

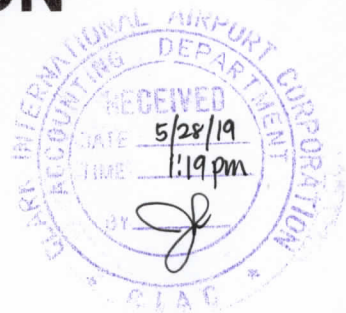


Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

CLARK INTERNATIONAL AIRPORT CORPORATION



For the Year Ended December 31, 2018



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

INDEPENDENT AUDITOR'S REPORT

JAIME ALBERTO C. MELO

OIC-President and CEO

Clark International Airport Corporation

Clark Freeport Zone, Pampanga

Unmodified Opinion

We have audited the accompanying financial statements of the Clark International Airport Corporation (CIAC), a subsidiary of the Bases Conversion and Development Authority (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, 2018, 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.

In our opinion the financial statements present fairly, in all material respects, the financial position of Clark International Airport Corporation as at December 31, 2018, and its comprehensive income, changes in equity, cash flows and notes to financial statements for the year then ended in accordance with the Philippine Financial Reporting Standards (PFRSs).

Basis for Unmodified Opinion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities of the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled out other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSSs, 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.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

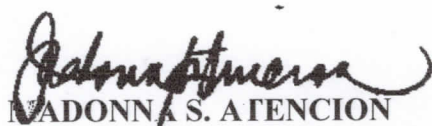
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2018 required by the Bureau of Internal Revenue as disclosed in Note 27 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

by:


MADONNA S. ATENCION
OIC-Supervising Auditor

28 February 2019



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, 2018, 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.

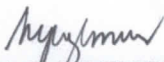
The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

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



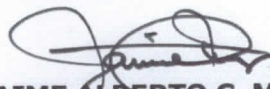
MANUEL ANTONIO L. TAMAYO
Alternate Chairman, Board of Directors

Date Signed



NANCY C. PAGLINAWAN
Officer-in-Charge
Office of the Vice President, Finance
and Administration Group

Date Signed



JAIME ALBERTO C. MELO
Officer-in-Charge
President and Chief Executive Officer

Date Signed

CLARK INTERNATIONAL AIRPORT CORPORATION
STATEMENT OF FINANCIAL POSITION
As at December 31, 2018
(With Comparative Figures for CY 2017)
(Amounts rounded to the nearest peso)

	<i>Notes</i>	2018	2017
Current Assets			
Cash and cash equivalents	2, 3	2,133,457,260	473,605,496
Receivables	4	146,931,010	167,399,457
Inventories	5	10,148,638	9,726,619
Other current assets	6	12,674,682	29,333,736
Total Current Assets		2,303,211,590	680,065,308
Noncurrent Assets			
Other investments	7	67,159,298	109,105,914
Property, plant and equipment, Net	2, 8	2,212,481,577	2,311,696,263
Intangible assets	9	2,494,590	2,883,237
Other noncurrent assets	6	46,187,794	14,236,078
Total Noncurrent Assets		2,328,323,259	2,437,921,492
TOTAL ASSETS		4,631,534,849	3,117,986,800
LIABILITIES			
Current Liabilities			
Financial Liabilities	10	184,034,624	250,791,226
Inter-agency payables	11	57,199,842	50,831,224
Intra-agency payables	12	1,534,487	4,082,033
Trust liabilities	13	34,124,602	65,337,081
Deferred credits/Unearned income	14	32,037,198	39,506,573
Other payables	15	14,904,713	13,755,166
Total Current Liabilities		323,835,466	424,303,303
Noncurrent Liabilities			
Financial liabilities	10	204,036,290	300,637,737
Inter-agency payables	11	2,946,375,465	1,681,641,435
Trust liabilities	13	126,477,873	94,898,837
Deferred credits/Unearned income	14	27,377,018	10,912,632
Total Noncurrent Liabilities		3,304,266,646	2,088,090,641
Total Liabilities		3,628,102,112	2,512,393,944
Equity			
Retained earnings/(Deficit)		(324,928,059)	(606,173,205)
Stockholders' equity		1,328,360,796	1,211,766,061
Total Equity		1,003,432,737	605,592,856
TOTAL LIABILITIES and EQUITY		4,631,534,849	3,117,986,800

The notes on pages 8 to 35 form part of these statements.

CLARK INTERNATIONAL AIRPORT CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
For the years ended December 31, 2018
(With Comparative Figures for CY 2017)
(Amounts rounded to the nearest peso)

	<i>Notes</i>	2018	2017
INCOME			
Service and business income	17	1,000,529,538	774,722,693
Gains	18	12,128,426	3,437,525
Other non-operating income	19	62,910,674	38,949,866
Total Income		1,075,568,638	817,110,084
EXPENSES			
Personnel Services	20	(229,735,655)	(204,844,826)
Maintenance and other operating expenses	21	(268,640,230)	(228,822,932)
Financial expenses	22	(17,393,067)	(21,705,110)
Non-cash expenses	23	(216,698,450)	(171,031,446)
Total Expenses		(732,467,402)	(626,404,314)
Profit/(Loss) Before Tax		343,101,236	190,705,770
Income Tax Expense/(Benefit)		(16,503,436)	(13,530,388)
Profit/(Loss) After Tax		326,597,800	177,175,382
Assistance and Subsidy	24	(7,485,660)	0
Net Income/(Loss)		319,112,140	177,175,382
Other Comprehensive Income/(Loss) for the period		0	0
Comprehensive Income/(Loss)		319,112,140	177,175,382

The notes on pages 8 to 35 form part of these statements.

CLARK INTERNATIONAL AIRPORT CORPORATION
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2018
(With Comparative Figures for CY 2017)
(Amounts rounded to the nearest peso)

	Notes	Retained Earnings/ (Deficit)	Contributed Capital	Donated Capital	Share Capital	Total
Balance at January 1, 2017		(803,672,409)	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		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	25	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
Changes in Equity for 2018						
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	116,594,735	0	0	116,594,735
Members' contribution		0	0	0	0	0
Comprehensive income for the year		319,112,140	0	0	0	319,112,140
Dividends		0	0	0	0	0
Other adjustments	25	(37,866,994)	0	0	0	(37,866,994)
Balance at December 31, 2018		(324,928,059)	1,307,258,080	19,852,716	1,250,000	1,003,432,737

The notes on pages 8 to 35 form part of these statements.

CLARK INTERNATIONAL AIRPORT CORPORATION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2018
(With Comparative Figures for CY 2017)
(Amounts rounded to the nearest peso)

	<i>Notes</i>	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of income/revenue		481,433,911	418,214,353
Collection of receivables		576,638,502	467,632,711
Receipt of inter-agency fund transfers		1,381,328,765	392,725,084
Trust receipts		37,568,559	20,397,801
Other receipts		408,641,769	444,262,127
Total Cash Inflows		2,885,611,506	1,743,232,076
Adjustments		13,801,386	3,228,486
Adjusted Cash Inflows		2,899,412,892	1,746,460,562
Cash Outflows			
Payment of expenses		338,359,073	257,601,340
Grant of cash advances		4,152,179	3,704,640
Payment of accounts payable		202,475,568	186,989,394
Remittance of taxes withheld-expanded and income tax		20,983,348	24,618,032
Grant of financial assistance/subsidy/contribution		6,678,891	0
Other disbursements		435,799,488	321,442,706
Total Cash Outflows		1,008,448,547	794,356,112
Adjustments		3,103,294	5,610,674
Adjusted Cash Outflows		1,011,551,841	799,966,786
Net Cash Provided By/(Used In) Operating Activities		1,887,861,051	946,493,776
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Investments in time deposits		342,212,741	438,383,964
Receipt of interest earned		6,117,794	2,457,129
Proceeds from matured investments		16,126,559	327,198,734
Total Cash Inflows		364,457,094	768,039,827
Adjustments		0	0
Adjusted Cash Inflows		364,457,094	768,039,827
Cash Outflows			
Purchase/construction of property, plant and equipment		142,898,250	380,523,201
Placements in time deposits		303,188,000	548,351,311
Termination of time deposits		32,553,820	349,523,970
Total Cash Outflows		478,640,070	1,278,398,482
Net Cash Provided By (Used In) Investing Activities		(114,182,976)	(510,358,655)
CASH FLOWS FROM FINANCING ACTIVITIES			
Total Cash Inflows		0	0
Cash Outflows			
Payment of long-term liabilities		96,601,446	136,601,446
Payment of interest on loans and other financial charges		17,224,865	20,004,350
Payment of cash dividends to the National Government		0	86,880,857
Total Cash Outflows		113,826,311	243,486,653
Net Cash Provided By (Used In) Financing Activities		(113,826,311)	(243,486,653)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,659,851,764	192,648,468
CASH AND CASH EQUIVALENTS, JANUARY 1	2.3	473,605,496	280,957,028
CASH AND CASH EQUIVALENTS, DECEMBER 31	2.3	2,133,457,260	473,605,496

The notes on pages 8 to 35 form part of these statements.

CLARK INTERNATIONAL AIRPORT CORPORATION
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2018
(With comparative figures for CY 2017)
(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 ₱41,741,196.00 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 ₱1,250,000.00 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.

On April 30, 2018, BCDA started the process of bid-out of the Operation and Maintenance (O&M) of the terminal operation. On December 20, 2018, the Notice of Award was issued to the North Luzon Airport Consortium composed of Filinvest, JG Summit and Changi Airport, who was declared as the winning concessionaire. As of writing, the hold-over of the airport operations to the winning O&M concessionaire has yet to take place.

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 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 were 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)

CIAC has adopted the PFRS and PAS effective January 1, 2016. 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 to second paragraph of 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 was 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 the 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 employee's contribution is fixed at 2.5% of the basic salary. Effective June 2018, the employer's contribution is on hold while awaiting for a clearance if this will still be in force after the adjustment of the salaries of employees based on the modified salary structure of the salary standardization law.

For the defined benefit plan, CIAC in the previous years, implemented 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, 2018, total unrecorded retirement benefits amounted to ₱280.31 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 26 for contingent liability.

3. CASH AND CASH EQUIVALENTS

This account consists of:

Particulars	2018	2017
Cash - Collecting Officers	₱ 12,078,710	₱ 4,453,458
Petty Cash	198,917	76,827
Cash in Bank - Local Currency (LC), Current Account (CA) Philippine Veterans Bank (PVB), Clark	9,461,442	1,836,483
Cash in Bank - LC, CA United Coconut Planters Bank (UCPB), Clark	35,208,239	50,676,260
Cash in Bank - LC, CA Land Bank of the Philippines (LBP), Clark	105,766,812	57,284,409
Cash in Bank - LC, CA LBP - Department of Transportation (DOTr) Funds	1,247,899,585	26,487,265
Cash in Bank - LC, CA LBP - CIAC Non- Infrastructure	23,773,879	10,747,704
Cash in Bank - LC, CA LBP - CIAC Operating Expense (OPEX)	19,167,806	13,784,111
Cash in Bank - LC, CA LBP - CIAC Infrastructure Projects	1,410,476	1,393,919
Cash in Bank - Foreign Currency (FC), Savings Account (SA) PVB, Clark	252,526	218,251
Cash in Bank - FC, SA LBP, Clark	81,529,434	33,071,091
Time Deposits - LC	392,723,167	197,112,693
Time Deposits - FC	203,986,267	76,463,025
Total Cash and Cash Equivalents	₱2,133,457,260	₱473,605,496

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 are 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 124 days bearing interest rates from 1.9% to 5.0%.

Time Deposits - Foreign Currency represents short-term placements of foreign currency denominated funds with maturity periods ranging from 60 to 91 days bearing interest rates from 0.9% to 2.0%.

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 is 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:

Particulars	2018	2017
Accounts Receivable-Trade	₱ 92,075,528	₱ 109,704,030
Allowance for Impairment-Accounts Receivable	(39,053,048)	(32,706,250)
Accounts Receivable-Others	6,966,271	7,199,635
Accounts Receivables-Accrued Landing and Parking Fees	11,259,776	9,144,261
Accounts Receivable-Bank Charges	7,646	7,646
Interest Receivable	2,942,865	311,388
Due from Government Corporations-CDC	49,861,652	49,868,565
Due from Government Corporations-BCDA	395,171	395,171
Due from Government Corporations-MIAA	173,434	173,434
Due from Government Corporations-CIAC Provident Fund	20,915,545	21,134,824
Receivables-Disallowances/Charges	74,468	74,468
Due from Officers and Employees	1,069,404	901,272
Other Receivables	242,298	1,191,013
Total Receivables	₱ 146,931,010	₱ 167,399,457

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 values of the properties are unobtainable for the reason that the properties are no longer available in the market.

Allowance for Impairment-Accounts Receivable

The Allowance for Impairment of Accounts Receivable of ₱3,487,256.34 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, 2018 is ₱39,053,048.97.

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.

Accounts Receivable - Accrued Landing and Parking Fees

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

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.

Interest Receivable

This account represents the accrued interest income from time deposits.

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. However, starting January 2018, CIAC has started collecting the UPS rent payment. 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.

Due from Government Corporations - BCDA

This 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.

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.

Due from Government Corporations – CIAC

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

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.

Due from Officers and Employees

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

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:

2018					
Particulars	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	₱9,726,619	0	0	₱9,726,619
Additions/Acquisitions during the year	0	6,684,862	0	0	6,684,862
Expensed during the year except write-down	0	(6,262,843)	0	0	(6,262,843)
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	₱10,148,638	0	0	₱10,148,638

2017					
Particulars	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

6. OTHER ASSETS

This account includes:

Particulars	2018	2017
Current Assets		
Advances to Contractors	₱ 1,500,000	₱ 17,028,554
Prepaid Insurance	1,348,056	2,760,463
Creditable Input Tax	325,793	0
Other Prepayments	25,783	147,382
Guaranty Deposits	9,475,050	9,397,337
Total Current Assets	12,674,682	29,333,736
Non-Current Assets		
Restricted Fund	6,530,041	2,506,204
Other Assets-Unserviceable Assets	39,657,753	11,729,874
Total Non-Current Assets	₱ 46,187,794	₱ 14,236,078

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 and flight information display system, 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 membership subscription to an airline magazine 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

Particulars	Amount
2) Representing cash bond posted in February 2015 for illegal dismissal per NLRC Case No. RAB-III-06-17828-11.	2.02 million
3) Representing appeal bond posted in April 2018 for illegal dismissal, regularization, non-payment of salaries, overtime pay, 13th month pay and incentive leave per NLRC Case No. RAB-III-11-24892-16.	4.02 million
Total Restricted Fund	₱6.5 million

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

7. OTHER INVESTMENTS

Particulars	2018	2017
Sinking Fund	₱ 50,024,998	₱ 52,053,372
Investments in Time Deposits-Foreign		
Currency	17,134,000	56,168,242
Investment in Stocks	300	300
Other Investments – MGCC Shares	0	884,000
Total Investments	₱ 67,159,298	₱ 109,105,914

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).

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

The details of this group of accounts follow:

2018							
Particulars	Land Improvements	Buildings and Other Structures	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures & Books	Construction in Progress	TOTAL
Cost							
Balance, Jan. 1	P457,913,356	P1,406,481,410	P2,090,375,942	P82,532,713	P22,823,863	P396,904,504	P4,457,031,788
Additions	71,835,327	8,036,683	74,064,813	0	4,517,376	0	158,454,199
Disposals	0	0	(20,520,780)	(3,594,000)	(312,951)	0	(24,427,731)
Reclassification	296,270,129	(30,465,406)	(272,551,558)	(4,153,392)	(69,003)	(396,904,504)	(407,873,734)
Balance, Dec. 31	826,018,812	1,384,052,687	1,871,368,417	74,785,321	26,959,285	0	4,183,184,522
Accumulated Depreciation							
Balance, Jan. 1	199,468,996	627,361,865	1,257,220,299	50,788,704	10,495,661	0	2,145,335,525
Depreciation	52,293,556	44,106,367	103,030,173	5,136,787	1,681,320	0	206,248,203
Disposals	0	0	(19,290,373)	(3,234,600)	(94,743)	0	(22,619,716)
Adjustments	3,015,846	(112,314,608)	(245,208,459)	(3,738,053)	(15,793)	0	(358,261,067)
Balance, Dec. 31	254,778,398	559,153,624	1,095,751,640	48,952,838	12,066,445	0	1,970,702,945
PPE, Net	P571,240,414	P824,899,063	P775,616,777	P25,832,483	P14,892,840	P 0	P2,212,481,577

2017							
Particulars	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	P1,401,309,203	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

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 ₱5,976,404.81, with a balance of ₱2,494,589.84, net of amortization. Finite useful life was adopted in the amortization of software with 60 months estimated life. Residual value was presumed to be zero.

10. FINANCIAL LIABILITIES

This account includes:

Particulars	2018	2017
Current		
Accounts Payable	₱ 87,052,560	₱ 154,062,563
Tax Refunds Payable	380,618	127,217
Loans Payable Domestic (PVB)	42,191,769	42,191,769
Loans Payable Domestic (LBP)	54,409,677	54,409,677

Total Financial Liabilities - Current	₱ 184,034,624	₱ 250,791,226
Non-Current		
Loans Payable-Domestic (PVB)	0	42,191,769
Loans Payable-Domestic (LBP)	204,036,290	258,445,968
Total Financial Liabilities Non-Current	₱ 204,036,290	₱ 300,637,737

Accounts Payable

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

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.

Loan Payable Domestic

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

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.

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 ₱434,550,000.

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, 2018 is ₱258,445,967 inclusive of the current liability portion of the loan amounting to ₱54,409,677.

11. INTER-AGENCY PAYABLES

This caption consists of:

	2018	2017
Current		
Due to BIR	P 2,316,307	P 1,947,360
Due to Pag-ibig	336,629	368,768
Due to Philhealth	142,217	106,175
Due to Government Corporations-CDC	48,158,028	47,933,499
Due to SSS	480,887	475,422
Income Tax Payable	5,765,774	0
Total Inter-Agency Payables - Current	57,199,842	50,831,224
Non-Current		
Due to Government Corporations-BCDA	974,399,238	974,399,238
Due to Government Corporations-DOTr	1,971,976,227	707,242,197
Total Inter-Agency Payables - Non-Current	2,946,375,465	1,681,641,435
Total Inter-Agency Payables	P3,003,575,307	P1,732,472,659

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

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

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

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 P14,819,760; 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 P16,706,849. In December 2017, CIAC added to this account the May 2011 loan amortization amounting to P32,727,978 which was not charged by CDC to BCDA. The balance to date of the account is P48,158,028.

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).

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 totaling ₱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.

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. On September 25, 2018 funds released amounted to ₱21.83 million (3rd tranche) for consulting services for the detailed engineering and design for the new terminal building project.

On December 27, 2018, funds released amounted to ₱1.24 billion for the project cost of the horizontal infrastructure for the new terminal building project. Balance to date of the account Due to DOTr stood at ₱1,971,976,226.66 as of December 31, 2018.

12. INTRA-AGENCY PAYABLES

This caption is comprised of:

Particulars	2018	2017
Due to Other Funds - Provident Fund	₱ 1,487,191	₱ 4,034,037
Due to Other Funds - CIAC Employees Multi-Purpose Cooperative (EMPC)	8,096	8,096
Due to Other Funds - Samahan ng Manggagawa sa DMIA (SMD) Union Dues	39,200	39,900
Total Intra-Agency Payables	₱ 1,534,487	₱ 4,082,033

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:

Particulars	2018	2017
Current		
Bail Bonds Payable-Bidders	P 6,900,711	P 4,789,316
Bail Bonds Payable-Concessionaires	14,121,035	11,506,062
Guaranty/Security Deposits Payable	3,405,609	40,849,263
Customers' Deposits Payable-Concessionaires	9,697,247	8,192,440
Total Trust Liabilities - Current	P 34,124,602	P 65,337,081
Non-Current		
Bail Bonds Payable-Locators (Long-Term)	P 48,935,522	P 31,869,077
Customers' Deposits Payable-Locators (Long-Term)	77,542,351	63,029,760
Total Trust Liabilities Non-Current	P 126,477,873	P 94,898,837

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:

Particulars	2018	2017
Current:		
Advance Rent	P 30,235,503	P 37,486,172
Advance Landing and Parking Fees	134,853	86,870
Advance Concessionaire Fee	466,963	481,853
Unapplied Rent & Concessionaire Privilege Fees	1,199,879	1,451,678
Total Deferred Credits – Current	P 32,037,198	P 39,506,573
Non-Current		
Advance Rent	27,377,018	10,912,632
Total Deferred Credits Non-Current	P 27,377,018	P 10,912,632

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:

	2018	2017
Dividends Payable	P 9,469,929	P 9,469,929
Accounts Payable-Others	41,866	76,415

	2018	2017
Untraced Deposits	4,802,649	3,621,729
Unapplied Concessionaires' Utilities	590,269	587,093
Total Other Payables	₱ 14,904,713	₱ 13,755,166

Dividends Payable refers to the dividends for CY2013 due to the CIAC stockholders. In June 2014, CIAC remitted to the Bureau of Treasury the CY2013 dividends amounting to ₱9,469,928.98. Further, in July and August 2017, CIAC remitted to the Bureau of Treasury dividends for CYs 2014 to 2016 in the total amount of ₱86,880,856.66. For CYs 2017 and CY2018, the CIAC Board approved the declaration of dividends however it also approved the request of management for a downward adjustment of dividend rate to 0% due to the negative retained earnings of the corporation pursuant to Section 7 of the revised IRR of RA No. 7656. Thus a request letter was sent to Department of Finance (DOF) for the approval of said request. As of the date of this report, no reply has been received from the concerned government agency relative to the request of CIAC.

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. For CY 2017, total funds released by BCDA to CIAC amounted to ₱358,415,083.64. On January 17, February 22, March 13, May 23, September 12, and November 8, 2018, BCDA funds received by CIAC amounted to ₱21,152,563.56, ₱20,382,189.95, ₱8,586,094.53, ₱41,800,878.65, ₱21,170,123.50, and ₱3,502,885.13, respectively, thus balance to date stood at ₱1,307,258,080.28.

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:

Particulars	2018	2017
Service Income and Other Service Income		
Road Network Fees	₱ 351,289,118	₱ 236,500,968
Security Fees	50,577,500	40,811,300
Parking Fees	20,321,990	14,649,250
Total Service and Other Service Income	422,188,608	291,961,518
Business Income and Other Business Income		
Rent/Lease Income	394,635,599	346,553,008
Landing and Parking Fees	100,938,505	89,898,103
CPF Share on Gross Income	60,334,392	21,977,271
Ad Space Rentals	8,919,000	14,100,000
Check in Counter Fees	11,547,279	8,459,234
Concessionaire Privilege Fees	1,966,155	1,773,559

Total Business and Other Business Income	578,340,930	482,761,175
Total Service and Business Income	₱ 1,000,529,538	₱ 774,722,693

Increase in Service Income and Other Service Income of ₱130,227,090 is attributed to the increase in the volume of paying passengers.

Increase in Business Income and Other Business Income of ₱95,579,755 is attributed to various accounts, to wit: a) Rent/Lease Income increased by ₱48,082,591 due to increase in locators and concessionaires located inside the aviation area; b) Landing and Parking Fees increased by ₱11,040,401 as a result of the increase in the number of airlines plying the route via Clark airport and consequently, the huge increase in the volume of passengers; c) CPF Share on Gross Income increased by ₱38,357,121 as a result of the increase in the revenue generated by locators and concessionaires; and d) Check in Counter fees increased by ₱3,088,046 due to increase in the number of flights and passengers.

18. GAINS

Increase in Gain on FOREX of ₱8,690,901 is attributed to gain on FOREX of ₱7,847,366 for year 2018 on the year-end revaluation of dollar denominated funds.

19. OTHER NON-OPERATING INCOME

This account consists of the following:

Particulars	2018	2017
Miscellaneous Income	₱ 35,281,306	₱ 25,167,494
Interest Income	27,629,368	13,782,372
Total Other Non-Operating Income	₱ 62,910,674	₱ 38,949,866

Increase in Other Income of ₱23,960,808 is attributed to various accounts, as follow: a) Miscellaneous Income rose by ₱10,113,811 accounted from upfront fee paid by a locator; and b) Interest Income increase of ₱13,846,997 accounted from interest earned from bank deposit accounts and short-term placements.

20. PERSONNEL SERVICES

This account consists of the following:

Particulars	2018	2017
Salaries and Wages	₱ 146,728,403	₱ 114,347,252
Other Compensation	55,150,054	45,259,741
Personnel Benefits Contribution	10,778,897	14,616,664
Other Personnel Benefits	17,078,301	30,621,169
Total Personnel Services	₱ 229,735,655	₱ 204,844,826

Increase in Personnel Services of ₱24,890,829.68 was attributed to the salary increase of personnel as a result of the corporation's migration to the salary structure prescribed under the salary standardization law and approved by the Governance Commission for GOCCs (GCG).

21. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account consists of the following:

Particulars	2018	2017
Travelling expenses	₱ 463,692	₱ 697,862
Training and scholarship expenses	2,549,234	2,553,396
Supplies and material expenses	11,493,047	9,502,286
Utility expenses	71,458,983	63,328,774
Communication expenses	2,765,411	2,225,784
Awards and indemnities	9,497,737	0
Professional services	108,812,474	91,982,288
Repairs and maintenance	41,476,656	40,621,828
Taxes, insurance premiums and other fees	5,873,535	5,339,897
Other Maintenance and Operating Expenses	14,249,461	12,570,817
Total MOOE	₱ 268,640,230	₱ 228,822,932

Increase in MOOE of ₱39,817,297.75 is attributed to various accounts, as follow: 1) Utility Expenses increase of ₱8,130,208.87 due to increase in airport operations; 2) Awards and Indemnities in the amount of ₱9,497,736.57 paid to A.G.Araja for final award re: Administrative Arbitration: CIAC Case No. 27-2017 Collection of alleged unpaid account filed by the said contractor; and 3) Professional Services increase of ₱16,830,186.09 accounted from additional manpower requirements of CIAC for airport services, ground maintenance, janitorial services and security services.

22. FINANCIAL EXPENSES

This account consists of the following:

Particulars	2018	2017
Interest Expenses	₱ 17,224,865	₱ 21,578,945
Bank Charges	168,201	126,165
Total Financial Expenses	₱ 17,393,066	₱ 21,705,110

23. NON-CASH EXPENSES

This account consists of the following:

Particulars	2018	2017
Depreciation	₱ 206,248,203	₱ 167,547,613
Amortization	78,647	0
Impairment Loss	6,346,799	489,266
Loss on Foreign Exchange (FOREX)	3,336,137	2,994,567
Loss on Sale of Property, Plant and Equipment	688,664	0
Total Non-Cash Expenses	₱ 216,698,450	₱ 171,031,446

24. FINANCIAL ASSISTANCE/SUBSIDY/CONTRIBUTION

The amount of ₱7,485,659.71 represents payment of financial assistance to informal settlers in the area where the Terminal 2 is being constructed.

25. OTHER ADJUSTMENTS

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

Particulars	2018	2017
Lease revenue from a locator for Sept 2016 to Dec 2017	₱ 1,195,898	₱ 0
Revenue from an airline operator for Feb 2014 to March 2017	6,860,405	0
Performance based bonus for CY 2016	(6,124,522)	0
Derecognition of various accounts under Building Improvements account	(14,727,735)	0
Retroactive salary for period Jan to Dec 2017 of officers due to implementation of modified salary structure of the SSL	(13,543,717)	0
Retroactive salary for period Jan to Dec 2017 of rank and file due to implementation of modified salary structure of the SSL	(11,031,624)	0
Remittance of BIR's tax assessment on CY 2015 income tax	(2,254,409)	0
Depreciation of project: pavement rehabilitation works at the airfield for period Nov to Dec 2017	(2,049,180)	0
Depreciation of project: upgrading of landside facilities at the Civil Aviation Complex for period Nov to Dec 2017	(1,758,354)	0

Particulars	2018	2017
Various income accounts	3,185,974	2,084,013
Various operating expenses	2,380,270	(1,983,722)
Various operating expenses in Nanox area implemented and paid by CDC in July, August & December 2015	0	(3,864,570)
Declaration of dividends for CY 2014 and CY 2015	0	(18,826,056)
Declaration of dividends for CY 2016	0	(68,054,800)
Depreciation of donated airport trolley carts to CIAC for period August 2012 to July 2015	0	(3,600,000)
Cost of desktop computers donated by CIAC in Jan 2014	0	(2,418,284)
Reversal of depreciation of donated desktop computers for Jan 2014 to Dec 2016	0	1,305,873
Reversal of payables outstanding for more than two years	0	3,278,435
Adjustment on allowance for impairment of receivables	0	2,244,423
Lease revenue from various locators for Sept to Dec 2016	0	1,404,759
Revenue share (differential) from Clark Civil Aviation Complex for prior years	0	81,586,890
Space rental, utility charges from various locators for January to December 2016	0	1,465,331
Space rental for July 17-December 31, 2016	0	983,638
Aeronautical fees and check-in counter fees for March 2014 to December 2016	0	15,453,466
Revenue from an airline for Dec2013 to Aug 2016	0	8,639,248
Loss on sale of properties in 2014, 2015 & 2016	0	(2,109,912)
Airport trolley carts donated to CIAC in July 2012	0	4,000,000
Reversal of lease payment remitted by CDC to CIAC thru BCDA	0	(1,264,911)
Total Other Adjustments	₱ (37,866,993)	₱ 20,323,821

26. 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. 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-11-24892-16 is pending for resolution on the Motion for Reconsideration filed by the respondent.

Contingent liability re: Unpaid account to ADLIB International Sales, Inc. for the project "Supply and Installation of Vehicle Bollard Post" in the amount of ₱10,000,000.00.

The supplier was not able to collect after the completion of the project due to an issue on the alleged blacklisted status of the supplier when the Notice of Award was issued in contravention of R.A. 9184.

27. 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 2018, no DST were paid due to non-incurrence of transactions requiring documentary stamps tax.

c. Withholding Taxes

Particulars	2018
Tax on compensation and benefits	₱ 28,624,810
Creditable withholding tax- expanded	12,645,760
Total Withholding Taxes	₱ 41,270,570

An accrual of ₱2,148,726 and ₱167,580 were recorded for tax on compensation and expanded, respectively, as of year-end which will be remitted in January 2019.

d. Other taxes and licenses

Particulars	2018
5% Tax on Gross Income Earned (GIE):	
Local Government Units (LGUs) share	₱ 6,601,374
National Government/BIR share	9,902,062
BIR Annual Registration	500
Total Other Taxes and Licenses	₱ 16,503,936