

RESTATED



**FINANCIAL STATEMENTS
(UNAUDITED)
AS OF DECEMBER 31, 2015**

(with comparative figures as of December 31, 2014)

CLARK INTERNATIONAL AIRPORT CORPORATION

Condensed Balance Sheet

As of December 31, 2015

(With Comparative Figures as of December 31, 2014)

	As of December 31, 2015	As of December 31, 2014
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents (Notes 2 & 3)	297,526,047.85	59,441,614.22
Receivables (Note 4)	346,899,139.77	274,551,577.63
Prepaid Expenses (Note 5)	51,308,518.66	47,426,463.77
Other Current Assets (Note 6)	8,996,807.86	8,717,621.99
Total Current Assets	704,730,514.14	390,137,277.61
Investments (Note 7)	45,958,697.73	45,867,443.09
Non-Current Assets		
Property, Plant and Equipment (Notes 2 & 8)	1,825,004,755.81	1,651,428,747.24
Total Non-Current Assets	1,825,004,755.81	1,651,428,747.24
Other Assets		
Cash in Bank - LBP Hold Out Deposit Account (Note 9)	50,235,423.59	50,133,086.93
Restricted Fund and Unserviceable Assets (Note 9)	6,196,133.44	488,874.31
Total Other Assets	56,431,557.03	50,621,961.24
TOTAL ASSETS	2,632,125,524.71	2,138,055,429.18
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities		
Payable Accounts (Note 10)	203,094,320.25	202,492,603.84
Inter-Agency Payables (Note 11)	45,837,811.49	19,855,996.96
Intra-Agency Payables (Note 12)	17,343,879.94	10,243,500.05
Other Liability Accounts (Note 13)	244,690,948.14	84,277,264.31
Total Current Liabilities	510,966,959.82	316,869,365.16
Non-Current Liabilities		
Loans Payable (Note 14)	493,840,629.59	622,958,844.91
Long-Term Liabilities (Note 15)	77,735,809.48	117,930,218.00
Due to CDC (Note 16)	62,001,506.38	70,365,373.00
Due to BCDA (Note 17)	1,019,359,860.55	984,904,225.43
Due to DOTC (Note 18)	491,265,017.51	75,000,000.00
Total Non-Current Liabilities	2,144,202,823.51	1,871,158,661.34
TOTAL LIABILITIES	2,655,169,783.33	2,188,028,026.50
Equity		
Capital Stock (Note 19)	1,250,000.00	1,250,000.00
Deposit for Future Stock Subscription - BCDA (Note 20)	832,248,261.05	832,248,261.05
Donated Capital (Note 21)	19,852,716.12	-
Retained Earnings (Deficit)	(876,395,235.79)	(883,470,858.37)
TOTAL EQUITY	(23,044,258.62)	(49,972,597.32)
TOTAL LIABILITIES AND EQUITY	2,632,125,524.71	2,138,055,429.18

CLARK INTERNATIONAL AIRPORT CORPORATION

Condensed Statement of Income and Expenses

For the Year Ended December 31, 2015

(With Comparative Figures for the Year Ended December 31, 2014)

	CY 2015	CY 2014
Income		
Business Income	587,157,514.34	532,251,923.96
Gross Income	587,157,514.34	532,251,923.96
Less: Expenses		
Personal Services		
Salaries and Wages	113,473,815.76	111,910,654.03
Other Compensation	71,921,611.20	54,235,507.60
Personnel Benefits Contribution	7,162,020.16	7,544,055.54
Other Personnel Benefits	20,567,200.70	18,848,743.22
Total Personal Services	213,124,647.82	192,538,960.39
Maintenance and Other Operating Expenses		
Traveling Expenses	518,334.66	992,791.73
Training and Scholarship Expenses	2,019,617.29	2,784,434.23
Supplies and Materials Expenses	8,273,014.06	10,826,544.94
Utility Expenses	48,360,151.65	58,083,993.73
Communication Expenses	2,590,929.18	2,525,515.75
Advertising Expenses	12,126,224.60	9,360,327.50
Printing and Binding Expenses	1,003,380.04	914,265.00
Rent Expenses	217,204.78	337,749.07
Representation Expenses	1,644,084.89	2,634,974.53
Subscriptions Expenses	950,102.35	416,797.50
Survey Expenses	-	33,000.00
Professional Services	73,394,821.01	57,882,214.78
Repairs and Maintenance	21,249,838.56	36,218,601.71
Extraordinary and Miscellaneous Expenses	-	-
Taxes, Insurance Premiums and Other Fees	5,720,238.44	5,405,065.02
Bad Debts Expense	7,258,112.74	6,476,997.47
Depreciation Expense	137,285,647.19	107,389,598.12
Total Maintenance and Other Operating Expenses	322,611,701.44	302,282,871.08
Financial Expenses	30,203,686.36	9,075,994.64
Total Expenses	565,940,035.62	503,897,826.11
Income (Loss) from Operations	21,217,478.72	28,354,097.85
Add/(Deduct) Other Income/Expenses	11,523,281.72	21,067,624.26
Net Income (Loss)	32,740,760.44	49,421,722.11
Provision for Income tax	2,959,122.25	3,899,135.66
Net Income (Loss)	29,781,638.19	45,522,586.45

CLARK INTERNATIONAL AIRPORT CORPORATION

Statement of Changes in Stockholders' Equity

As of December 31, 2015

(With Comparative Figures as of December 31, 2014)

	As of December 31, 2015	As of December 31, 2014
COMMON STOCK (Authorized 200,000 shares @ P100 par value)		
Balance at beginning of year (Paid-up 12,500 shares @ P100) P	1,250,000.00	1,250,000.00
Balance at end of year	1,250,000.00	1,250,000.00
DEPOSIT ON SUBSCRIPTIONS		
Balance at beginning of year	832,248,261.05	832,248,261.05
Balance at end of year	832,248,261.05	832,248,261.05
DONATED CAPITAL	19,852,716.12	-
UNAPPROPRIATED RETAINED EARNINGS		
Balance at beginning of year		
As previously reported	(883,470,858.37)	(913,518,659.43)
Correction of prior years' errors (Note 22)	(22,706,015.61)	(1,946,480.52)
As adjusted	(906,176,873.98)	(915,465,139.95)
Net Income (Loss)	29,781,638.19	45,522,586.45
Dividends declared	-	(18,939,857.96)
Prior years' adjustments	-	5,411,553.09
Balance at end of year	(876,395,235.79)	(883,470,858.37)
P	(23,044,258.62)	(49,972,597.32)

CLARK INTERNATIONAL AIRPORT CORPORATION

CASH FLOW STATEMENT

For the Year Ended December 31, 2015 (with comparative figures for the year ended December 31, 2014)

Particulars	Year-to-Date	
	2015	2014
Cash flow from operating activities:		
Collection of Income and Receivables	549,318,333.59	446,416,357.69
Payment of Operating Expenses	(226,671,502.11)	(226,059,769.23)
Payment of Payables	(179,641,009.22)	(277,221,790.80)
Payment of Advances, Tax Remittances	(36,748,773.57)	(10,416,360.64)
Total Cash Provided (Used) for operating activities	106,257,048.69	(67,281,562.98)
Cash flow from investing activities:		
Proceeds from Maturing Placements	-	107,153.39
Advances from CDC (E.O.716 Revenue Sharing)	25,000,000.00	-
Advances from BCDA	25,000,000.00	-
Advances from DOTC	416,265,017.51	75,000,000.00
CAPEX	(302,356,502.83)	(86,382,039.35)
Total Cash Provided (Used) for investing activities	163,908,514.68	(11,274,885.96)
Cash Flows from Financing Activities:		
Proceeds from Borrowings	22,550,000.00	139,000,000.00
Cash Payment of interest on loans/bonds payable and other financial charges	(12,439,360.78)	(26,042,925.73)
Payments of domestic and foreign loans	(42,191,768.96)	(42,191,768.96)
Total Cash Provided (used) by Financing Activities	(32,081,129.74)	70,765,305.31
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	238,084,433.63	(7,791,143.63)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	59,441,614.22	67,232,757.85
CASH AND CASH EQUIVALENTS AT END OF YEAR	297,526,047.85	59,441,614.22

CLARK INTERNATIONAL AIRPORT CORPORATION

Notes to Financial Statements

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 to operate and manage the Clark Civil Aviation Complex as a wholly-owned subsidiary corporation of the Clark Development Corporation (CDC).

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 P41.74 million, representing 50% share on revenues collected by CDC, pursuant to EO No. 716. The full amount was included in the revenues of CIAC for the year 2012.

On December 21, 2011, EO No. 64 was issued making CIAC an agency attached to the Department of Transportation and Communications (DOTC) which shall exercise administrative control and supervision over CIAC and further ordering the transfer of the shares of stock of CIAC to the National Government which has been partially realized in 2015 with the transfer of P1.25 million worth of stocks from BCDA to the National Government as approved by the Securities and Exchange Commission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment

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

Property and equipment are carried at cost less accumulated depreciation. Significant improvements and renewals, including incidental costs are capitalized, while cost of maintenance and repairs is charged to expense. When property is disposed, the cost and the related accumulated depreciation are removed from the

accounts, and any resulting gain or loss is credited or charged to current operations. Depreciation policies are as follows:

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

Foreign Currency Transactions

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

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 IAS

CIAC has adopted the following IAS:

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

IAS 17: Lease Agreements – Operating Lease only

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

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

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

IAS 19: Employee Benefits

CIAC implements a retirement program for its regular employees as provided for under Sec. 4, Art. XIII in the Collective Bargaining Agreement (CBA). To be eligible for the benefit, an employee must have rendered at least five (5) years of service in CIAC and has no pending administrative case. As of December 31, 2015, total unrecorded retirement benefits amounted to P180.99 million.

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

3. CASH AND CASH EQUIVALENTS

This account consists of:

		12/31/15		12/31/14
Cash - Collecting Officers	P	1,518,600	P	2,921,085
Cash on Hand - Petty Cash Fund		99,251		190,691
Cash in Bank - Local Currency PNB Clark		0		5,160,100
Cash in Bank - Local Currency PVB Clark		1,323,645		345,189
Cash in Bank - Local Currency LBP Clark		56,332,370		37,458,642
Cash in bank - Local Currency LBP Clark (DOTC Funds)		178,589,483		0
Cash in Bank - Local Currency UCPB Clark		12,322,019		2,882,006
Cash in Bank - Foreign Currency PNB \$		0		3,583,396
Cash in Bank - Foreign Currency PVB \$		766,512		3,183,564
Cash in Bank - Foreign Currency LBP \$		46,574,167		3,716,941
Total	P	297,526,047	P	59,441,614

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

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

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

4. RECEIVABLES

This account consists of the following:

		12/31/15		12/31/14
Accounts Receivable - Trade	P	110,800,143	P	96,416,932
Impairment of Receivables		(20,310,327)		(13,052,214)
Accounts Receivables (Accrued Landing & Parking Fees)		8,763,739		5,860,111
Accounts Receivable - Others		5,949,133		5,483,127
Accounts Receivable - Bank Charges		7,646		7,646
Due from Officers and Employees		710,982		817,914
Due from GOCC (CDC)		37,691,592		32,688,883
Due from GOCC (CDC/BCDA)		180,486,339		123,460,985
Due from GOCC (MIAA)		173,434		173,434
Due from GOCC (CIAC Provident Fund)		22,322,943		22,388,245
Other Receivables		303,515		306,514
Total	P	346,899,139	P	274,551,577

The Accounts Receivable - Trade account represents rent and aeronautical fees due from various locators, airline operators and concessionaires. Included in the account are the receivables previously recorded in CDC books, of which the outstanding balances (including the impairment in the amount of P3.4 million) as of October 31, 2006 were transferred by CDC to CIAC in November 2006.

Included also under the Accounts Receivable - Trade account, booked in June 2010, is the lease rental arrears of CAGHSI for the period January 2007 to December 2008 amounting to P12.01 million covered under Memorandum of Agreement (MOA) between CIAC and CAGHSI dated December 12, 2008. An on going case in court has been pursued by CIAC against CAGHSI on its arrears. Aside from the P12.01 million already booked, a contingent income of P96.58 million, representing unpaid lease

rentals and utility bills for the period March 2002 to January 2013 inclusive of interest and penalty, remain unrecorded pending a resolution of the case filed against CAGHSI.

The Impairment of Receivables of P3.49 million 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 the December 31, 2015 is P20.31 million.

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

Under the Accounts Receivable – Others are charges to concessionaires representing their power consumption. Included also in this account are the electrical charges of CAGHSI, recorded in June 2010, for the period March 2002 to December 2008 amounting to P4.27 million as per Memorandum of Agreement (MOA) signed with CIAC.

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

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

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

The Due from GOCC (CDC/BCDA) account represents the 50% share on the estimated revenues collected by Clark Development Corporation from locators within the Civil Aviation Complex. The amount is net of the estimated maintenance and security expenses. Contingent additional income may arise from this source pending the resolution of the appeal made by the BCDA on the opinion issued by the Department of Justice (DOJ) ruling the grant of a 100% share of CIAC on the disputed areas of the 50% in pursuance of the IRR of the EO716.

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

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

Other receivables refer to the personal telephone calls of employees of support agencies; SSS benefit claims advanced by CIAC to its employees; receivable from an airline for meals served to their stranded passengers due to cancelled flight; and those which were turned-over by CDC in November 2006.

5. PREPAID EXPENSES

This account includes:

		12/31/15		12/31/14
Office Supplies Inventory	P	878,967	P	1,369,757
Drugs and Medicines Inventory		164,082		200,837
Gasoline, Oil and Lubricants Inventory		11,505		0
Spare Parts Inventory		7,344,009		6,284,023
Construction Materials Inventory		753,919		1,298,019
Prepaid Insurance		3,008,223		2,964,308
Advances to Contractors		39,127,108		33,694,994
Other Prepaid Expense		20,705		1,614,525
Total	P	51,308,518	P	47,426,463

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

Prepaid insurance represents unexpired portion of insurance premiums of CIAC occupied buildings, aero bridge, baggage conveyor system & baggage x-ray machine, radar, airport liability insurance, directors & officers liability insurance and vehicles insurance.

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

The Other Prepaid Expense account refers to the registration renewal of vehicles to the Land Transportation Office due in January 2016.

6. OTHER CURRENT ASSETS

		12/31/15		12/31/14
Guaranty Deposits	P	8,692,402	P	8,589,235
Unused Tax Credits		304,405		128,386
Total	P	8,996,807	P	8,717,621

Guaranty Deposits pertains on payments to utility companies (electric, water, etc.) and various suppliers that are refundable upon cancellation/termination of contracts. Inclusive of the total is the balance of the deposits turned over by CDC in November 2006 amounting to P175,837.

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

7. INVESTMENTS

		12/31/15		12/31/14
Investment in Stocks – SCADC	P	300	P	300
Other Investments – MGCC Shares		884,000		884,000
Sinking Fund (LBP Debt Service Payment Account)		45,074,397		44,983,143
Total	P	45,958,697	P	45,867,443

The Investment in Stocks – SCADC represents subscription of three (3) shares of stock to Subic-Clark Alliance Development Corporation.

The Other Investments – MGCC Shares pertains to CIAC's investment of P884,000 for golf membership at the Mimosa Golf and Country Club which was turned over by CDC in May 2007.

Sinking Fund - LBP Debt Service Payment Account (DSPA) pertains to the P10.0 million initial deposit with the LBP pursuant to the provision of the Loan Agreement signed with LBP in 2012. Addition to this account amounting to P35.0 million is in compliance with the terms and conditions of the loan agreement. Any increase or decrease on the account may represent interest earnings and documentary stamps charges on loan.

8. PROPERTY, PLANT AND EQUIPMENT (PPE)

The details of this group of accounts follow:

	Construction in Progress	Equipment	Furniture & Fixtures	Building, Land and Building Improvements	TOTAL
At December 31, 2014					
Cost	P 408,295,927	1,649,411,088	14,782,729	1,295,081,585	3,367,571,329
Accumulated Depreciation	0	1,076,878,082	9,104,148	630,160,352	1,716,142,582
Net Book Value	408,295,927	572,533,006	5,678,581	664,921,233	1,651,428,747
Year Ended December 31, 2015					
Opening Net Book Value	408,295,927	572,533,006	5,678,581	664,921,233	1,651,428,747
Additions	129,027,381	180,407,059	4,456,404	32,489,750	346,380,594
Depreciation for the year	0	(66,285,522)	(1,049,543)	(69,950,583)	(137,285,648)
Depreciation (prior year)	0	0	0	(8,037,310)	(8,037,310)
Reclassification of completed project	(475,055,096)	0	0	475,055,096	0
Reclassification of accounts	0	63,295,761	375,650	(87,959,941)	(24,288,530)
Reclassification of accumulated depreciation	0	(11,630,596)	(69,025)	11,699,621	0
Unserviceable assets	0	0	0	(12,019,618)	(12,019,618)
Accumulated depreciation of unserviceable assets	0	0	0	10,387,689	10,387,689
Disposed assets	0	(5,750,554)	(1,098,070)	0	(6,848,624)
Accumulated depreciation of disposed assets	0	4,679,572	607,883	0	5,287,455
Closing Net Book Value	62,268,212	737,248,726	8,901,880	1,016,585,937	1,825,004,755
At December 31, 2015					
Cost	62,268,212	1,887,363,355	18,516,713	1,702,646,873	3,670,795,153
Accumulated Depreciation	0	1,150,114,629	9,614,833	686,060,936	1,845,790,398
Net Book Value	P 62,268,212	737,248,726	8,901,880	1,016,585,937	1,825,004,755

The properties of CIAC previously booked in CDC before and during the merger costing P1.186 billion, with a net book value of P565 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 include 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 P593 million as of August 31, 2007. The TRACON was commissioned by the Department of Transportation and Communications effective October 25, 2007.

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

Included also under the PPE group of accounts is the cost of the Terminal I Expansion Phase II Project funded from a loan acquired from the Land Bank of the Philippines. The project was completed on May 31, 2014 with a total cost of P450 million, inclusive of the borrowing costs amounting to P9.72 million, with an interest rate of 4.5%, for period September 19, 2013 to May 31, 2014.

On February 10, 2015, the DOTC turned over to CIAC a Semi-Permanent Terminal Building costing P19.8 million. The construction of the said building was handled by the DOTC and completed per Certificate of Project Completion as of September 28, 2014.

9. OTHER ASSETS

		12/31/15		12/31/14
Cash in Bank - LBP (Hold Out Deposit Account)	P	50,235,424	^a P	50,133,087
Restricted Fund/Assets		4,564,204		488,874
Unserviceable Assets		1,631,929		0
Total	P	56,431,557	P	50,621,961

Cash in Bank - LBP Hold Out Deposit Account refers to the deposit with the Land Bank of the Philippines in the amount of P50.0 million assigned as collateral on the LBP loan, approved in February 2012, pursuant to the Loan Agreement. The increase represents interest earned on said deposits.

The Restricted Fund/Assets amounting to P4.5 million was posted for the labor cases filed against CIAC, breakdown as follows: 1) P0.5 million representing supersedeas bond posted in August 2011 for non-payment of overtime pay, moral and exemplary damages and attorney's fees before the NLRC Regional Arbitration Branch No. III. A decision on this case was issued, however, CIAC filed for a reconsideration which was subsequently denied. In February 2013, the plaintiffs moved for the issuance of a writ of execution; 2) P2.0 million representing cash bond posted in February 2015 for illegal dismissal per NLRC Case No. RAB-III-06-17828-11; and 3) P2.0 million cash bond posted in August 2015 for illegal dismissal per NLRC Case No. RAB-III-06-17823-11.

The Unserviceable Assets refer to the various equipment which are no longer serviceable that will be due for disposal.

10. PAYABLE ACCOUNTS

This account includes:

		12/31/15		12/31/14
Accounts Payable	P	193,248,518	P	192,968,764
Due to Officers and Employees		375,873		53,910
Dividends Payable		9,469,929		9,469,929
Total	P	203,094,320	P	202,492,603

The Accounts Payable refers to the accrual of various expenses, Due to Officers and Employees account represents the tax refund due to the CIAC personnel and the Dividends Payable refers to the dividends due to the CIAC stockholders (for CY2013).

11. INTER-AGENCY PAYABLES

This caption consists of:

		12/31/15		12/31/14
Due to BIR	P	7,101,515	P	6,798,032
Due to SSS		530,628		434,504
Due to HDMF (Pag-ibig Fund)		491,133		429,811
Due to Philhealth		83,738		106,550
Due to GOCC (CDC)		37,630,797		12,087,099
Total	P	45,837,811	P	19,855,996

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

The Due to GOCC (CDC) account are the expenses of CIAC paid for by CDC after the cut-off date of April 30, 2011 on the reconciled intercompany accounts. Included on the account is an amount of P25.0 million advanced by CDC to CIAC in June 2015.

12. INTRA-AGENCY PAYABLES

This caption is comprised of:

		12/31/15		12/31/14
Due to Provident Fund	P	17,293,833	P	10,194,930
Due to CIAC EMPC		8,096		20,920
Due to SMD		41,950		27,650
Total	P	17,343,879	P	10,243,500

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

13. OTHER LIABILITY ACCOUNTS

This account consists of:

		12/31/15		12/31/14
Guaranty Deposits Payable	P	9,227,691	P	3,967,085
Performance Bond/Bidders Payable		10,773,336		9,564,681
Concessionaires' Advance Fee		310,423		36,362
Locators' Advance Rent		73,932,443		17,855,513
Advance Landing and Parking Fees		0		2,203,792
Concessionaires' Security Deposit		7,435,238		6,138,712
Untraced Deposits		5,633,236		4,227,516
Unapplied Concessionaires' Utilities		570,466		166,801
Unapplied Rent & Concessionaire Privilege Fees		206,669		116,802
Loans Payable Domestic (Land Bank of the Phil.)		40,000,000		40,000,000
Loans Payable Domestic (Philippine Veterans Bank)		42,191,769		0
Loans Payable Domestic (Land Bank of the Phil.)		54,409,677		0
Total	P	244,690,948	P	84,277,264

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

Performance bond pertains to cash performance security tendered by the bidders and concessionaires, in compliance with the provisions in the contract. Cash bond or bid security is posted by a bidder to guarantee the faithful performance of its obligations of an awarded contract, which may be forfeited or refunded in accordance with RA 9184. Also, the performance bond is paid by a concessionaire to ensure faithful compliance with all the terms and conditions of the lease agreement which shall be forfeited as liquidated damages in the event of (1) failure to perform any or all obligations, undertakings and performance commitments, (2) pre-termination of lease agreement, or (3) failure to correct said failure within a period specified by the CIAC as stipulated in the lease agreement.

Advance rent/fee refers to advance payment made by locator/concessionaire as required in the lease agreement equivalent to three (3) months rental which are chargeable against future payments.

Concessionaires' security deposit, equivalent to three (3) months rental, is also being required from a concessionaire as a proof of intent to cover for any damage or unpaid rentals that may arise.

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

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

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

A short term loan, was availed from the Land Bank of the Philippines on September 3, 2014 in the amount of P40.0 million, with an interest rate of 4% per annum, for the purpose of augmenting the operating funds of the corporation.

The current loan amortizations to Philippine Veterans Bank amounted to P42.1 million while for the Land Bank of the Philippines' term loan, amount due is P54.4 million, which are payable in four quarters.

14. LOANS PAYABLE

		12/31/15		12/31/14
Loans Payable - Domestic (Philippine Veterans Bank)	P	126,575,307	P	210,958,844
Loans Payable - Domestic (Land Bank of the Phil.)		367,265,322		412,000,000
Total	P	493,840,629	P	622,958,844

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 (10) years with two years grace period on principal from date of release of the loan. Total drawdown amounted to P337.5 million.

The payment of the first loan amortization of P10.5 million was made in March 2012 and the succeeding payments every quarter thereafter. The outstanding balance as of December 31, 2015 is P168.7 million, inclusive of the current liability portion of the loan amounting to P42.1 million under Other Liability Accounts (refer to Note 13).

CIAC is also at present servicing the payment of interest, based on LIBOR on due date, for a loan procured from Deutsche Bank for the funding of the TRACON Project. The balance to date stood at \$524,333.29.

The Land Bank of the Philippines approved a P1 billion loan facility for CIAC on February 21, 2012 for the funding of the Terminal I Expansion Phase II Project, procurement of navigational aids equipment and contingent operating fund. Total drawdown to date amounted to P434.5 million.

The payment of the first loan amortization of P12.8 million was made in December 2015 and the succeeding payments every quarter thereafter. Balance as of December 31, 2015 is P421.6 million, inclusive of the current liability portion of the loan amounting to P54.4 million under Other Liability Accounts (refer to Note 13).

15. LONG-TERM LIABILITIES

Lodged under this account are as follows:

		12/31/15		12/31/14
Locators' Security Deposit	P	40,820,786	P	77,527,321
Locators' Performance Bond		28,915,639		29,761,765
Locators' Advance Rent		7,999,384		10,641,132
Total	P	77,735,809	P	117,930,218

Security deposit is one of the requirements under the lease agreement to be paid by the locator equivalent to three (3) months rental refundable at the time of termination of lease agreement less for any unpaid rentals, utility bills or damages that may arise. This shall be forfeited in favor of CIAC in case of pre-termination by the lessee.

The performance bond, either in the form of cash bond or surety bond equivalent to six (6) months of rentals is also included in the lease agreement to guaranty the faithful performance of a locator in accordance with the said lease agreement.

Advance rent equivalent to three (3) months rental is also paid by a locator per lease agreement chargeable against future lease payments.

16. DUE TO CDC

This account refers to the advances made by CDC for CIAC. Part of the account were various CIAC operating expenses and capital expenditures paid for by CDC in the previous years until 2007. Also included in this account are the various assets and liabilities with a net amount of P597.85 million as of October 31, 2006 transferred by CDC to CIAC in November 2006.

The balance of the account was reduced to P242.3 million on July 31, 2011 as a result of the recording of the agreed booking entries among BCDA, CDC and CIAC of the reconciled intercompany account balances as of April 30, 2011 in accordance with the Implementing Plan of E.O. 716. The said amount will be reduced for every loan amortization, scheduled in May and November of each year that will be paid by CDC to Deutsche Bank relative to the Radar project of CIAC. For every reduction in the account, there will be a corresponding addition to the Due to BCDA account since the payment of CDC for the account of CIAC will be shouldered by BCDA (see Note 17). To date, the balance of the account is P62.0 million after deducting the loan amortization of P32.7 million each (as previously booked by CDC), in November 2011, May 2012, November 2012, May 2013 and November 2013 and loan amortization of P4.2 million each in May 2014, November 2014, May 2015 and November 2015.

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

17. DUE TO BCDA

This account pertains initially to the P37 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 P735 million was added to this account representing the inter-company settlement of CDC-CIAC cash advances as of April 30, 2011 pursuant to the Implementing Plan of E.O. 716. Further, in November 2011, BCDA released P50 million to finance the operating requirements of CIAC increasing the amount of Due to BCDA to P822 million as of November 30, 2011.

On May 7, 2004, a loan was obtained from Deutsche Bank by CDC for the TRACON Project. In accordance with the Implementing Plan of E.O. 716, loan amortizations will be paid by CDC and eventually charged to BCDA, which in turn will charge CIAC. In November 2011, the loan amortization of P33 million paid by CDC was shouldered by BCDA by way of offsetting its dividends from CDC. Additional actual loan amortizations were made in May 2012, November 2012, May 2013 and November 2013 of P30 million each or total loan payments by BCDA of P153 million (amortization was adjusted to P30 million from the CDC booked amount of P32.7 million due to forex rate at recording date). In May and November 2014 loan amortization of P5 million was made (recognizing a foreign exchange gain of P1.6 million), while in May 2015 and November 2015, loan amortization amounted to P4.7 million each (recognizing a foreign exchange gain of P1.0 million).

On July 27, 2015, an amount of P25 million was given by BCDA as advances of CIAC. The balance to date of Due to BCDA account is P1.01 billion.

18. DUE TO DOTC

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

Initial funds released by the DOTC to CIAC on April 29, 2014 amounted to P75.0 million and additional funds were released on March 18, June 30 and December 29, 2015 in the amount of P141.54 million, P132.11 million and P142.61 million, thus balance as of December 31, 2015 stood at P491.26 million.

19. CAPITAL STOCK

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

An increase in capital authorization from Php20 million to Php5 billion was approved by the Board of Directors in its Stockholders' Meeting on June 10, 2011.

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

To date, the move to increase authorized capital stock has been revived with the Board approving the initial increase to P1.0 billion.

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

1. Supply, Installation, Testing and Commissioning of Dual Passenger Boarding Bridges	P 92.88 million
2. Supply and Delivery of Two (2) 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>P591.48 million</u> =====

On December 26, 2013, a Memorandum of Agreement (MOA) was entered by the Department of Transportation and Communications (DOTC) and the CIAC for the treatment in the books of above funds.

Another tranche of funds in the amount of P270.0 million from DOTC to fund APEC related projects and equipment has been approved for release. As of date, partial release from the P270.0 million has been received.

20. DEPOSIT FOR FUTURE STOCK SUBSCRIPTION - BCDA

The CDC investment in CIAC in the amount of P832.25 million represents the investment of BCDA to CIAC after recording in July 2011 the agreed booking entries of the reconciled intercompany account balances as of April 30, 2011 pursuant to the Implementing Plan of E.O. 716.

The P832.25 million is composed of the book value of the CIAC fixed assets transferred from BCDA to CDC upon the merger of the CDC and CIAC in 2002. The value of the fixed assets is entered under Deposit for Future Stock Subscription account.

21. DONATED CAPITAL

Pending further clarification of the nature of transfer, entered under this account is the Semi-Permanent Terminal Building costing P19.8 million which was turned over by the DOTC to the CIAC on February 10, 2015.

22. CORRECTION OF PRIOR YEARS' ERRORS

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

		12/31/15		12/31/14
Borrowing costs (from June 1 to December 31, 2014) on LBP loan for the construction of Terminal I Expansion Phase II Project	P	0	P	(10,744,679)
Depreciation of Terminal 1 Phase 2 Project (June to December 2014)		0		(7,888,415)
Adjustment on rent income (January to June 2008)		0		(5,141,541)
Depreciation of Semi-Permanent Building (October to December 2014)		0		(148,895)
Adjustments on operating expenses		0		1,217,515
Total	P	0	P	(22,706,015)

23. OTHER BUSINESS INCOME

This account consists of:

		12/31/15		12/31/14
Security Fees	P	29,690,400	P	27,465,200
CPF Share on Gross Income		9,424,421		6,522,451
Parking Fees		7,400,170		6,949,470
Ad Space Rentals		5,625,000		2,220,000
Check in Counter Fees		2,266,034		1,696,843
Concessionaire Privilege Fees		1,896,939		2,117,018
Total	P	56,302,964	P	46,970,982

24. OTHER INCOME

This account consists of:

		12/31/15		12/31/14
Miscellaneous Income	P	6,796,817	P	16,711,791
Gain/Loss on Foreign Exchange		3,570,615		1,107,543
Interest Income		2,141,742		4,721,452
Gain/Loss on Sale of Disposed Assets		(985,893)		(1,473,162)
Total	P	11,523,281	P	21,067,624

The P9.5 million decrease in Other Income is attributed mainly to Miscellaneous Income, accounted from the non-recurring receipts recorded in CY2014 as follows: 1) FEDEX reservation fee of P1.66 million; 2) CADFS transfer fee and arrears of P0.89 million; 3) Ecorecytech forfeiture of security deposit of P1.78 million; 4) CADFS transfer fee, space, concessionaire privilege fee and utilities of P1.96 million; 5) Evercon Builders and Equipment non-refundable protest fee of P1.12 million; and 6) Spirit of Manila forfeiture of performance bond and security deposit of P1.39 million.

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 (2) 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 Motion for Reconsideration for the other case per NLRC Case No. RAB-III-06-17823-11 has been denied.

26. SUPPLEMENTARY INFORMATION

In compliance with the requirements set forth by BIR RR15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

- a. Value-Added Tax
VAT input taxes
VAT output taxes

None
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)

DST on term loan with LBP 112,750
=====

The DST paid are charges on loan drawdown from the LBP.

DST on short-term loan with LBP 197,260
=====

The DST paid are charges on the short term loan availed from the LBP.

c. Withholding Taxes

Tax on compensation and benefits	27,655,674
Creditable withholding taxes - expanded	<u>7,119,777</u>
	34,775,451
	=====

An accrual of P3.8 million and P0.7 million were recorded for tax on compensation and expanded, respectively, as of year-end which will be remitted in January 2016.

d. Other taxes and licenses

5% Tax on Gross Income Earned (GIE)	
Local Government Units (LGUs) share	1,183,649
National Government/BIR share	<u>1,775,473</u>
BIR Annual Registration	500
	2,959,622
	=====

A portion of the above GIE amounting to P1.72 million was accrued at year end. This will be due for remittance to the LGUs and the BIR in April 2016.

CLARK INTERNATIONAL AIRPORT CORPORATION				
TRIAL BALANCE				
As of December 31, 2015				
Account Title	Account Code	DEBIT	CREDIT	
Cash in Bank - PNB Clark, Current Account (Local Currency)	111.1	0.00		
Cash in Bank - PVB Clark, Current Account (Local Currency)	111.2	1,323,644.51		
Cash in Bank - LBP Clark, Current Account (Local Currency)	111.3	56,332,369.84		
Cash in Bank - LBP Clark, Current Account, DOTC Funds (Local Currency)	111.6	178,589,483.41		
Cash in Bank - UCPB Clark, Current Account (Local Currency)	111.4	12,322,018.94		
Cash in Bank - Local Currency, Time Deposits	113	-		
Cash in Bank - PNB Clark, Savings Account (Foreign Currency)	116.1	0.00		
Cash in Bank - PVB Clark, Savings Account (Foreign Currency)	116.2	766,512.97		
Cash in Bank - LBP Clark, Savings Account (Foreign Currency)	116.3	46,574,167.43		
Cash in Bank, Foreign Currency, Time Deposits	117	0.00		
Accounts Receivable-Trade	121.1	110,800,142.99		
Accounts Receivable-Others	121.3	5,949,133.60		
Accounts Receivable (Accrued Landing/Parking Fees)	121.4	8,763,738.61		
Accounts Receivable (Bank Charges)	121.5	7,646.10		
Impairment of Receivables	301		20,310,327.10	
Due from Officers and Employees	123	710,982.21		
Interest Receivable	129	-		
Due from GOCCs (CDC)	137.1	37,691,591.64		
Due from GOCCs (CDC/BCDA)	137.2	180,486,339.14		
Due from GOCCs (MIAA)	137.4	173,434.05		
Due from GOCCs - CIAC Provident Fund	137.5	22,322,943.47		
Receivables - Disallowances/Charges	146	74,468.32		
Other Receivables - SSS Benefit Claims	149.1	114,174.73		
Other Receivables - Personal Calls	149.3	5,560.94		
Other Receivables - Suppliers	149.5	114,944.40		
Other Receivables - Airlines (Tiger Airways)	149.7	7,320.00		
Other Receivables - Medical Fees	149.8	(12,953.33)		
Office Supplies Inventory	155	878,967.20		
Drugs and Medicines Inventory	159	164,082.16		
Gasoline, Oil and Lubricants Inventory	161	11,505.00		
Other Supplies Inventory	165	-		
Spare Parts Inventory	167	7,344,009.40		
Construction Materials Inventory	168	753,918.93		
Prepaid Insurance	178	3,008,222.72		
Advances to Contractors	181	39,127,107.95		
Other Prepaid Expenses	185	20,705.30		
Cash - Collecting Officers	102	1,518,600.00		
Cash - Disbursing Officers	103	0.00		
Petty Cash Fund	104	99,250.75		
Guaranty Deposits	186	8,692,402.02		
Unused Tax Credits	189.1	304,405.84		
Investments in Stocks	192	300.00		
Other Investments-MGCC shares	197.1	884,000.00		
Sinking Fund (LBP Debt Service Payment Account)	198.1	45,074,397.73		
Land Improvements (Roads & Grounds)	202.2	298,836,607.70		
Accumulated Depreciation-Land Improvements (Roads & Grounds)	302.2		151,627,164.12	
Other Structures (Building Improvements)	215	1,383,957,549.32		
Accumulated Depreciation-Other Structures (Building Improvements)	315		533,689,294.76	
Other Structures (Buildings)	215.1	19,852,716.12		
Accumulated Depreciation-Other Structures (Buildings)	315.1		744,476.85	
Office Equipment	221	22,870,835.69		
Accumulated Depreciation-Office Equipment	321		11,275,223.80	
Furniture and Fixtures	222	18,041,269.92		
Accumulated Depreciation-Furniture and Fixtures	322		9,351,582.42	
IT Equipment and Software	223	31,542,831.67		
Accumulated Depreciation-IT Equipment	323		15,844,266.16	
Library Books	224	475,442.63		
Accumulated Depreciation-Library Books	324		263,250.40	
Airport Equipment	228.1	287,672,082.69		
Accumulated Depreciation-Airport Equipment	328.1		82,996,319.49	
Airport Ground Lighting System	228.2	269,632,708.80		
Accumulated Depreciation-Airport Ground Lighting System	328.2		242,654,955.73	
Navigational Aids	228.3	802,905,143.35		
Accumulated Depreciation-Navigational Aids	328.3		498,402,514.04	
Communication Equipment	229.1	19,272,259.53		
Accumulated Depreciation-Communication Equipment	329.1		9,358,330.19	
Communication & Meteorological Equipment	229.2	188,009,706.70		
Accumulated Depreciation-Communication & Meteorological Equipment	329.2		168,886,531.65	
Construction and Heavy Equipment	230	16,874,909.18		
Accumulated Depreciation-Construction & Heavy Equipment	330		8,937,490.68	
Firefighting Equipment and Accessories	231.1	168,965,631.93		

CLARK INTERNATIONAL AIRPORT CORPORATION			
TRIAL BALANCE			
As of December 31, 2015			
Account Title	Account Code	DEBIT	CREDIT
Accumulated Depreciation-Firefighting Equipment & Accessories	331.1		61,163,836.53
Airport Equipment (Crash, Fire & Rescue)	231.2	2,576,689.20	
Accumulated Depreciation-Airport Equipment (Crash, Fire & Rescue)	331.2		2,081,468.54
Medical, Dental and Laboratory Equipment	233	604,512.36	
Accumulated Depreciation-Medical, Dental and Laboratory Equipment	333		193,018.17
Military and Police Equipment	234	3,416,785.61	
Accumulated Depreciation-Military and Police Equipment	334		2,153,338.73
Sports Equipment	235	199,550.00	
Accumulated Depreciation-Sports Equipment	335		179,595.00
Other Machineries and Equipment (Tools & Other Equipment)	240	7,054,615.80	
Accumulated Depreciation-Other Machineries and Equipment	340		4,968,080.25
Motor Vehicles	241	65,742,092.60	
Accumulated Depreciation-Motor Vehicles	341		40,998,959.95
Other Property, Plant and Equipment (Ground Maintenance)	250.1	23,000.00	
Accumulated Depreciation-Other Property, Plant & Equipment	350.1		20,700.00
Construction in Progress - Agency Assets	264	62,268,212.47	
Cash in Bank - LBP (Hold Out Deposit Account)	111.5	50,235,423.59	
Restricted Fund/Assets	285.2	4,564,204.31	
Unserviceable Assets	290.1	1,631,929.13	
Accounts Payable	401		193,248,518.09
Due to Officers and Employees (Tax Refund)	403.2		375,873.18
Due to Officers and Employees (13th mo. pay & cash gift)	403.3		-
Dividends Payable	408		9,469,928.98
Due to BIR - Income Tax	412.1		1,724,978.39
Due to BIR - Withholding Tax-Salaries	412.2		4,656,368.88
Due to BIR - Withholding Tax-Expanded	412.3		720,168.09
Due to SSS (Loans)	413.1		246,594.18
Due to SSS (Premiums)	413.2		284,033.93
Due to Pag-ibig (Loans)	414.1		349,622.57
Due to Pag-ibig (Premiums)	414.2		121,400.00
Due to Pag-ibig (Housing Loans)	414.3		20,110.67
Due to PHILHEALTH	415		83,738.00
Due to Other GOCCs (CDC)	417		37,630,796.78
Due to CDC	421		62,001,506.38
Due to BCDA	422		1,019,359,860.55
Due to DOTC	423		491,265,017.51
Due to Other Funds - Provident Fund Loans	424.1		17,007,884.25
Due to Other Funds - Provident Fund Premiums	424.2		250,579.83
Due to Other Funds - CIAC EMPC	424.4		8,096.84
Due to Other Funds - Prov. Fund MTLF Insurance	424.5		35,369.02
Due to Other Funds - SMD Union Dues	424.6		41,950.00
Guaranty Deposits Payable	426		9,227,691.00
Performance Bond Payable (Bidders)	427.2		3,506,864.68
Performance Bond Payable (Concessionaires)	427.3		7,171,167.54
Performance Bond Payable (Locators)	427.4		-
Other Payables - Advance Rent Payment (Current)	439.1		73,932,443.27
Other Payables - Accounts Payable-Others	439.2		95,303.76
Other Payables - Advance Landing & Parking Fees	439.3		-
Other Payables - Advance Concessionaire Fee (Current)	439.4		310,423.34
Other Payables - Concessionaires' Security Deposit	439.5		7,435,237.83
Other Payables - Locators' Security Deposit	439.6		-
Other Payables - Untraced Deposits	439.8		5,633,236.36
Other Payables - Unapplied Concessionaires' Utilities	439.9		570,465.43
Other Payables - Unapplied Rent and CPF	439.10		206,668.57
Other Payables - Loans Payable Domestic (Land Bank of the Philippines)	439.11		40,000,000.00
Other Payables - Loans Payable Domestic (Philippine Veterans Bank)	439.12		42,191,768.96
Other Payables - Loans Payable Domestic (Land Bank of the Philippines)	439.13		54,409,677.40
Loans Payable - Domestic (Philippine Veterans Bank)	444		126,575,306.99
Loans Payable - Domestic (Land Bank of the Philippines)	444.2		367,265,322.60
Other Long-Term Liabilities (Locators' Security Deposit)	450.1		40,820,786.11
Other Long-Term Liabilities (Locators' Performance Bond)	450.2		28,915,638.88
Other Long-Term Liabilities (Advance Rent)	450.4		7,999,384.49
Other Long-Term Liabilities (Advance Concessionaire Priv. Fees)	450.5		-
Other Long-Term Liabilities (Deposits Payable - DOTC)	450.6		-
Capital Stock	502		1,250,000.00
Deposit for Future Stock Subscription - BCDA	508		832,248,261.05
Deposit for Future Stock Subscription-National Government thru DOTC	508.2		-
Donated Capital	509		19,852,716.12
Retained Earnings	510	906,176,873.98	
Toll and Terminal Fees	623		151,519,350.00
Other Service Income-Parking Fees	628.1		7,400,170.00
Other Service Income-Security Fees	628.2		29,690,400.00

CLARK INTERNATIONAL AIRPORT CORPORATION			
TRIAL BALANCE			
As of December 31, 2015			
Account Title	Account Code	DEBIT	CREDIT
Landing and Parking Fees	640		86,554,417.52
Rent Income	642		292,780,782.01
Other Business Income-Check in Counter Fees	648.1		2,266,033.90
Other Business Income-Concessionaire Privilege Fees	648.2		1,896,939.53
Other Business Income-Ad Space Rentals	648.3		5,625,000.00
Other Business Income-Groundhandling Fee	648.4		-
Other Business Income-CPF Share on Gross Income	648.5		9,424,421.38
Interest Income	664		2,141,741.91
Miscellaneous Income	678		6,796,817.18
Gain/Loss on Foreign Exchange (FOREX)	681		3,570,615.37
Gain/Loss on Sale of Disposed Assets	682		(985,892.74)
Prior Years' Adjustments	684		-
Salaries and Wages - Regular	701	113,165,158.83	
Salaries and Wages - Part-Time	703	13,304.99	
Salaries and Wages - Contractual	706	295,351.94	
Personnel Economic Relief Allowance (PERA)	711	5,933,909.09	
Cost of Living Allowance (COLA)	711.1	4,131,909.09	
Crisis Amelioration & Resource Enhancement (CARE)	711.2	3,071,284.09	
Transportation Allowance (TA)	714	255,757.80	
Clothing/Uniform Allowance	715	2,924,885.42	
Subsistence, Laundry and Quarter Allowance (Rice Subsidy)	716	4,095,045.46	
Other Bonuses and Allowances	719	30,632,060.13	
Honoraria	720	3,355,444.88	
Hazard Pay	721	1,010,386.36	
Overtime and Night Pay	723	5,633,309.98	
Cash Gift	724	1,736,500.00	
Year End Bonus	725	9,141,118.90	
Life and Retirement Insurance Contributions (Life Insurance)	731.1	300,000.00	
Life and Retirement Insurance Contributions (SSS Premiums)	731.2	5,133,425.76	
PAG-IBIG Contributions	732	448,617.00	
PHILHEALTH Contributions	733	1,279,977.40	
Retirement Benefits (Gratuity/Separation Pay)	740	467,954.33	
Terminal Leave Benefits	742	2,213,664.10	
Provident Fund Benefits	744	5,554,152.91	
Other Personnel Benefits (Healthcare)	749.2	6,841,722.39	
Other Personnel Benefits (SL Monetization)	749.3	5,489,706.97	
Sports & Recreation	749.4	657,784.85	
Water Provision	749.7	146,068.00	
Other Personnel Benefits (Others)	749.9	-	
Traveling Expenses - Local	751	334,274.00	
Traveling Expenses - Foreign	752	184,060.66	
Training Expenses	753	1,361,832.44	
Office Supplies Expenses	755	2,732,727.43	
Drugs and Medicines Expenses	759	237,190.92	
Gasoline, Oil and Lubricants Expenses	761	4,036,244.10	
Other Supplies Expense	765	1,120,783.61	
Water Expenses	766	1,603,514.98	
Electricity Expenses	767	46,756,636.67	
Postage and Deliveries	771	52,184.60	
Telephone Expenses - Landline	772	1,163,940.96	
Telephone Expenses - Mobile	773	534,803.62	
Internet Expenses	774	840,000.00	
Advertising Expenses	780	12,126,224.60	
Printing and Binding Expenses	781	1,003,380.04	
Rent Expenses	782	217,204.78	
Representation Expenses	783	1,644,084.89	
Subscription Expenses	786	950,102.35	
Survey Expenses	787	-	
Legal Services	791	162,545.75	
Auditing Services	792	191,812.21	
Consultancy Services	793	530,075.12	
Environmental/Sanitary Services (Ground Maintenance)	794.1	10,413,192.63	
Environmental/Sanitary Services (Garbage fees)	794.2	182,519.00	
Janitorial Services	796	14,613,177.79	
Security Services	797	29,013,027.22	
Other Professional Services (Directors' Per Diem)	799.1	2,189,077.91	
Other Professional Services (RATA)	799.2	1,052,755.88	
Other Professional Services (Airport Services)	799.4	14,639,430.82	
Other Professional Services (Communication)	799.3	109,206.68	
Other Professional Services (Environmental Impact Assessment)	799.5	298,000.00	
Repairs and Maintenance - Land Improvements (Roads & Grounds)	802	6,964,644.75	

CLARK INTERNATIONAL AIRPORT CORPORATION			
TRIAL BALANCE			
As of December 31, 2015			
Account Title	Account Code	DEBIT	CREDIT
Repairs and Maintenance - Elect., Power and Energy Struct.	805	638,969.00	
Repairs and Maintenance - Other Structures (Buildings)	815.1	2,714,981.60	
Repairs and Maintenance - Other Structures (Staffhouses)	815.2	431,285.64	
Repairs and Maintenance - Office Equipment	821	89,175.79	
Repairs and Maintenance - IT Equipment	823	243,404.00	
Repairs and Maintenance - Airport Equipment	828	7,235,598.77	
Repairs and Maintenance - Communication Equipment	829	19,500.00	
Repairs and Maintenance - Construction and Heavy Equipment	830	534,090.00	
Repairs and Maintenance - Military and Police Equipment	834	-	
Repairs and Maintenance - Motor Vehicles	841	2,319,389.01	
Repairs and Maintenance - Other Property, Plant and Equipment	850	58,800.00	
Donations	878.2	-	
Miscellaneous Expenses	884	-	
Taxes, Duties and Licenses	891.1	441,381.26	
Taxes, Duties and Licenses (Income Tax)	891.2	2,959,122.25	
Fidelity Bond Premiums	892	181,275.00	
Insurance Expenses	893	5,097,582.18	
Bad Debts Expense	901	7,258,112.74	
Depreciation - Land Improvements (Roads & Grounds)	902.2	15,298,613.06	
Depreciation - Other Structures (Building Improvements)	915	54,056,389.20	
Depreciation - Other Structures (Buildings)	915.1	595,581.48	
Depreciation - Office Equipment	921	1,660,347.14	
Depreciation - Furniture and Fixtures	922	1,029,492.91	
Depreciation - IT Equipment	923	3,792,221.10	
Depreciation - Library Books	924	20,048.98	
Depreciation - Airport Equipment	928.1	13,899,543.25	
Depreciation - Airport Ground Lighting System	928.2	173,790.00	
Depreciation - Navigational Aids	928.3	30,884,245.59	
Depreciation - Communication Equipment	929.1	1,486,305.17	
Depreciation - Communication & Meteorological Equipment	929.2	129,297.96	
Depreciation - Construction and Heavy Equipment	930	898,830.00	
Depreciation - Firefighting Equipment and Accessories	931.1	7,876,064.88	
Depreciation - Airport Equipment (Crash, Fire & Rescue)	931.2	231,902.04	
Depreciation - Medical, Dental and Laboratory Equipment	933	54,406.08	
Depreciation - Military and Police Equipment	934	178,385.52	
Depreciation - Sports Equipment	935	-	
Depreciation - Other Machineries and Equipment (Tools)	940	372,267.06	
Depreciation - Motor Vehicles	941	4,647,915.77	
Bank Charges	971	95,284.42	
Documentary Stamp Expenses	974	310,010.27	
Interest Expenses	975	29,798,391.67	
TOTAL		5,973,302,281.12	5,973,302,281.12

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EXPLANATIONS/REASONS FOR THE RESTATED CY2015 FINANCIAL REPORT OF CLARK INTERNATIONAL AIRPORT CORPORATION

The Clark International Airport Corporation (CIAC) has restated its Financial Report as of December 31, 2015 to comply with the three (3) Audit Observation Memoranda issued by the Commission on Audit (COA), as follows:

1. Audit Observation Memorandum No. 2016-002 (2015)

Observation: Cash in Bank - LBP Hold Out Deposit Account and the Sinking Fund – LBP Debt Service Payment Account amounting to P50,235,423.59 and P45,074,397.73, respectively were presented as Cash and Cash Equivalents in the Balance Sheet as of December 31, 2015 contrary to International Accounting Standard (IAS) 7 and Section 177 of Manual on New Government Accounting System (NGAS) Volume III, thus affecting the fair presentation of the financial statements as of year-end.

The COA recommended the reclassification of two (2) bank accounts, 1) Cash in Bank – LBP Hold Out Deposit Account amounting to P50.2 million and 2) Sinking Fund – LBP Debt Service Payment Account amounting to P45.01 million, from Cash and Cash Equivalents to Non-Current Assets – Long Term Investments in accordance with the Chart of Accounts –MNGAS III and consistent with IAS 7 to reflect a more accurate cash position of the corporation as of December 31, 2015.

The CIAC has complied with the audit recommendation as seen in the Restated Balance Sheet Report wherein the Cash in Bank – LBP Hold Out Deposit Account was included in the Other Assets group classification while the Sinking Fund – LBP Debt Service Payment Account, in the Investments group classification.

2. Audit Observation Memorandum No. 2016-005 (2015)

Observation: Borrowing costs in the amount of P24,288,530.08 pertaining to CIAC's loan from Land Bank of the Philippines for the construction of Design and Build Scheme of the CIA Passenger Terminal Expansion I Project Phase 2 which was completed as of May 31, 2014 and commissioned in June 2013 were capitalized contrary to IAS 23, thus resulted in the overstatement of Property, Plant and Equipment – Other Structures Building Improvements and Depreciation Expense by P24,288,530.08 and P728,655.36, respectively, understatement of Interest Expense by P13,543,850.97 and thereby overstating the Income from Operations by P12,815,195.61 for the CY2015.

Likewise, the overstatement of Other Structures Building Improvements account in effect overstated both the accumulated depreciation by P1,153,705.10 and the Net Book Value of the said PPE by P23,134,824.98 as of December 31, 2015.

The COA recommended to 1) reclassify the subject PPE charges to the appropriate accounts and to effect the necessary adjustments in the Corporation's books of accounts; and 2) disclose to notes to financial statements the amount of borrowing costs capitalized during the period and capitalization rate (interest rate) used.

As recommended by the COA, the CIAC has prepared the adjusting entries for the 1) reversal of capitalized borrowing costs of P24,288,530.08 by debiting Retained Earnings account (correction of prior year's errors) of P10,744,679.11 and Interest Expense for CY2015 of P13,543,850.97 and crediting Other Structures Building Improvements in the amount of P24,288,530.08 per JV#2015/12-096; and 2) reversal of overstated depreciation expense of P1,153,705.18 (prior year – P425,049.27 and CY2015 – P728,655.91) per JV#2015/12-097.

3. Audit Observation Memorandum No. 2016-006 (2015)

Observation: Prior year's adjustments in the amount of P13,603,900.84 were recorded as current year financial statement transactions resulting in the understatement of the reported Income from Operations as of December 31, 2015, thus affecting the fair presentation of the financial statements as of year-end in violation with the provisions stated in IAS 15 and IAS 8.

The COA recommended to 1) adjust the reported balance of Rent Income and Depreciation Expense as of year-end in the amount of P5,141,541.29 and P8,462,359.55, respectively and make the necessary adjusting entries through Journal Entry Voucher, adjust the beginning balance of the Retained Earnings of the reporting year (CY2015) in the amount of P13,178,851.60 and make necessary disclosures in the Notes to Financial Statements in compliance with IAS 8; and 2) adhere to the provisions stated in IAS 1 and IAS 8 on the fair presentation of financial statements. The principle of matching and expense recognition should also be observed to reflect accurately the amount of net income for the particular period.

CIAC has complied with the preparation of the adjusting entries for the Rent Income of P5,141,541.29 per JV#2015/12-098 and the Depreciation Expense of P8,037,310.28 (net of P425,049.27 overstated depreciation under AOM #2016-005) per JV#2015/12-097 and JV#2015/12-099; and charged to Retained Earnings account.

Other adjusting entries related to the above Audit Observation Memoranda were made, such as reclassification of charges to Prior Years' Adjustments account to Retained Earnings account (correction of prior years) in the amount of P 1,217,515.07 for various operating expenses per JV#2015/12-101 and set-up of additional income tax of P104,230.44 per JV#2015/12-100.

After taking into account all the abovestated adjustments, the net income increased by P684,475.34, from P29,097,162.85 net income to P29,781,638.19, details as follows:

Net Income Before Restatement	P29,097,162.85
Adjustments in compliance with AOMs of COA	
Interest Expense (reversal of borrowing costs)	(13,543,850.97)
Overstated Depreciation	1,153,705.18
Rent Income (moratorium)	5,141,541.29
Depreciation (prior year)	7,888,414.91
Depreciation (prior year)	148,895.37
Taxes (additional income tax)	<u>(104,230.44)</u>
Restated Net Income	<u>P29,781,638.19</u>

Likewise, the Balance Sheet was restated, as follows:

Total Assets Before Restatement	P2,655,260,349.61
Cash & Cash Equivalents (decrease due to exclusion of Sinking Fund and Hold Out Deposit Account)	(95,309,821.32)
Investments (increase due to inclusion of Sinking Fund)	45,074,397.73
Other Assets (inclusion of Hold Out Deposit Account)	50,235,423.59
Other Structures Building Improvements (decrease due to reversal of borrowing costs)	(24,288,530.08)
Overstated Accumulated Depreciation	<u>1,153,705.18</u>
Restated Total Assets	<u>P2,632,125,524.71</u>
Total Liabilities and Equity Before Restatement	P2,655,260,349.61
Correction of prior years' errors	
Borrowing costs	(10,744,679.11)
Prior year depreciation	(7,888,414.91)
Moratorium on rent income	(5,141,541.29)
Prior year depreciation	(148,895.37)
Various operating expenses	1,217,515.07
Prior years' adjustments account (reclassification)	(1,217,515.07)
Due to BIR (Income Tax)	104,230.44
Increase in Net Income	<u>684,475.34</u>
Restated Total Liabilities and Equity	<u>P2,632,125,524.71</u>

We are respectfully re-submitting the Financial Report as of December 31, 2015, which was restated with the above-stated explanations/reasons.

Thank you.

Submitted by: 

NANCY C. PAGLINAWAN
Manager, Accounting Department
Clark International Airport Corporation



Republic of the Philippines
COMMISSION ON AUDIT
Office of the Auditor
Clark International Airport Corporation
Clarkfield, Pampanga

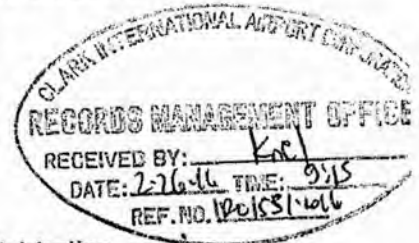
AOM No.: 2016-002 (2015)

Date: February 15, 2016

AUDIT OBSERVATION MEMORANDUM

FOR: **Atty. Emigdio P. Tanjuatco, III**
President and CEO
Clark International Airport Corporation

Attention: **Mr. Lauro A. Ortile**
Vice-President for Finance and Administration



We have audited and reviewed the accounts of Clark International Airport Corporation as of December 31, 2015 and noted that:

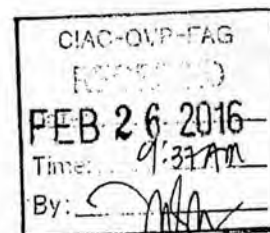
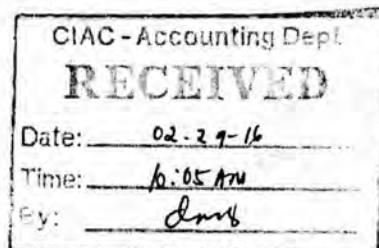
Cash in Bank – Land Bank of the Philippines (LBP) (Hold-Out Deposit Account and the Sinking Fund (LBP-Debt Service Payment Account) amounting to P50,235,424.00 and P45,074,397.73, respectively were presented as Cash and Cash Equivalents in the Balance Sheet as of December 31, 2015 contrary to International Accounting Standard (IAS) 7 and Section 177 of Manual on New Government Accounting System (NGAS) Volume III, thus affecting the fair presentation of the financial statements as of year-end.

On February 21, 2012, the corporation signed a loan agreement with LBP, Clark Branch in the amount of P920M allocated as follows:

Construction of Terminal- Phase 2	P580M
& Acquisition of Equipment	
Loan Take-out of existing loan with	340M
Philippine Veterans Bank (PVB)	
TOTAL	P920M

The loan is payable within 10 years inclusive of two years grace period on principal or 32 equal quarterly amortizations, the first payment of which started in December 2015.

LBP required the assignment of Debt Service Payment Account (DSPA) or Sinking Fund Account as one of the collaterals, with initial deposit of P10M prior to avallment and deposit balance to increase by P15M every quarter to accumulate within 2 years from date of release of loan to have a balance equivalent to at least 3 quarters principal and interest amortization (estimated at P120M). The outstanding deposit balance of the DSPA/Sinking Fund Account shall be gradually further increased by P20M every quarter to accumulate to P250M until the end of 2015 and shall be maintained at any given time until full payment of the loan.



The provision on the collateral was later amended, most recent of which was the Third Amendment to Loan Agreement dated April 24, 2015 stating that "Initial deposit of ₱10M; Deposit balance to be gradually increased proportionately every quarter and to accumulate within two years from date of initial release of the loan to have a balance equivalent to at least three quarters principal and interest amortization due based on the actual drawdown/availments on the Term Loan (estimated at ₱109M for ₱880M loan) that shall be maintained at any given time until full payment of the loan."

Further, LBP also required a Hold-Out Deposit Account in the amount of ₱50 million as one of the loan collaterals.

As of December 31, 2015 the balance of the Cash in Bank – LBP (Hold-Out Deposit Account amounting to ₱50,235,424.00 and Sinking Fund (LBP-DSPA) amounting to ₱45,074,397.73 were presented under Cash and Cash equivalents. In effect, it was made to appear that the amount of ₱95,309,821.73 were available for use in current operations of CIAC, thus, misrepresenting the cash position of the corporation as of year-end.

Analysis of the balances of the said accounts revealed that these are restricted for use and are maintained on at least initial amounts:

Account	2015	2014	2013	2012
Cash in Bank – LBP (Hold-out Deposit Account	50,235,424.00	50,133,087.00	50,030,558.00	0
Sinking Fund (LBP – Debt Service Payment Account	45,074,398.00	44,983,143.00	10,006,137.00	0

On the other hand, the Cash in Bank – LBP (Hold-Out Deposit Account) was later amended under the Third Amendment to Loan Agreement stipulating that a Deed of Assignment be executed on the lease contracts of United Parcel Service (UPS), Global Gateway Logistics City (GGLC) and other acceptable lease contracts and/or receivables and other existing equipment to be released by Philexim.

However, it was noted that the untagging and/or cancellation of the ₱50.0 Million Hold-Out Deposit with LBP Clark Branch shall only be made after the termination/withdrawal of the Deed of Assignment of UPS lease contract receivables and/or chattel mortgage (CM) with Philexim and full execution of the First Amendment to Deed of Assignment covering UPS, GGLC and other acceptable lease contract receivables and/or CM with the lender. To date, the proposed replacement of the hold out deposit of ₱50.0 Million has yet to be implemented as the process involves series of appraisals, assessment and approvals from the end of LBP of subject equipment and receivables.

Paragraph 6 of IAS 7 defined Cash and Cash Equivalents as **short-term, highly liquid investments** that are readily convertible to known amounts of cash and

which are subject to an insignificant risk of changes in value. Further, Paragraph 7 of the said standard states that:

"Cash equivalents are held for the purpose of **meeting short-term cash commitments** rather than for investments or other purposes. Xxxx"

Likewise, Section 72 of MNGAS, Volume III defines Sinking Fund – Cash as an account used to record cash set aside for the liquidation of long-term debt.

Moreover, the Notes to Financial Statements (Note No. 3) include disclosures pertaining to the subject accounts, to wit:

"Cash in Bank – LBP Hold-Out Deposit Account refers to the deposit with the Land Bank of the Philippine in the amount of ₱50.0 Million assigned as collateral on the LBP loan, approved in February 2012, pursuant to the Loan Agreement. The increase represents interest earned on said deposits every quarter.

"Sinking Fund – LBP DSPA pertains to the ₱10.0 Million initial deposit with the LBP pursuant to the provision of the Loan Agreement signed with LBP in 2012. Addition on this account amounting to ₱35.0 Million is in compliance with the terms and conditions of the loan agreement. Any increase or decrease on the account may represent interest earnings and documentary stamp charges on loan.

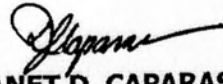
Based on the foregoing, it is evident that the Cash in Bank – Hold-out Deposit Account and Sinking Fund Account amounting to ₱95.31 Million are long-term in nature and should not be presented under Cash and Cash Equivalents. Given that the aforementioned collaterals were set aside to satisfy the terms of long-term loan, presenting these under the Current Assets would be misleading.

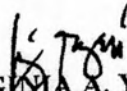
The funds were said to be maintained at any given time until full payment of the loan. Considering the term of the loan of 10 years or 32 equal quarterly amortizations (excluding grace period of 2 years), the Sinking Fund account – LBP DSPA and CIB – Hold-Out Deposit Account should be presented as part of Long-Term Investments in compliance with the Chart of Accounts provided under MNGAS Volume III and consistent with IAS 7.

Additionally, the cash tied up in the said funds were specifically designated for the LBP loan, which is considered a long-term liability. In other words, because the money in the hold out deposit account and DSPA cannot be used to pay current liabilities, it must be reported outside of the working capital section of the balance sheet.

In view of the above observations, we recommend that the management should require the Accounting Division to reclassify the amount of ₱95.31 Million representing the Cash in Bank – Hold-Out Deposit Account and Sinking Fund (LBP-DSPA) accounts to Non-current Asset- Long Term Investments in accordance with the Chart of Accounts provided under MNGAS Volume III and consistent with IAS 7 to reflect a more accurate cash position of the corporation as of December 31, 2015.

May we hear your comments on the above audit recommendations within five (5) days from receipt hereof.


JANET D. CAPARAS
State Auditor III/OIC-ATL


VIRGINIA A. YACAT
OIC-Supervising Auditor

Proof of receipt of AOM No. 2016-002 (2015):

Name/Signature

Date

FILE COPY



Republic of the Philippines
COMMISSION ON AUDIT
Office of the Auditor
Clark International Airport Corporation
Clark Freeport Zone, Clarkfield Pampanga

AOM No.: 2016-005(2015)
Date : February 16, 2016

AUDIT OBSERVATION MEMORANDUM

For: **ATTY. EMIGDIO P. TANJUATCO**
President and CEO
Clark International Airport Corporation

Accounting Dept Attention: **Mr. LAURO A. ORTILE**
VP for Finance and Administration

Ms. NANCY C. PAGLINAWAN
Manager—Accounting Department

RECEIVED	
Date:	02-29-16
Time:	01:19 PM
By:	<i>[Signature]</i>

We have conducted an audit of Construction in Progress (CIP) account and the following deficiencies were observed:

Borrowing costs in the amount of ₱24,288,530.08 pertaining to CIAC's loan from Land Bank of the Philippines for the construction of Design and Build Scheme of the CIA Passenger Terminal Expansion I Project Phase 2 which was completed as of May 31, 2014 and commissioned in June 2013 were capitalised contrary to International Accounting Standard (IAS) 23, thus resulted in the overstatement of Property, Plant and Equipment – Other Structures – Building Improvements and Depreciation Expense by ₱24,288,530.08 and ₱728,655.36 respectively, understatement of Interest Expense by ₱13,543,850.97 and thereby overstating the Income from Operations by ₱12,815,195.61 for the CY 2015.

Likewise, the overstatement of Other Structures – Building Improvements account in effect overstated both the accumulated depreciation by ₱1,153,705.10 and the Net Book Value of the said PPE by ₱23,134,824.98 as of December 31, 2015.

The Design and Build Scheme of the CIA Passenger Terminal I Expansion Project Phase II project with a total original cost of ₱308,888,333.88 was started on **01 June 2013**. As a result of additional works and two (2) variation orders amounting to ₱86,450,250.21 and ₱30,847,409.41 respectively, the total construction costs aggregated to ₱426,185,993.50. The project was financed through a bank loan facility approved by the Land Bank of the Philippines. As of 31 December 2015, the total loan drawdown amounted to ₱434.5 million.

The audit of the Construction in Progress account disclosed that in December 2015, the total capitalizeable project costs of the Terminal I Expansion Phase II project amounting to **P475,055,096.38** (including incidental expenses) was transferred to Other Structures – Building Improvement account. Based on the Certificate of Inspection and Completion, the project was inspected and found to be 100% completed as of **May 31, 2014** and ready for its intended use. Consequently, the Depreciation Expense was recognized for the period June 01, 2014 – December 31, 2015 using a 10% salvage value and estimated useful life of 30 years.

Further analysis of the total costs of the project revealed that the related borrowing costs or interest expenses and bank charges incurred beyond the completion date were capitalized contrary to the guidelines prescribed by IAS 23. The table below presents the excess interest expenses that have been inappropriately capitalised:

Ref Nos. JV	Period covered	Interest Expense and Bank Charges	Capitalised Amount	Excess Interest Expense and Bank Charges, Capitalised
B14/06-014	Mar.19 to Jun.19, 2014	P 4,437,289.72	P 4,437,289.72	P 916,396.79
B14/09-014	Jun.19 to Sep.19, 2014	4,544,128.35	4,544,128.35	4,544,128.35
B14/12-015	Sept.19 to Dec.19,2014	4,668,524.38	4,668,524.38	4,668,524.38
B15/03-022	Dec.19, 2014 to Mar.19, 2015	4,617,221.92	4,617,221.92	4,617,221.92
B15/06-017	Mar.19 to Jun.19, 2015	4,719,826.85	4,719,826.85	4,719,826.85
B15/09-019	Jun.19 to Sep.19, 2015	4,822,431.79	4,822,431.79	4,822,431.79
	TOTALS	P27,809,423.01	P27,809,423.01	P24,288,530.08

IAS 23 provides that;

1. An entity shall cease capitalising borrowing costs when, substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.
2. An asset is normally ready for its intended use or sale when the physical construction of the asset is complete even though routine administrative work might still continue. If minor modifications, such as the decoration of a property to the purchaser's or user's specification, are all that are outstanding, this indicates that substantially all the activities are complete.
3. When an entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

On the other hand, a Qualifying Asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale such as inventories (that are not produced over a short period of time), manufacturing plants, power generation facilities, intangible assets, investment properties.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

The incorrect capitalization of borrowing costs beyond the completion date resulted in the overstatement of Property, Plant and Equipment – Other Structures – Building Improvements and Depreciation Expense by **P24,288,530.08** and **P728,655.36**⁹⁶ respectively, understatement of Interest Expense by **P13,543,850.97** and thereby overstating the Income from Operations by a net amount of **P12,815,195.61** for the CY 2015.

Likewise, the overstatement of Other Structures – Building Improvements account in effect overstated the corresponding accumulated depreciation by **P1,153,705.10** and the Net Book Value of the said PPE by **P23,134,824.98** as of December 31, 2015, to wit:

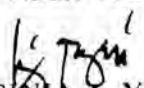
	Per Books	Should Be	Overstatement
Project Cost	P 475,055,096.38	P450,766,566.30	P21,859,677.07
Monthly Depreciation	1,187,637.74	1,126,916.42	60,721.33
Accumulated Depreciation	22,565,117.08	21,411,411.90	1,153,705.18
Net Book Value	P452,489,979.30	P429,355,154.40	P23,134,824.90

In view of the foregoing, we recommend that the President and CEO instruct Management to:

1. Reclassify the subject PPE charges to the appropriate accounts and to effect the necessary adjustments in the Corporation's book of accounts.
2. And disclose to notes to financial statement the amount of borrowing costs capitalised during the period and capitalisation rate (interest rate) used.

May we hear your comments on the above audit recommendation within fifteen (5) days from receipt hereof.


JANET D. CAPARAS
 OIC - Audit Team Leader


VIRGINIA A. YACAT
 OIC-Supervising Auditor

Proof of Receipt of AOM No. 2016-005(2015):

Signature over Printed Name

Date: _____



Republic of the Philippines
COMMISSION ON AUDIT
Office of the Auditor
Clark International Airport Corporation
Clarkfield, Pampanga

AOM No.: 2016-006 (2015)
Date: February 22, 2016

AUDIT OBSERVATION MEMORANDUM

FOR: **Atty. Emigdio P. Tanjuatco, III**
President and CEO
Clark International Airport Corporation

Attention: **Mr. Lauro A. Ortile**
Vice-President for Finance and Administration

We have audited and reviewed the accounts of Clark International Airport Corporation as of December 31, 2015 and revealed that:

Prior year's adjustments in the amount of P 13,603,900.84 were recorded as current year financial statement transactions resulting in the understatement of the reported Income from Operations as of December 31, 2015, thus affecting the fair presentation of the financial statements as of year-end in violation with the provisions stated in International Accounting Standard (IAS) 15 and IAS 8.

In our audit and verification of the transactions of the corporation for CY 2015, we noted the following prior period adjustments/transactions that were recorded in the current year's operations resulting to misstatement of account balances in the financial statements, to wit:

1) Reversal of Rent Income of Asian Aerospace Corporation for six months covering January 2008 to June 2008 in pursuance to the additional six months moratorium approved by the Board in July 2015.

Entry Made: dr. Rent Income P 5,141,541.29
cr. AR- Trade P 5,141,541.29

Entry Should be: dr. Retained Earnings 5,141,541.29
cr. AR- Trade 5,141,541.29

Adjusting entry: dr. Retained Earnings 5,141,541.29
cr. Rent Income 5,141,541.29

On March 14, 2007, A Board resolution was issued on the approval of the 100% moratorium for the one year rent of Asian Aerospace Corporation from January 2007 to December 2007, following its request to restructure its arrearages.

During the year (2015), negotiations were made between CIAC and Asian Aerospace for the settlement of the latter's arrearages. In the course of negotiation, Asian Aerospace claimed that the Restructuring Agreement executed by and between the



JV # 2015/12-01

Consequently, the Board approved an additional six months moratorium on the rent payment of Asian Aerospace Corporation for the period January 2008 to June 2008 thru Board Resolution No. RM-07-05 series of 2015 issued last July 16, 2015.

Entry Made:

<i>dr. Depreciation Expense</i>	<i>P 148,895.37</i>
<i>cr. Accumulated Depreciation</i>	<i>P 148,895.37</i>

Adjusting Entry:

dr. Retained Earnings	148,895.37
cr. Depreciation Expense	148,895.37

The building with a cost amounting to ₱ 19,852,716.12 with an estimated useful life of 30 years and a monthly depreciation of ₱ 49,631.79 was completed in September 28, 2014 based on the certificate of completion attached to the Journal Voucher. Depreciation Expense covering the period October 2014 to December 2015 (15 months) amounting to ₱744,476.85 was recorded as current year depreciation.

Entry Made:

dr. Depreciation Expense	P 8,313,464.18
cr. Accumulated Depreciation	P 8,313,464.18

Adjusting Entry:	dr. Retained Earnings	7,888,414.94
	Accumulated Depreciation	425,049.24
	cr. Depreciation Expense	8,313,464.18

JV # 2015/12-009

Terminal 1 Phase 2 Project was completed in May 31, 2014 with a recorded cost of P 475,055,096.38 and an estimated useful life of 30 years. Total depreciation amounting to P 22,565,117.08 covering the period June 2014 to December 2015 was recorded as current year depreciation. Also, upon verification of the relevant documents, we noted that the borrowing costs incurred after the completion date of the project amounting to P 24,288,530.08 are still being capitalized (subject of AOM No. 2016-005 (2015), thus overstating the recorded cost of the project and monthly depreciation by P60,721.32.

In effect of the foregoing adjustments, Rent Income account for CY 2015 is understated by ₱ 5,141,541.29 and Depreciation Expense is overstated by ₱ 8,462,359.55 resulting in a net understatement of the reported Income from Operations by ₱ 13,603,900.84.

IAS 1.15 prescribes that *"the financial statements must 'present fairly' the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation."*

Interview with the Accounting officer revealed that the reason for charging the above enumerated adjustments in the current year operation is that the Prior Year's adjustment account was omitted in the Chart of Accounts as provided in COA Circular 2014-003 dated April 15, 2014 in compliance with IPSAS.

As provided in IAS 8.42 "an entity must correct all material prior period errors **retrospectively** in the first set of financial statements authorized for issue after their discovery by: a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented."

Further, IAS 8.49 provides the disclosures relating to prior period errors which include:

- a) nature of prior period error
- b) for each prior period presented, to the extent practicable, the amount of the correction: b.1) for each financial statement line item affected, and xxxx.
- c) the amount of the correction at the beginning of the earliest prior period presented
- d) if retrospective restatement is impracticable, an explanation and description of how the error has been corrected.

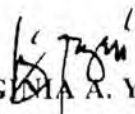
In view of the above observations, we recommend that the President and CEO should:

(a) Instruct the Accountant to adjust the reported balance of Rent Income and Depreciation Expense as of year-end in the amount of ₱ 5,141,541.29 and ₱ 8,462,359.55, respectively and make the necessary adjusting entries through Journal Entry Voucher. Adjust the beginning balance of the Retained Earnings of the reporting year (CY 2015) in the amount of ₱ 13,178,851.60 and make necessary disclosures in the Notes to Financial Statements in compliance with IAS 8.

(b) Adhere to the provisions stated in IAS 1 and IAS 8 on the fair presentation of financial statements. The principle of matching and expense recognition should also be observed to reflect accurately the amount of net income for the particular period.

May we hear your comments on the above audit recommendations within five (5) days from receipt hereof.


JANET D. CAPARAS
State Auditor III/OIC-ATL


VIRGINIA A. YACAT
OIC-Supervising Auditor

Proof of receipt of AOM No. 2016-006 (2015) :

Name/Signature

Date

CLARK INTERNATIONAL AIRPORT CORPORATION**JOURNAL VOUCHER****JV No.:** 2015/12-096

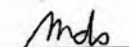
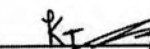
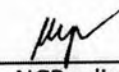
CODE	ACCOUNT NAME	DR	CR
510	Retained Earnings	10,744,679.11	
975	Interest Expense	13,543,850.97	
215	Other Structures (Building Improvements)		24,288,530.08
		24,288,530.08	24,288,530.08

*To reclassify the borrowing costs, for period June 1, 2014 to ~~December 31,~~ ^{July} 2015, on LBP loan for the construction of Terminal 1 Phase 2 Project which was 100% completed as of May 31, 2014.
Reference: COA Audit Observation Memorandum 2016-005 (2015)*

PREPARED BY:

POSTED BY:

APPROVED BY:


MDSantos
KTManinarg/MDSantos
NCPaglinawan

CLARK INTERNATIONAL AIRPORT CORPORATION
JOURNAL VOUCHER

JV No.: 2015/12-097

CODE	ACCOUNT NAME	DR	CR
510	Retained Earnings	7,888,414.91	
315	Accumulated Depr'n-Other Structures (Buildings Imprvts.)	1,153,705.18	
915	Depr'n Expense-Other Struct. (Building Improvements)		9,042,120.09
		9,042,120.09	9,042,120.09

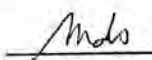
To adjust the overstated depreciation of Terminal 1 Phase 2 Project for period June 2014 to December 2015 owing on the capitalized borrowing costs.

References: COA Audit Observation Memorandum 2016-005 (2015) and 2016-006 (2015) No. 3 and JV#2015/12-077

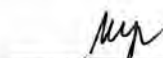
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CLARK INTERNATIONAL AIRPORT CORPORATION
JOURNAL VOUCHER

JV No.: 2015/12-098

CODE	ACCOUNT NAME	DR	CR
510	Retained Earnings	5,141,541.29	
642	Rent Income		5,141,541.29
		5,141,541.29	5,141,541.29

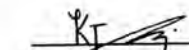
*To charge to proper account the six months moratorium rent income of Asian Aerospace Corporation for period January to June 2008.
References: COA Audit Observation Memorandum 2016-006 (2015) and JV#2015/06-057*

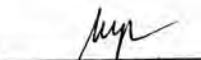
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JOURNAL VOUCHER

JV No.: 2015/12-099

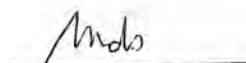
CODE	ACCOUNT NAME	DR	CR
510	Retained Earnings	148,895.37	
915.1	Depreciation Expense-Other Structures (Buildings)		148,895.37
		148,895.37	148,895.37

*To charge to proper account the three months depreciation (Oct to Dec2014)
of the Semi-Permanent Building turned over by the DOTC.
References: COA Audit Observation Memorandum 2016-006 (2015)
and JV#2015/12-056*


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CLARK INTERNATIONAL AIRPORT CORPORATION
JOURNAL VOUCHER

JV No.: 2015/12-100

CODE	ACCOUNT NAME	DR	CR
891.2	Taxes, Duties and Licenses (Income Tax)	104,230.44	
412.1	Due to BIR / LGUs (Income Tax))		104,230.44
		104,230.44	104,230.44

To set up the understated provision for income tax for CY2015.
Reference: JV#2015/12-094

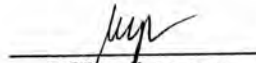
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JOURNAL VOUCHER

JV No.: 2015/12-101

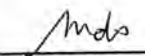
CODE	ACCOUNT NAME	DR	CR
684	Prior Years' Adjustments	1,217,515.07	
510	Retained Earnings		1,217,515.07
		1,217,515.07	1,217,515.07

To charge to proper account the correction of prior years' errors on various expenses.

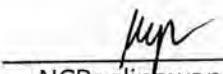
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