 | 8,077,674 | 8,763,738 |
| Accounts Receivable-Bank Charges | 7,646 | 7,646 | 7,646 |
| Interest Receivable | 311,388 | 564,493 | 0 |
| Due from Government Corporations- CDC | 49,868,565 | 43,374,643 | 37,691,592 |
| Due from Government Corporations- BCDA | 395,171 | 0 | 0 |
| Due from Government Corporations-MIAA | 173,434 | 173,434 | 173,434 |
| Due from Government Corporations- CIAC Provident Fund | 21,134,824 | 22,322,944 | 22,322,944 |
| Due from Government Corporations- CDC/BCDA | 0 | 240,486,339 | 180,486,339 |
| Receivables-Disallowances/Charges | 74,468 | 74,468 | 74,468 |
| Due from Officers and Employees | 901,272 | 795,777 | 710,982 |
| Other Receivables | 1,191,013 | 167,992 | 229,047 |
| Total Receivables | ₱ 167,399,457 | ₱ 397,151,862 | ₱ 346,899,140 |

4.1 Accounts Receivable – Trade

This 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 ₱3,487,256 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 Services, Inc. (CAGHSI) for the period January 2007 to December 2008 amounting to ₱12,009,644 covered under Memorandum of Agreement (MOA) between CIAC and CAGHSI dated December 12, 2008. An ongoing case in court has been pursued by CIAC against CAGHSI on its arrears. Aside from the ₱12,009,644 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. In April 2017 pursuant to a court order, proceeds from

sale of airport equipment of CAGHSI in the amount of ₱3.13 million were offset from the ₱12,009,644.24 lease rental arrears of CAGHSI, thus balance to date of receivables from CAGHSI is ₱8,884,644.24.

The lease contract of Jet Ventures, one of CIAC's locators, was pre-terminated. It had unpaid accounts, amounting to ₱1,296,995.00, when it prematurely ceased operations. The properties of Jet Ventures were taken over by Management in 2006 for the purpose of offsetting said properties against the outstanding receivables from Jet Ventures once cost is determined. However, as of date, there is no recording of offset since the market value of the properties are unobtainable for the reason that the properties are no longer available in the market.

4.2 Allowance for Impairment-Accounts Receivable

The Allowance for Impairment of Accounts Receivable of ₱1,296,995 was 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 per Board Resolution No. RM-12-05, series of 2013, the amount of impairment on the receivables as of December 31, 2017 is ₱32,706,250.

4.3 Accounts Receivable - Others

Under this account 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 as per Memorandum of Agreement (MOA) signed with CIAC.

4.4 Accounts Receivable - Accrued Landing and Parking Fees

Comprising this account are the aeronautical fees and charges of various airline operators.

4.5 Accounts Receivable – Bank Charges

Lodged in this account are 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.

4.6 Interest Receivable

This account represents the accrued interest income from time deposits.

4.7 Due from Government Corporations – CDC

Entered under this 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.

4.8 Due from Government Corporations - BCDA

Represents the balance on the 50% share on the revenues as of December 31, 2016, previously advanced by the Clark Development Corporation to BCDA totaling ₱220,395,171. As of March 31, 2017, the BCDA has remitted to CIAC the total amount of ₱220,395,171, thus balance to date is ₱395,171.

4.9 Due from Government Corporations – MIAA

This account refers to the expenses paid by CIAC for MIAA for the capsule laying activity. Efforts to collect the same have been exerted.

4.10 Due from Government Corporations – CIAC

Provident Fund represents the retirement portion on the CIAC's corporate share remitted to the Provident Fund.

4.11 Due from Government Corporations - CDC/BCDA

This account represents the 50% share on the estimated revenues collected by Clark Development Corporation from locators within the Clark Civil Aviation Complex (CCAC). In March 2017, the said account was segregated into two accounts, to wit: Due from Government Corporations - CDC (Revenue Share) and Due from Government Corporations - BCDA. CDC has fully settled the revenue share of CIAC by way of application of the CDC's advances to CIAC in the amount of ₱87,000,000 and payment of the balance in cash in the amount of ₱14,678,058.

4.12 The Receivables - Disallowances/Charges

These were the accounts turned-over by CDC in November 2006. Based on the financial report of CIAC as of July 31, 2002, the receivable pertained to COA disallowance of 1997 13th month pay (allowance portion) and cable charges. The balance, which was turned-over, was accounted from the CIAC resigned officers.

4.13 Due from Officers and Employees

These accounts are receivables from CIAC personnel for personal calls, medical expenses, utilities and SSS delinquent loans.

4.14 Other receivables

This account refers to the SSS benefit claims advanced by CIAC to its employees; personal telephone calls of employees of support agencies; 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. INVENTORIES

The various inventory accounts carried in the books of CIAC are inventories held for consumption which are valued using the weighted average method, includes the following:

| | 2017 | | | | |
|---|-------------------------------|--------------------------------------|---|--|-------------------|
| | Inventory Held for Sale | Inventory Held for Consumption | Accountable Forms, Plates and Stickers | Medical, Dental and Lab. Supplies | Total |
| <i>Cost</i> | | | | | |
| Balance Jan. 1 | 0 | ₱9,481,479 | 0 | 0 | ₱9,481,479 |
| Additions/Acquisitions during the year | 0 | 2,163,416 | 0 | 0 | 2,163,416 |
| Expensed during the year except write-down | 0 | 1,918,276 | 0 | 0 | 1,918,276 |
| Write-down during the year | 0 | 0 | 0 | 0 | 0 |
| Reversal of Write-down during the year | 0 | 0 | 0 | 0 | 0 |
| Balance, Dec. 31 | 0 | ₱9,726,619 | 0 | 0 | ₱9,726,619 |

| 2016 | | | | | |
|---|-------------------------------|--------------------------------------|---|--|-------------------|
| | Inventory Held for Sale | Inventory Held for Consumption | Accountable Forms, Plates and Stickers | Medical, Dental and Lab. Supplies | Total |
| <i>Cost</i> | | | | | |
| Balance Jan. 1 | 0 | ₱9,152,482 | 0 | 0 | ₱9,152,482 |
| Additions/Acquisitions during the year | 0 | 1,495,493 | 0 | 0 | 1,495,493 |
| Expensed during the year except write-down | 0 | 1,166,495 | 0 | 0 | 1,166,495 |
| Write-down during the year | 0 | 0 | 0 | 0 | 0 |
| Reversal of Write-down during the year | 0 | 0 | 0 | 0 | 0 |
| Balance, Dec. 31 | 0 | ₱9,481,480 | 0 | 0 | ₱9,481,480 |

6. OTHER ASSETS

This account includes:

| | 2017 | 2016 | January 1, 2016 |
|---|---------------------|--------------------|---------------------|
| Current Assets | | | |
| Advances to Contractors | ₱ 17,028,554 | ₱ 947,059 | ₱ 39,127,108 |
| Prepaid Insurance | 2,760,463 | 2,780,772 | 3,008,223 |
| Creditable Input Tax | 0 | 639,946 | 304,406 |
| Other Prepayments | 147,382 | 140,228 | 20,705 |
| Guaranty Deposits | 9,397,337 | 8,915,521 | 8,692,402 |
| Total Current Assets | 29,333,736 | 13,423,526 | 51,152,844 |
| Non-Current Assets | | | |
| Restricted Fund | 2,506,204 | 2,545,182 | 4,564,204 |
| Cash in Bank-Local Currency, Current Account (LBP Hold Out Deposit Account) | 0 | 128 | 50,235,424 |
| Other Assets-Unserviceable Assets | 11,729,874 | 0 | 1,631,929 |
| Total Non-Current Assets | ₱ 14,236,078 | ₱ 2,545,310 | ₱ 56,431,557 |

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

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.

Creditable Input Tax represents taxes withheld by airline operators/concessionaires which can be applied by CIAC as deduction from its income tax payment.

The Other Prepayments refers to a one year subscription for software usage and professional services which is subject to monthly amortization.

Guaranty Deposits pertains to 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.

Restricted Fund was posted on labor cases filed against CIAC, breakdown as follows:

| Particulars | Amount |
|---|---------------------|
| 1) Representing supersedes 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 | ₱0.49 million |
| 2) Representing cash bond posted in February 2015 for illegal dismissal per NLRC Case No. RAB-III-06-17828-11. | 2.02 million |
| Total Restricted Fund | ₱2.5 million |

Other Assets - Unserviceable Assets refer to the airport equipment which is no longer serviceable that will be due for disposal.

7. OTHER INVESTMENTS

| | 2017 | 2016 | January 01, 2016 |
|---------------------------------|----------------------|---------------------|-------------------------|
| Sinking Fund | ₱ 52,053,372 | ₱ 54,501,001 | 45,074,398 |
| Investments in Time Deposits- | | | |
| Foreign Currency | 56,168,242 | 14,659,887 | 0 |
| Investment in Stocks | 300 | 300 | 300 |
| Other Investments – MGCC Shares | 884,000 | 884,000 | 884,000 |
| Total Investments | ₱ 109,105,914 | ₱ 70,045,188 | ₱ 45,958,698 |

Sinking Fund - LBP Debt Service Payment Account (DSPA) pertains to the 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.

Investments in Time Deposits - Foreign Currency represents long-term placements of foreign currency denominated funds with maturity periods of two years bearing interest rate of 2%.

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

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

8. PROPERTY, PLANT AND EQUIPMENT (PPE), NET

The details of this group of accounts follow:

| 2017 | | | | | | | |
|---------------------------------|---------------------|--------------------------------|-------------------------|--------------------------|-----------------------------|--------------------------|-----------------------|
| | Land Improvements | Buildings and Other Structures | Machinery and Equipment | Transportation Equipment | Furniture, Fixtures & Books | Construction in Progress | TOTAL |
| Cost | | | | | | | |
| Balance, Jan. 1 | P391,576,689 | P 1,401,309,203 | P1,923,099,864 | P83,420,878 | P19,230,712 | P178,462,512 | P3,997,099,858 |
| Additions | 66,336,667 | 5,750,228 | 37,441,160 | 0 | 6,461,900 | 396,904,504 | 512,894,459 |
| Disposals | 0 | 0 | (20,474,316) | (888,165) | (2,868,749) | 0 | (24,231,230) |
| Reclassification | 0 | (578,021) | 150,309,234 | 0 | 0 | (178,462,512) | (28,731,299) |
| Balance, Dec. 31 | 457,913,356 | 1,406,481,410 | 2,090,375,942 | 82,532,713 | 22,823,863 | 396,904,504 | 4,457,031,788 |
| Accumulated Depreciation | | | | | | | |
| Balance, Jan. 1 | 171,944,588 | 585,934,859 | 1,192,945,690 | 46,451,266 | 10,959,143 | 0 | 2,008,235,546 |
| Depreciation | 27,057,084 | 41,947,225 | 92,282,035 | 5,136,787 | 1,124,482 | 0 | 167,547,613 |
| Adjustments | 467,324 | (520,219) | (28,007,426) | (799,349) | (1,587,964) | 0 | (30,447,634) |
| Balance, Dec. 31 | 199,468,996 | 627,361,865 | 1,257,220,299 | 50,788,704 | 10,495,661 | 0 | 2,145,335,525 |
| PPE, Net | P258,444,360 | P779,119,545 | P833,155,643 | P31,744,009 | P12,328,202 | P396,904,504 | P2,311,696,263 |

| 2016 | | | | | | | |
|-----------------|-------------------|--------------------------------|-------------------------|--------------------------|-----------------------------|--------------------------|----------------|
| | Land Improvements | Buildings and Other Structures | Machinery and Equipment | Transportation Equipment | Furniture, Fixtures & Books | Construction in Progress | TOTAL |
| Cost | | | | | | | |
| Balance, Jan. 1 | P298,836,608 | P1,403,810,265 | P1,821,621,263 | P65,742,092 | P18,516,712 | P62,268,213 | P3,670,795,153 |
| Additions | 6,044,382 | 880,612 | 99,012,344 | 17,678,786 | 0 | 202,889,998 | 326,506,122 |

| | | | | | | | |
|---------------------------------|---------------------|--------------------------------|-------------------------|--------------------------|-----------------------------|--------------------------|-----------------------|
| Disposals | 0 | (107,800) | 0 | 0 | 0 | 0 | (107,800) |
| | Land Improvements | Buildings and Other Structures | Machinery and Equipment | Transportation Equipment | Furniture, Fixtures & Books | Construction in Progress | TOTAL |
| Adjustments | 0 | (59,874) | (33,743) | 0 | 0 | 0 | (93,617) |
| Reclassification | 86,695,699 | (3,214,000) | 2,500,000 | 0 | 714,000 | (86,695,699) | 0 |
| Balance, Dec. 31 | 391,576,689 | 1,401,309,203 | 1,923,099,864 | 83,420,878 | 19,230,712 | 178,462,512 | 3,997,099,858 |
| Accumulated Depreciation | | | | | | | |
| Balance, Jan. 1 | 151,627,164 | 534,433,772 | 1,109,115,669 | 40,998,960 | 9,614,833 | 0 | 1,845,790,398 |
| Depreciation | 18,417,486 | 51,720,701 | 82,333,047 | 5,452,306 | 1,263,985 | 0 | 159,187,525 |
| Adjustments | 1,899,938 | (219,613) | 1,496,974 | 0 | 80,325 | 0 | 3,257,624 |
| Balance, Dec. 31 | 171,944,588 | 585,934,859 | 1,192,945,690 | 46,451,266 | 10,959,143 | 0 | 2,008,235,546 |
| PPE, Net | P219,632,101 | P815,374,344 | P730,154,174 | P36,969,612 | P8,271,569 | P178,462,512 | P1,988,864,313 |

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 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 fifteen 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 ₱450,706,692 inclusive of the borrowing costs amounting to ₱9,716,910.

On February 10, 2015, the DOTr turned over to CIAC a Semi-Permanent Terminal Building costing ₱19,852,716. The construction of the said building was handled by the DOTr and completed per Certificate of Project Completion as of September 28, 2014.

9. INTANGIBLE ASSETS

Lodged under intangible assets are the various computer softwares in the total amount of ₱6,286,404, with a balance of ₱2,883,237, net of amortization. Finite useful life was adopted in the amortization of softwares with 60 months estimated life. Residual value was presumed to be zero.

10. FINANCIAL LIABILITIES

This account includes:

| | 2017 | 2016 | January 1, 2016 |
|--|----------------------|----------------------|----------------------|
| Current | | | |
| Accounts Payable | ₱ 154,062,563 | ₱ 75,805,567 | ₱ 193,248,518 |
| Tax Refunds Payable | 127,217 | 224,886 | 375,874 |
| Loans Payable Domestic (PVB) | 42,191,769 | 42,191,769 | 42,191,769 |
| Loans Payable Domestic (LBP) | 54,409,677 | 54,409,677 | 54,409,677 |
| Loans Payable Domestic (LBP) | 0 | 40,000,000 | 40,000,000 |
| Total Financial Liabilities - Current | ₱ 250,791,226 | ₱ 212,631,899 | ₱ 330,225,838 |
| Non-Current | | | |
| Loans Payable-Domestic (PVB) | 42,191,769 | 84,383,538 | 126,575,306 |
| Loans Payable-Domestic (LBP) | 258,445,968 | 312,855,645 | 367,265,324 |
| Total Financial Liabilities Non-Current | | | |
| Current | ₱ 300,637,737 | ₱ 397,239,183 | ₱ 493,840,630 |

10.1 Accounts Payable

This account refers to the accrual of various expenses incurred and various payables which remain unpaid.

10.2 Tax Refunds Payable

This account are taxes withheld from compensation of CIAC personnel which are in excess of taxes due, thus subject for refund to the personnel.

10.3 Loan Payable Domestic

The current annual loan amortizations are payable in four quarters. Principal amortizations per quarter to PVB and LBP amounting to ₱10.5 million and ₱13.6 million, respectively.

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 loan was fully paid on May 15, 2017.

10.4 Loan Payable – Domestic PVB

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 ₱337,534,152.

The payment of the first loan amortization of ₱10,547,942.24 was made in March 2012 and the succeeding payments every quarter thereafter. The outstanding balance as of December 31, 2017 is ₱84,383,538, inclusive of the current liability portion of the loan amounting to ₱42,191,769.

CIAC is also 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 of \$299,618.98 was fully paid by CDC on October 30, 2017.

10.5 Loan Payable – Domestic LBP

The Land Bank of the Philippines approved a ₱1,000,000,000 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 amounted to ₱12,875,000.

The payment of the first loan amortization of ₱12,875,000 was made in December 2015 and the succeeding payment of ₱13,602,419 every quarter thereafter. Balance as of December 31, 2017 is ₱312,855,645 inclusive of the current liability portion of the loan amounting to ₱54,409,677.

11. INTER-AGENCY PAYABLES

This caption consists of:

| | 2017 | 2016 | January 1, 2016 |
|--|-------------------|--------------------|-------------------|
| Current | | | |
| Due to BIR | ₱ 1,947,360 | ₱ 3,152,842 | ₱ 5,376,537 |
| Due to Pag-ibig | 368,768 | 389,941 | 491,133 |
| Due to Philhealth | 106,175 | 106,313 | 83,738 |
| Due to Government Corporations-CDC | 47,933,499 | 94,062,853 | 37,630,797 |
| Due to SSS | 475,422 | 481,461 | 530,628 |
| Income Tax Payable | 0 | 4,904,543 | 1,724,978 |
| Total Inter-Agency Payables - Current | 50,831,224 | 103,097,953 | 45,837,811 |
| Non-Current | | | |
| Due to Government Corporations-CDC | 0 | 53,637,640 | 62,001,506 |
| Due to Government Corporations- | | | |

| | 2017 | 2016 | January 1, 2016 |
|--------------------------------------|-----------------------|-----------------------|-----------------------|
| BCDA | 974,399,238 | 1,128,574,871 | 1,019,359,861 |
| Due to Government Corporations-DOTr | 707,242,197 | 672,932,197 | 491,265,017 |
| Total Inter-Agency Payables – | | | |
| Non-Current | 1,681,641,435 | 1,855,144,708 | 1,572,626,384 |
| Total Inter-Agency Payables | ₱1,732,472,659 | ₱1,958,242,661 | ₱1,618,464,195 |

11.1 Due to BIR refers to withheld taxes on compensation of employees and withheld taxes - expanded on suppliers, which are due for remittance.

11.2 Due to Pag-ibig are premiums and loans deducted from the payroll of personnel, which are due for remittance.

11.3 Due to Philhealth are premiums deducted from the payroll of personnel, which are due for remittance.

11.4 Due to Government Corporations - CDC (Current) account were the expenses of CIAC paid for by CDC after the cut-off date of April 30, 2011 on the reconciled intercompany accounts. In May 2017, CIAC has recorded the Debit/Credit Advice issued by CDC, to wit: 1) advance lease and security deposit paid by Nanox Philippines, Inc. to CDC in the amount of ₱14,819,760; and 2) various capital expenditures and operating expenses implemented/paid by CDC for the leased area of Nanox, in which the total expenses amounted to ₱16,706,849. In December 2017, CIAC added to this account the May 2011 loan amortization amounting to ₱32,727,978 which was not charged by CDC to BCDA. The balance to date of the account is ₱32,727,978.

Inter-Agency Payables (Non-Current) - Due to Government Corporation - 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 ₱242,369,112 as of October 31, 2006 transferred by CDC to CIAC in November 2006.

The balance of the account was reduced to ₱242,369,112 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, full payment of the loan has been made on October 30, 2017.

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

11.5 Due to SSS were the premiums and loans deducted from the payroll of personnel, which are due for remittance.

Income Tax Payable account represents the income tax which shall be due for remittance to the BIR and the local government units (LGUs).

11.6 Inter-Agency Payables (Non-Current) - Due to Government Corporation - 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 ₱735,561,035 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 ₱50,000,000 to finance the operating requirements of CIAC increasing the amount of Due to BCDA to ₱822,635,351 as of November 30, 2011. Other increase on this account is the loan amortization to Deutsche Bank paid by CDC and shouldered by BCDA for the account of CIAC.

Other funds released by BCDA to CIAC, as advances to CIAC, on July 27, 2015 and September 8, 2016 amounted to ₱25,000,000 and ₱100,000,000, respectively and on February 10, 2017, funds released amounted to ₱45,000,000. In March 2017, the said BCDA advances to CIAC totalling ₱220,000,000, inclusive of the ₱50 million advanced in November 2011, were applied as payment on the net revenue share of CIAC on the CCAC area under account Due from GOCC (BCDA). The balance to date of Due to BCDA account is ₱974,399,238.

11.7 Inter-Agency Payables (Non-Current) - Due to Government Corporation - DOTr

Due to DOTr refers to funding from the DOTr 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 DOTr 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 ₱270,000,000 was appropriated from the DOTr for the funding of APEC related projects.

Initial funds released by the DOTr to CIAC on April 29, 2014 amounted to ₱75,000,000 and additional funds were released on March 18, June 30 and December 29, 2015 in the amount of ₱141,540,570, ₱132,114,895 and ₱142,609,551, respectively. On June 9 and December 29, 2016 funds released amounted to ₱172,807,515 and ₱8,859,664 respectively, thus balance as of December 31, 2016 stood at ₱672,932,197.

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

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

Funds released by the DOTr on March 12, 2017 amounted to ₱6,600,000 (1st tranche) for the 2% pre-construction and supervision fund; and on October 5, 2017 amounted to ₱27,710,000 (2nd tranche) for the procurement of the consulting services for the detailed engineering and design of the horizontal infrastructure projects for the new terminal building project. Balance to date stood at ₱707,242,197.

12. INTRA-AGENCY PAYABLES

This caption is comprised of:

| | 2017 | 2016 | January 1, 2016 |
|--|--------------------|--------------------|------------------------|
| Due to Other Funds - Provident Fund | ₱ 4,034,037 | ₱ 4,007,502 | ₱ 17,293,834 |
| Due to Other Funds - CIAC Employees | | | |
| Multi-Purpose Cooperative (EMPC) | 8,096 | 8,096 | 8,096 |
| Due to Other Funds - Samahan ng Manggagawa sa DMIA (SMD) | | | |
| Union Dues | 39,900 | 41,700 | 41,950 |
| Total Intra-Agency Payables | ₱ 4,082,033 | ₱ 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. TRUST LIABILITIES

This account consists of:

| | 2017 | 2016 | January 1, 2016 |
|--|---------------------|---------------------|---------------------|
| Current | | | |
| Bail Bonds Payable-Bidders | ₱ 4,789,316 | ₱ 3,314,554 | ₱ 3,506,865 |
| Bail Bonds Payable- Concessionaires | 11,506,062 | 8,766,321 | 7,171,167 |
| Guaranty/Security Deposits Payable | 40,849,263 | 2,361,236 | 9,227,691 |
| Customers' Deposits Payable- Concessionaires | 8,192,440 | 7,887,520 | 7,435,238 |
| Total Trust Liabilities - Current | ₱ 65,337,081 | ₱ 22,329,631 | ₱ 27,340,961 |
| Non-Current | | | |
| Bail Bonds Payable-Locators (Long-Term) | ₱ 31,869,077 | ₱ 32,072,899 | ₱ 28,915,638 |
| Customers' Deposits Payable- Locators (Long-Term) | 63,029,760 | 42,296,445 | 40,820,787 |
| Total Trust Liabilities Non- Current | ₱ 94,898,837 | ₱ 74,369,343 | ₱ 69,736,425 |

Bail Bonds Payable pertains to cash performance security tendered by the bidders and concessionaires, in compliance with the provisions of 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 (a) failure to perform any or all obligations, undertakings and performance commitments, (b) pre-termination of lease agreement, or (c) failure to correct said failure within a period specified by the CIAC as stipulated in the lease agreement.

Guaranty/Security Deposits Payable refers 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.

Customers' Deposits Payable - Concessionaires (Current) represents security deposit, equivalent to three months rental being required from a concessionaire as a proof of intent to cover for any damage or unpaid rentals that may arise.

Bail Bonds Payable - Locators (Long-Term) refers to the performance bond, either in the form of cash bond or surety bond equivalent to six months of rentals, which is included in the lease agreement to guaranty the faithful performance of a locator in accordance with the said lease agreement.

Customers' Deposits Payable - Locators (Long-Term) refers to security deposit, 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.

14. DEFERRED CREDITS/UNEARNED INCOME

This account consists of:

| | 2017 | 2016 | January 1, 2016 |
|--|--------------------|---------------------|---------------------|
| Current: | | | |
| Advance Rent | ₱37,486,172 | ₱ 25,516,134 | ₱ 3,932,443 |
| Advance Landing and Parking Fees | 86,870 | 86,608 | 0 |
| Advance Concessionaire Fee | 481,853 | 320,120 | 310,423 |
| Unapplied Rent & Concessionaire Privilege Fees | 1,451,678 | 1,162,055 | 206,669 |
| Total Deferred Credits – Current | ₱39,506,573 | ₱ 27,084,917 | ₱ 74,449,535 |
| Non-Current | | | |
| Advance Rent | 10,912,632 | 2,522,445 | 7,999,384 |
| Total Deferred Credits Non-Current | ₱10,912,632 | ₱ 2,522,445 | ₱ 7,999,384 |

Advance Rent (Current) refers to advance payment made by locators 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 airlines which will be applied to future billings.

Advance Concessionaire Fee (Current) refers to advance payment made by concessionaires as required in the lease agreement equivalent to three months rental which are chargeable against future payments.

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.

Advance Rent (Long-Term) equivalent to three months rental is required to be paid by a locator per lease agreement chargeable against future lease payments.

15. OTHER PAYABLES

This account consists of:

| | 2017 | 2016 | January 1, 2016 |
|--------------------------------------|---------------------|---------------------|---------------------|
| Dividends Payable | ₱ 9,469,929 | ₱ 9,469,929 | ₱ 9,469,929 |
| Accounts Payable-Others | 76,415 | 92,796 | 95,304 |
| Untraced Deposits | 3,621,729 | 4,179,570 | 5,633,236 |
| Unapplied Concessionaires' Utilities | 587,093 | 570,465 | 570,466 |
| Total Other Payables | ₱ 13,755,166 | ₱ 14,312,760 | ₱ 15,768,935 |

Dividends Payable refers to the dividends due to the CIAC stockholders (for CY 2013). For CY 2014 to CY 2016, CIAC remitted to the Bureau of Treasury a total of ₱86,880,856 in July and August 2017 for the three year period.

Accounts Payable - Others refers to payables to various employees for unclaimed honoraria and additional expenses incurred during official travel.

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

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

16. STOCKHOLDERS' EQUITY

This account consists of the following:

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

An increase in capital authorization from ₱20,000,000 to ₱5,000,000,000 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 DOTr 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 1,000,000,000 on December 14, 2015.

Stockholder's Equity - Other Equity Instruments (Deposit for Future Stock Subscription – BCDA)

The CDC investment in CIAC in the amount of ₱832,248,261 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 ₱832,248,261 represents 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.

Added under this account are the BCDA fund releases intended for the ASEAN related projects. BCDA funds amounting to ₱57,036,726, ₱8,162,240, ₱92,257,788, ₱41,921,121, ₱10,261,695, ₱77,198,990 and ₱71,576,522 were received by CIAC on June 21, July 21, August 30, September 22, September 27, October 25, and November 22, 2017, thus balance to date stood at ₱1,190,663,344.

Stockholders, Equity - Other Equity Instruments (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 DOTr to the CIAC on February 10, 2015.

17. SERVICE AND BUSINESS INCOME

This account consists of the following:

| | 2017 | 2016 |
|---|--------------------|--------------------|
| Service Income and Other Service Income | | |
| Road Network Fees | ₱ 236,500,968 | ₱ 165,666,840 |
| Security Fees | 40,811,300 | 32,204,700 |
| Parking Fees | 14,649,250 | 8,640,540 |
| Total Service and Other Service Income | 291,961,518 | 206,512,080 |
| Business Income and Other Business Income | | |
| Rent/Lease Income | 346,553,008 | 329,845,894 |
| Landing and Parking Fees | 89,898,103 | 85,062,029 |
| CPF Share on Gross Income | 21,977,271 | 15,687,063 |
| Ad Space Rentals | 14,100,000 | 13,731,049 |
| Check in Counter Fees | 8,459,234 | 3,919,653 |
| Concessionaire Privilege Fees | 1,773,559 | 1,807,645 |

| | | |
|---|----------------------|----------------------|
| Total Business and Other Business Income | 482,761,175 | 450,053,333 |
| Total Service and Business Income | ₱ 774,722,693 | ₱ 656,565,413 |

Increase in Service Income and Other Service Income of ₱85,449,438 is attributed to the increase in the volume of paying passengers.

Increase in Business Income and Other Business Income of ₱32,707,841 is attributed to various accounts, to wit: a) Rent/Lease Income increased by ₱16,707,114 due to increase in locators and concessionaires located inside the aviation area; b) Landing and Parking Fees increased by ₱4,836,074 as a result of the increase in the number of airlines plying the route via Clark airport; c) CPF Share on Gross Income increased by ₱6,290,208 as a result of the increase in the revenue generated by locators and concessionaires; and d) Check in Counter fees increased by ₱4,539,581 due to increase in the number of flights.

18. GAINS

This account consists of the following:

| | 2017 | 2016 |
|----------------------------------|-------------|-------------|
| Gain on Foreign Exchange (FOREX) | ₱ 3,437,525 | ₱ 4,513,747 |

Decrease in Gain on FOREX of ₱1,076,221 is attributed to gain on FOREX of ₱937,383.38 for year 2016 on the year-end revaluation of dollar denominated funds.

19. OTHER NON-OPERATING INCOME

This account consists of the following:

| | 2017 | 2016 |
|---|---------------------|---------------------|
| Miscellaneous Income | ₱ 25,167,494 | ₱ 9,546,304 |
| Interest Income | 13,782,372 | 5,170,639 |
| Total Other Non-Operating Income | ₱ 38,949,866 | ₱ 14,716,943 |

Increase in Other Income of ₱24,232,924 is attributed to various accounts, as follow: a) Miscellaneous Income rose by ₱15,621,190 accounted from forfeiture of performance security and disposal of assorted metal scrap; and b) Interest Income increase of ₱8,611,734 accounted from interest earned from bank deposit accounts and short-term placements.

20. PERSONNEL SERVICES

This account consists of the following:

| | 2017 | 2016 |
|---------------------------------|----------------------|----------------------|
| Salaries and Wages | ₱ 114,347,252 | ₱ 114,257,664 |
| Other Compensation | 45,259,741 | 52,096,407 |
| Personnel Benefits Contribution | 14,616,664 | 14,227,732 |
| Other Personnel Benefits | 30,621,169 | 27,614,006 |
| Total Personnel Services | ₱ 204,844,826 | ₱ 208,195,809 |

21. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account consists of the following:

| | 2017 | 2016 |
|--|----------------------|----------------------|
| Travelling expenses | ₱ 697,862 | ₱ 825,598 |
| Training and scholarship expenses | 2,553,396 | 1,830,764 |
| Supplies and material expenses | 9,502,286 | 8,394,307 |
| Utility expenses | 63,328,774 | 49,566,493 |
| Communication expenses | 2,225,784 | 2,430,256 |
| Awards and indemnities | 0 | 200,000 |
| Professional services | 91,982,288 | 76,544,102 |
| Repairs and maintenance | 40,621,828 | 25,732,093 |
| Taxes, insurance premiums and other fees | 5,339,897 | 6,475,969 |
| Other Maintenance and Operating Expenses | 12,570,817 | 7,211,755 |
| Total MOOE | ₱ 228,822,932 | ₱ 179,211,337 |

22. FINANCIAL EXPENSES

This account consists of the following:

| | 2017 | 2016 |
|--------------------------------|---------------------|---------------------|
| Interest Expenses | ₱ 21,578,945 | ₱ 27,362,224 |
| Bank Charges | 126,165 | 113,021 |
| Total Non-Cash Expenses | ₱ 21,705,110 | ₱ 27,475,245 |

23. NON-CASH EXPENSES

This account consists of the following:

| | 2017 | 2016 |
|--------------|---------------|---------------|
| Depreciation | ₱ 167,547,613 | ₱ 159,187,525 |

| | 2017 | 2016 |
|---|----------------------|----------------------|
| Impairment Loss | 489,266 | 14,102,414 |
| Loss on Foreign Exchange (FOREX) | 2,994,567 | 2,011,082 |
| Loss on Sale of Property, Plant and Equipment | 0 | 1,108,984 |
| Total Non-Cash Expenses | ₱ 171,031,446 | ₱ 176,410,005 |

24. OTHER ADJUSTMENTS

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

| | 2017 | 2016 |
|--|---------------|-----------|
| Various operating expenses in Nanox area implemented and paid by CDC in July, August & December 2015 | ₱ (3,864,570) | 0 |
| Declaration of dividends for CY 2014 and CY 2015 | (18,826,056) | 0 |
| Declaration of dividends for CY 2016 | (68,054,800) | 0 |
| Depreciation of donated airport trolley carts to CIAC for period August 2012 to July 2015 | (3,600,000) | |
| Cost of desktop computers donated by CIAC in Jan 2014 | (2,418,284) | 0 |
| Reversal of depreciation of donated desktop computers for Jan 2014 to Dec 2016 | 1,305,873 | 0 |
| Reversal of payables outstanding for more than two years | 3,278,435 | 0 |
| Adjustment on allowance for impairment of receivables | 2,244,423 | 0 |
| Lease revenue from various locators for Sept to Dec 2016 | 1,404,759 | 0 |
| Revenue share (differential) from Clark Civil Aviation Complex for prior years | 81,586,890 | 0 |
| Space rental, utility charges from various locators for January to December 2016 | 1,465,331 | 0 |
| Space rental for July 17-December 31, 2016 | 983,638 | 0 |
| Aeronautical fees and check-in counter fees for March 2014 to December 2016 | 15,453,466 | 0 |
| Revenue from an airline for Dec2013 to Aug 2016 | 8,639,248 | 0 |
| Loss on sale of properties in 2014, 2015 & 2016 | (2,109,912) | 0 |
| Airport trolley carts donated to CIAC in July 2012 | 4,000,000 | 0 |
| Reversal of lease payment remitted by CDC to CIAC thru BCDA | (1,264,911) | 0 |
| Various income accounts | 2,084,013 | (551,450) |

| | 2017 | 2016 |
|--|---------------------|----------------------|
| Various operating expenses | (1,983,722) | (316,886) |
| Depreciation of various spare parts (July to Dec 2015) | 0 | (954,644) |
| Depreciation of project: repair of damaged pavement at portion of Taxiway D and F2 | 0 | (1,899,937) |
| Forfeiture of performance security | 0 | 1,643,334 |
| Adjustment on rent income (Aug to Dec 2015) | 0 | (2,601,123) |
| Total Correction of Prior Year's Errors | ₱ 20,323,821 | ₱ (4,680,706) |

25. CONTINGENCIES

A labor case was filed against CIAC before the 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 per 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 per NLRC Case No. RAB-III-10-23305-15, a decision was issued by the NLRC, in May 2016, in favor of the complainant.

Contingent liability re: Administrative Arbitration: CIAC Case No. 27-2017 Collection of alleged unpaid account by A.G. Araja Construction and Development Corporation (Claimant)

The claimant (A.G. Araja) filed before the Construction Industry Arbitration Commission a case against CIAC for the collection of the alleged unpaid amount of work variation orders for the project "Terminal I - Expansion Project Phase I" in the total amount of:

| | |
|--|-------------------------------|
| Alleged unpaid balance of variation orders | ₱ 10,438,003.66 |
| Interest (being claimed) | 4,000,000.00 |
| Total claim | <u>₱ 14,438,003.66</u> |

Total alleged claim excludes arbitration fees of ₱456,230.65 based on the computation of the Arbitration Commission, payment of which shall be subject to the determination of the tribunal who among the parties shall shoulder the costs.

26. 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

| | |
|------------------|------|
| VAT input taxes | None |
| VAT output taxes | None |

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)

For the year 2017, no DST were paid due to non-incurrence of transactions requiring documentary stamps tax.

c. Withholding Taxes

| | 2017 |
|--------------------------------------|---------------------|
| Tax on compensation and benefits | ₱ 23,644,476 |
| Creditable withholding tax- expanded | 11,109,637 |
| Total Withholding Taxes | ₱ 34,754,113 |

An accrual of ₱1,740,999 and ₱215,784 were recorded for tax on compensation and expanded, respectively, as of year-end which will be remitted in January 2018.

d. Other taxes and licenses

| | 2017 |
|---------------------------------------|---------------------|
| 5% Tax on Gross Income Earned (GIE): | |
| Local Government Units (LGUs) share | ₱ 7,647,093 |
| National Government/BIR share | 11,470,639 |
| BIR Annual Registration | 500 |
| Total Other Taxes and Licenses | ₱ 19,118,232 |