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

CORPORATE GOVERNMENT SECTOR
Cluster 4 – Industrial and Area Development

MANILA INTERNATIONAL AIRPORT AUTHORITY
OFFICE OF THE CORPORATE BOARD SECRETARY
RECEIVED
SEP 28 2020
TIME 2:46 pm
BY Sharelle Moreno

September 25, 2020

The Board of Directors
Manila International Airport Authority
Pasay City

Gentlemen:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of Manila International Airport Authority (MIAA) for the years ended December 31, 2019 and 2018.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and Status of Implementation of Prior Year's Audit Recommendations.

The Auditor expressed a qualified opinion on the fairness of presentation of the financial statements of the Authority for the years 2019 and 2018 because the qualitative characteristic of verifiability and faithful representation of the following accounts could not be ascertained:

a) Unearned Revenue account amounting to P148.364 million due to the existence of unsubstantiated amount of P33.215 million covering the balances in 2004 and prior years; and

b) The Passenger Boarding Bridges classified as Airport Equipment in the amount of P239.724 million and the related Accumulated Depreciation account due to the unsubstantiated discrepancy between the General Ledger and the Lapsing Schedule amounting to P18.039 million resulting in the understatement of the Airport Equipment account and the overstatement of the related Accumulated Depreciation account by the same amount which is not in accordance with Philippine Accounting Standard (PAS) 1 and the Conceptual Framework for Financial Reporting.

The Audit Team was not able to validate the Lapsing Schedule because of the absence of detailed computation of the depreciation expense for 2018.

Also, the non-monitoring of compliance with the Concession Contracts and MIAA Administrative Order No. 1, s. 2000 by concessionaires subject to payment of Concession Privilege Fee (CPF) based on percentage of gross sales (GS-based CPF) coupled by the inadequate guidelines on the billing and collection of the CPF resulted in non-payment/under-payment by some concessionaires, and ultimately in the understatement of income from CPF.

For the above observations, which caused the issuance of a qualified opinion, we recommended that Management:

On Unearned Revenue:

Direct the Accounting Division to document the lump sum amount and make adjustments in the books, if necessary.

On Passenger Boarding Bridges:

a) Conduct a thorough review and verification of the discrepancy and effect appropriate adjustments;

b) Submit the 2018 lapsing schedule and other supporting documents; and

c) Reconcile records regularly to ensure that the recorded transactions are correct and updated.

On Concession Privilege Fee:

Immediately address the deficiencies noted and revisit the existing policies and monitoring activities and/or issue additional guidelines on CPF transactions.

The other significant observations and recommendations are as follows:

1. The balance of the Advances to Contractors account of P125.149 million is understated by P2.621 million due to the erroneous recording of Input VAT in the payment of progress billings.

   We recommended that Management direct the Accounting Division to make the necessary adjustment in the books to correct the error.

2. The uniform and accurate gathering of data on aircrafts and passengers' movement in all NAIA terminals required under MIAA Memorandum Circular (MC) No. 06-M (s. 2016) was not properly implemented resulting in erroneous and unreliable reports, hence the correctness of the Passenger Service Charge (PSC) collected and reported by the Airline Companies (ACs) remained unvalidated.

   We recommended that Management:

   a) Direct the concerned officials/personnel to strictly follow and implement MIAA MC No. 06-M (s.2016);

   b) Introduce amendments/revisions to MIAA MC No. 06-M, if necessary, so that accurate data on passengers' flight and passenger movement can be attained, which can be used in the validation of the Remittance Reports of the ACs; and

c) Adopt a good monitoring system in the implementation of MIAA MC No. 06-M and other guidelines related thereto.

3. MIAA properties with total carrying amount of P36.150 million, substantial value of which have remaining useful life of more than 50 per cent of their economic useful life, were auctioned and awarded to buyers for only P5.447 million based on junk/scrap price resulting in a net loss of P30.703 million. Moreover, MIAA's disposal procedure was not in compliance with applicable guidelines, casting doubt on the propriety and regularity of the disposal transactions.

   We recommended that Management:

   a) Conduct an investigation and impose appropriate sanctions on the officials/personnel found remiss/liable for the improper disposal of the assets that resulted in financial loss to the Authority;

   b) Comply with the guidelines prescribed in the disposal of government properties; and

   c) Craft/formulate a policy on disposal of MIAA properties anchored from the existing disposal manuals and other related laws, rules and regulations.

4. The computerization project intended primarily to address the deficiencies of the existing manual operations/processes particularly on the Authority's revenue related transactions remained uncompleted despite the lapse of two years, thereby delaying the attainment of the Project's objectives. Also, MIAA paid the Contractor the full cost of the delivered items when the contract provides only for 90 per cent payment prior to the project's full integration.

   We recommended that Management direct the Management Information System Division to:

   a) Demand from the Contractor any undelivered/uncompleted work/deliverables;

   b) Coordinate with the officials/personnel involved in the Project and take immediate action on the issue/concern raised; and

   c) Effect the roll-out of the project as soon as completed.

5. Management did not terminate the contract on the Rehabilitation of NAIA Terminal 2 Project with a contract cost of P604.657 million at the time that the Contractor's negative slippage reached 15.31 per cent in July 2019 and despite continuous incurrence of delay which peaked at 67.06 per cent as of December 31, 2019, contrary to the provisions of Annex I of the Implementing Rules and Regulations (IRR) of RA 9184. This resulted in the extension of the construction period prolonging the inconvenience of passengers/terminal users, likewise exposing MIAA to complaints and/or negative comments.

   We recommended that Management take all appropriate actions and remedies to ensure the completion of the project the soonest time possible. Management should likewise enforce the provisions of the contract and adhere to the pertinent provisions of the IRR on the implementation of the project.

The other audit observations, together with the recommended courses of action, which were discussed with concerned Management officials and staff during the exit conference conducted on September 8, 2020, are presented in detail in Part II of the report.

In a letter of even date, we requested the Authority's General Manager to take appropriate actions on the recommendations contained in the report and to inform this Office of the actions taken thereon within 60 days from the date of receipt.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

ELSIELIN C. MASANGCAY
Director IV

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Senate Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library

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

CORPORATE GOVERNMENT SECTOR
Cluster 4 – Industrial and Area Development

MANILA INTERNATIONAL AIRPORT AUTHORITY
OFFICE OF THE GENERAL MANAGER
RECEIVED
SEP 28 2020
TIME 2:45 PM
BY [illegible]

September 25, 2020

Mr. EDDIE V. MONREAL
General Manager
Manila International Airport Authority
Pasay City

Sir:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of Manila International Airport Authority (MIAA) for the years ended December 31, 2019 and 2018.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and Status of Implementation of Prior Year's Audit Recommendations.

The Auditor expressed a qualified opinion on the fairness of presentation of the financial statements of the Authority for the years 2019 and 2018 because the qualitative characteristic of verifiability and faithful representation of the following accounts could not be ascertained:

a) Unearned Revenue account amounting to P148.364 million due to the existence of unsubstantiated amount of P33.215 million covering the balances in 2004 and prior years; and

b) The Passenger Boarding Bridges classified as Airport Equipment in the amount of P239.724 million and the related Accumulated Depreciation account due to the unsubstantiated discrepancy between the General Ledger and the Lapsing Schedule amounting to P18.039 million resulting in the understatement of the Airport Equipment account and the overstatement of the related Accumulated Depreciation account by the same amount which is not in accordance with Philippine Accounting Standard (PAS) 1 and the Conceptual Framework for Financial Reporting.

   The Audit Team was not able to validate the Lapsing Schedule because of the absence of detailed computation of the depreciation expense for 2018.

Also, the non-monitoring of compliance with the Concession Contracts and MIAA Administrative Order No. 1, s. 2000 by concessionaires subject to payment of Concession Privilege Fee (CPF) based on percentage of gross sales (GS-based CPF) coupled by the inadequate guidelines on the billing and collection of the CPF resulted in non-payment/under-payment by some concessionaires, and ultimately in the understatement of income from CPF.

For the above observations, which caused the issuance of a qualified opinion, we recommended that Management:

On Unearned Revenue:

Direct the Accounting Division to document the lump sum amount and make adjustments in the books, if necessary.

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a) Conduct a thorough review and verification of the discrepancy and effect appropriate adjustments;

b) Submit the 2018 lapsing schedule and other supporting documents; and

c) Reconcile records regularly to ensure that the recorded transactions are correct and updated.

On Concession Privilege Fee:

Immediately address the deficiencies noted and revisit the existing policies and monitoring activities and/or issue additional guidelines on CPF transactions.

The other significant observations and recommendations are as follows:

1. The balance of the Advances to Contractors account of P125.149 million is understated by P2.621 million due to the erroneous recording of Input VAT in the payment of progress billings.

   We recommended that Management direct the Accounting Division to make the necessary adjustment in the books to correct the error.

2. The uniform and accurate gathering of data on aircrafts and passengers' movement in all NAIA terminals required under MIAA Memorandum Circular (MC) No. 06-M (s. 2016) was not properly implemented resulting in erroneous and unreliable reports, hence the correctness of the Passenger Service Charge (PSC) collected and reported by the Airline Companies (ACs) remained unvalidated.

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c) Adopt a good monitoring system in the implementation of MIAA MC No. 06-M and other guidelines related thereto.

3. MIAA properties with total carrying amount of P36.150 million, substantial value of which have remaining useful life of more than 50 per cent of their economic useful life, were auctioned and awarded to buyers for only P5.447 million based on junk/scrap price resulting in a net loss of P30.703 million. Moreover, MIAA's disposal procedure was not in compliance with applicable guidelines, casting doubt on the propriety and regularity of the disposal transactions.

   We recommended that Management:

   a) Conduct an investigation and impose appropriate sanctions on the officials/personnel found remiss/liable for the improper disposal of the assets that resulted in financial loss to the Authority;

   b) Comply with the guidelines prescribed in the disposal of government properties; and

   c) Craft/formulate a policy on disposal of MIAA properties anchored from the existing disposal manuals and other related laws, rules and regulations.

4. The computerization project intended primarily to address the deficiencies of the existing manual operations/processes particularly on the Authority's revenue related transactions remained uncompleted despite the lapse of two years, thereby delaying the attainment of the Project's objectives. Also, MIAA paid the Contractor the full cost of the delivered items when the contract provides only for 90 per cent payment prior to the project's full integration.

   We recommended that Management direct the Management Information System Division to:

   a) Demand from the Contractor any undelivered/uncompleted work/deliverables;

   b) Coordinate with the officials/personnel involved in the Project and take immediate action on the issue/concern raised; and

   c) Effect the roll-out of the project as soon as completed.

5. Management did not terminate the contract on the Rehabilitation of NAIA Terminal 2 Project with a contract cost of P604.657 million at the time that the Contractor's negative slippage reached 15.31 per cent in July 2019 and despite continuous incurrence of delay which peaked at 67.06 per cent as of December 31, 2019, contrary to the provisions of Annex I of the Implementing Rules and Regulations (IRR) of RA 9184. This resulted in the extension of the construction period prolonging the inconvenience of passengers/terminal users, likewise exposing MIAA to complaints and/or negative comments.

   We recommended that Management take all appropriate actions and remedies to ensure the completion of the project the soonest time possible. Management should likewise enforce the provisions of the contract and adhere to the pertinent provisions of the IRR on the implementation of the project.

The other audit observations, together with the recommended courses of action, which were discussed with concerned Management officials and staff during the exit conference conducted on September 8, 2020, are presented in detail in Part II of the report.

We request that recommendations contained in Part II of the report be implemented and that this Commission be informed of the actions taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation form (copy attached) within 60 days from the date of receipt.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

ELSIELIN C. MASANGCAY
Director IV

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Senate Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library

MANILA INTERNATIONAL AIRPORT AUTHORITY
AGENCY ACTION PLAN and
STATUS of IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 2019
As of ______________________

Ref. No.	Observation	Recommendation	AGENCY ACTION PLAN				Status of Implementation	Reason for Partial/ Delay/Non-Implementation, if applicable	Action Taken/ Action to be Taken
			Action Plan/Remarks	Person/Dept. Responsible	Target Implementation Date				
					From	To			

Republic of the Philippines
COMMISSION ON AUDIT
Quezon City

ANNUAL AUDIT REPORT

on the

MANILA INTERNATIONAL AIRPORT AUTHORITY

For the Years Ended December 31, 2019 and 2018

EXECUTIVE SUMMARY

INTRODUCTION

The Manila International Airport Authority (MIAA), which was created by virtue of Executive Order (EO) 778, s. 1982, otherwise known as the "Charter of the Manila International Airport Authority," is an agency under the Executive Department attached to the Department of Transportation (DOTr), originally tasked to, among others, formulate a comprehensive and integrated policy and program for the Manila International Airport (now the Ninoy Aquino International Airport) and other airports in the Philippines, and to implement, review and upgrade such policy and program periodically; and control, supervise, construct, maintain, operate and provide such facilities or services as shall be necessary for its efficient functioning.

MIAA's Charter was amended by EO 903 and 909 dated July 21, 1983 and September 16, 1983, respectively. This was further amended by EO 298 issued on July 26, 1987. The amendments were the following: (a) modified the composition of the Authority's Board of Directors to afford better coordination; (b) increased the capital contribution of the National Government; (c) reduced the contribution of the Authority to the General Fund from 65 per cent to 20 per cent of its annual operating income excluding utilities and terminal fee collections; and (d) appointed the Government Corporate Counsel and/or the Solicitor General as legal counsel of the Authority.

The MIAA is headed by a General Manager and assisted by a Senior Assistant General Manager and three Assistant General Managers: Finance and Administration, Operations, and Security and Emergency Services Office. It is governed by a Board of Directors composed of nine members (seven from the government and two from the private sector) who is chaired by the Secretary of DOTr.

As of December 31, 2019, the Authority has 1,450 organic personnel, 2,762 contract of service and 85 job order personnel. It has an approved Corporate Operating Budget for calendar year 2019 amounting to P16.979 billion.

FINANCIAL HIGHLIGHTS

Comparative Financial Position

	(In Thousand Pesos)		
	2019	2018 (As restated)	Increase (Decrease)
Assets	61,016,578	59,324,707	1,691,871
Liabilities	14,734,484	12,153,254	2,581,230
Equity	46,282,094	47,171,453	(889,359)

Comparative Results of Operation

	(In Thousand Pesos) 2019	2018	Increase (Decrease)
Operating Income	15,168,985	14,367,591	801,395
Share of the National Government (NG)	(1,789,453)	(1,713,624)	75,829
Operating Income After Share of the NG	13,379,532	12,653,967	725,566
Operating Expenses	(6,546,260)	(6,246,154)	300,106
Income from Operations	6,833,272	6,407,813	425,460
Non-Operating Income (Expenses)	339,069	1,957,399	(1,618,330)
Income Before Income Tax	7,172,341	8,365,212	(1,192,870)
Income Tax Expense	(2,153,175)	(1,983,039)	170,136
Net Income	5,019,166	6,382,173	(1,363,006)

SCOPE AND OBJECTIVES OF AUDIT

Our audit covered the examination, on a test basis, of the accounts and transactions of MIAA for the period January 1 to December 31, 2019 in accordance with International Standards of Supreme Audit Institutions (ISSAIs) to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2019 and 2018. Also, we conducted our audits to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements because the qualitative characteristic of verifiability and faithful representation of the following accounts could not be ascertained:

a) Unearned Revenue account amounting to P148.364 million due to the existence of unsubstantiated amount of P33.215 million covering the balances in 2004 and prior years; and

b) The Passenger Boarding Bridges classified as Airport Equipment in the amount of P239.724 million and the related Accumulated Depreciation account due to the unsubstantiated discrepancy between the General Ledger and the Lapsing Schedule amounting to P18.039 million resulting in the understatement of the Airport Equipment account and the overstatement of the related Accumulated Depreciation account by the same amount which is not in accordance with Philippine Accounting Standard (PAS) 1 and the Conceptual Framework for Financial Reporting.

   The Audit Team was not able to validate the Lapsing Schedule because of the absence of detailed computation of the depreciation expense for 2018.

Also, the non-monitoring of compliance with the Concession Contracts and MIAA Administrative Order No. 1, s. 2000 by concessionaires subject to payment of Concession Privilege Fee (CPF) based on percentage of gross sales (GS-based CPF) coupled by the inadequate guidelines on the billing and collection of the CPF resulted in non-payment/under-payment by some concessionaires, and ultimately in the understatement of income from CPF.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

For the above observations, which caused the issuance of a qualified opinion, we recommended that Management:

On Unearned Revenue:

Direct the Accounting Division to document the lump sum amount and make adjustments in the books, if necessary.

On Passenger Boarding Bridges:

a) Conduct a thorough review and verification of the discrepancy and effect appropriate adjustments;

b) Submit the 2018 lapsing schedule and other supporting documents; and

c) Reconcile records regularly to ensure that the recorded transactions are correct and updated.

On Concession Privilege Fee:

Immediately address the deficiencies noted and revisit the existing policies and monitoring activities and/or issue additional guidelines on CPF transactions.

The other significant observations and recommendations are as follows:

1. The balance of the Advances to Contractors account of P125.149 million is understated by P2.621 million due to the erroneous recording of Input VAT in the payment of progress billings.

   We recommended that Management direct the Accounting Division to make the necessary adjustment in the books to correct the error.

2. The uniform and accurate gathering of data on aircrafts and passengers' movement in all NAIA terminals required under MIAA Memorandum Circular (MC) No. 06-M (s. 2016) was not properly implemented resulting in erroneous and unreliable reports, hence the correctness of the Passenger Service Charge (PSC) collected and reported by the Airline Companies (ACs) remained unvalidated.

   We recommended that Management:

a) Direct the concerned officials/personnel to strictly follow and implement MIAA MC No. 06-M (s. 2016);

b) Introduce amendments/revisions to MIAA MC No. 06-M, if necessary, so that accurate data on passengers' flight and passenger movement can be attained, which can be used in the validation of the Remittance Reports of the AC; and

c) Adopt a good monitoring system in the implementation of MIAA MC No. 06-M and other guidelines related thereto.

3. MIAA properties with total carrying amount of P36.150 million, substantial value of which have remaining useful life of more than 50 per cent of their economic useful life, were auctioned and awarded to buyers for only P5.447 million based on junk/scrap price resulting in a net loss of P30.703 million. Moreover, MIAA's disposal procedure was not in compliance with applicable guidelines, casting doubt on the propriety and regularity of the disposal transactions.

   We recommended that Management:

   a) Conduct an investigation and impose appropriate sanctions on the officials/personnel found remiss/liable for the improper disposal of the assets that resulted in financial loss to the Authority;

   b) Comply with the guidelines prescribed in the disposal of government properties; and

   c) Craft/formulate a policy on disposal of MIAA properties anchored from the existing disposal manuals and other related laws, rules and regulations.

4. The computerization project intended primarily to address the deficiencies of the existing manual operations/processes particularly on the Authority's revenue related transactions remained uncompleted despite the lapse of two years, thereby delaying the attainment of the Project's objectives. Also, MIAA paid the Contractor the full cost of the delivered items when the contract provides only for 90 per cent payment prior to the project's full integration.

   We recommended that Management direct the Management Information System Division to:

   a) Demand from the Contractor any undelivered/uncompleted work/deliverables;

   b) Coordinate with the officials/personnel involved in the Project and take immediate action on the issue/concern raised; and

   c) Effect the roll-out of the project as soon as completed.

5. Management did not terminate the contract on the Rehabilitation of NAIA Terminal 2 Project with a contract cost of P604.657 million at the time that the Contractor's negative slippage reached 15.31 per cent in July 2019 and despite continuous incurrence of delay which peaked at 67.06 per cent as of December 31, 2019,

contrary to the provisions of Annex I of the Implementing Rules and Regulations (IRR) of RA 9184. This resulted in the extension of the construction period prolonging the inconvenience of passengers/terminal users, likewise exposing MIAA to complaints and/or negative comments.

We recommended that Management take all appropriate actions and remedies to ensure the completion of the project the soonest time possible. Management should likewise enforce the provisions of the contract and adhere to the pertinent provisions of the IRR on the implementation of the project.

SUMMARY OF UNSETTLED AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The total unsettled audit suspensions, disallowances and charges issued in the audit of various transactions of MIAA amounted to P58.737 million as of December 31, 2019, details of which are included in Part II of this report.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the twenty (21) audit recommendations embodied in the CY 2018 Annual Audit Report, fourteen (14) were implemented, four (4) were partially implemented and three (3) were not implemented. Details are presented in Part III of this Report.

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AUDITED FINANCIAL STATEMENTS

PART II

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ANNEX A

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Manila International Airport Authority
Pasay City

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Manila International Airport Authority (MIAA), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters discussed in the Bases for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of MIAA as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Bases for Qualified Opinion

The qualitative characteristic of verifiability and faithful representation of the following accounts could not be ascertained: a) Unearned Revenue account amounting to P148.364 million due to the existence of unsubstantiated amount of P33.215 million covering the balances in 2004 and prior years; and b) the Passenger Boarding Bridges classified as Airport Equipment in the amount of P239.724 million and the related Accumulated Depreciation account due to the unsubstantiated discrepancy between the General Ledger and the Lapsing Schedule amounting to P18.039 million resulting in the understatement of the Airport Equipment account and the overstatement of the related Accumulated Depreciation account by the same amount which is not in accordance with Philippine Accounting Standard (PAS) 1 and the Conceptual Framework for Financial Reporting.

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Privilege Fee (CPF) resulted in non-payment/under-payment by some concessionaires resulting in the understatement of income from CPF.

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

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

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

In preparing the financial statements, management is responsible for assessing MIAA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate MIAA or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MIAA's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on MIAA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause MIAA to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 34 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to auditing procedures applied in our audits of the basic financial statements. In our opinion, except for the possible effects of the matters described in the Bases for Qualified Opinion paragraph of our report, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

ELSA T. BALIÑA
Supervising Auditor

September 9, 2020

MIA Road, NAIA Complex
Pasay City, Philippines 1300

www.miaa.gov.ph
(632) 877.1109

ANNEX M

MANILA INTERNATIONAL AIRPORT AUTHORITY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Manila International Airport Authority (MIAA) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the MIAA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the MIAA or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the MIAA's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stakeholders and other users.

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

SEC. ARTHUR P. TUGADE
Chairman of the Board

07-31-2020
Date Signed

DOTr-OSEC OUTGOING 20-00891

EDDIE V. MONREAL
General Manager

8 JUL 20 2020
Date Signed

GRACE D. GULINAO
OIC, Accounting Division

JUL 20 2020
Date Signed

MANILA INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018 (As restated)	January 1, 2018 (As restated)
ASSETS				
Current Assets				
Cash and Cash Equivalents	6	**11,077,714,859**	5,068,748,480	3,762,212,913
Short-term Investments	7	**7,898,339,759**	12,298,735,714	11,489,484,208
Trade and Other Receivables, net	8	**3,185,917,580**	4,147,713,928	1,974,057,827
Prepayments	9	**752,718,641**	660,126,545	449,116,773
Other Current Assets	10	**87,255,216**	87,246,946	87,246,946
		23,001,946,055	22,262,571,613	17,762,118,667
Non-Current Assets				
Property and Equipment, net	12	**36,192,850,929**	35,602,854,779	35,938,609,268
Investment Property, net	13	**33,412,602**	36,031,987	38,651,372
Investment in Stocks	11	0	12,505,000	12,505,000
Other Non-Current Assets	14	**1,788,368,177**	1,410,743,405	872,623,681
		38,014,631,708	37,062,135,171	36,862,389,321
TOTAL ASSETS		**61,016,577,763**	59,324,706,784	54,624,507,988
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and Other Payables, net	15	**7,347,566,537**	4,731,722,045	3,361,762,292
Inter-Agency Payables	16	**1,798,046,997**	1,895,124,938	1,549,181,662
Current Portion of Loans Payable - Domestic	17	**488,227,800**	488,227,800	488,227,800
Current Portion of Loans Payable - Foreign	18	**416,911,553**	427,514,269	397,721,316
Current Portion of Finance Lease Payable	19	**137,799,721**	0	0
Other Current Liabilities	20	**1,464,697,994**	1,029,634,635	689,780,378
		11,653,250,602	8,572,223,687	6,486,673,448
Non-Current Liabilities				
Loans Payable - Domestic	17	**732,341,700**	1,220,569,500	1,708,797,300
Loans Payable - Foreign	18	**1,240,934,612**	1,699,725,667	1,978,242,428
Finance Lease Payable	19	**418,320,761**	0	0
Other Non-Current Liabilities	20	**5,544,516**	0	0
		2,397,141,589	2,920,295,167	3,687,039,728
Deferred Revenue	21	**684,091,990**	660,734,714	580,289,598
Equity	22, 23	**46,282,093,582**	47,171,453,216	43,870,505,214
TOTAL LIABILITIES AND EQUITY		**61,016,577,763**	59,324,706,784	54,624,507,988

The notes on pages 9 to 52 form part of these financial statements.

MANILA INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018 (As restated)
REVENUES	24	**15,168,985,840**	14,191,292,485
National Government share on MIAA's gross income	25	**(1,789,453,244)**	(1,713,623,946)
MIAA'S SHARE ON OPERATING INCOME		**13,379,532,596**	12,477,668,539
EXPENSES			
Personal services	26	**976,864,047**	866,454,311
Maintenance and other operating expenses	27	**5,569,396,126**	5,379,699,261
		6,546,260,173	6,246,153,572
INCOME FROM OPERATIONS		**6,833,272,423**	6,231,514,967
OTHER INCOME (EXPENSES)			
Gain (loss) on disposal of asset		**(85,234,256)**	1,782,831,870
Interest income	29	**632,172,830**	349,471,860
Fines and penalties		**67,485,539**	82,034,766
Miscellaneous income		**66,015,217**	60,551,460
Reversal of impairment loss		**0**	38,898,216
Share in the loss of associate (PASSCOR)		**(11,850,000)**	0
Gain (loss) on foreign exchange		**(103,601,643)**	(163,421,390)
Financial expenses	30	**(225,918,564)**	(192,967,611)
		339,069,123	1,957,399,171
INCOME BEFORE INCOME TAX		**7,172,341,546**	8,188,914,138
Income tax expense	31	**(2,153,175,404)**	(1,983,039,413)
INCOME AFTER TAX		**5,019,166,142**	6,205,874,725
Subsidy from National Government		**0**	176,298,217
NET INCOME/TOTAL COMPREHENSIVE INCOME		**5,019,166,142**	6,382,172,942

The notes on pages 9 to 52 form part of these financial statements.

MANILA INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	Government Equity (Note 22)	Contributed Capital (Note 23)	Retained Earnings	Total
Balances, December 31, 2017		10,000,000,000	5,461,552,821	28,707,305,594	44,168,858,415
Various adjustments/correction of errors	32	0	0	(298,353,201)	(298,353,201)
Balances, January 1, 2018, as restated		**10,000,000,000**	**5,461,552,821**	**28,408,952,393**	**43,870,505,214**
Changes in Equity for 2018					
Net profit for the year, as restated	32	0	0	6,382,172,942	6,382,172,942
Dividends declared		0	0	(3,423,662,888)	(3,423,662,888)
Reversal of December 2017 FOREX Revaluation		0	0	(12,487,920)	(12,487,920)
Liquidation of DOTr funds transferred to MIAA					
Rapid Exit Taxiways Project		0	264,227,319	0	264,227,319
Rehabilitation of NAIA Terminal 2		0	90,698,549	0	90,698,549
Accrual of expenses for unliquidated cash advances to NGAs:					
Reversal of unliquidated balance, beginning of the year		0	0	10,025,001	10,025,001
Balance refunded by City of Parañaque in November 2018		0	0	(4,734,438)	(4,734,438)
Unliquidated cash advances, end of the year		0	0	(5,290,563)	(5,290,563)
Balances, December 31, 2018, as restated	32	**10,000,000,000**	**5,816,478,689**	**31,354,974,527**	**47,171,453,216**
Changes in Equity for 2019					
Net profit for the year		0	0	5,019,166,142	5,019,166,142
Dividends declared		0	0	(6,000,000,000)	(6,000,000,000)
Reversal of December 2018 FOREX Revaluation		0	0	138,581,520	138,581,520
Full payment of Judgmental Obligation per COA Decision No. 2017-310 to Philippine National Construction Corporation		0	0	(9,251,010)	(9,251,010)
Reversal of rental income to Duty Free Philippines per BR No. 2019-038		0	0	(73,628,967)	(73,628,967)
Liquidation of DOTr funds transferred to MIAA					
Rapid Exit Taxiways Project		0	35,772,681	0	35,772,681
Accrual of expenses for unliquidated cash advances to NGAs:					
Reversal of unliquidated balance, beginning of the year		0	0	5,290,563	5,290,563
Unliquidated cash advances, end of the year		0	0	(5,290,563)	(5,290,563)
Balances, December 31, 2019		**10,000,000,000**	**5,852,251,370**	**30,429,842,212**	**46,282,093,582**

The notes on pages 9 to 52 form part of these financial statements.

MANILA INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	**2019**	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income from operations		**14,733,710,989**	13,856,875,628
Trust receipts		**3,741,239,723**	3,233,907,098
Miscellaneous income		**109,797,328**	78,582,924
Interest income on bank deposits		**449,974,854**	71,567,158
Payment of operating expenses		**(5,609,923,372)**	(5,607,219,776)
Remittance of trust receipts		**(1,315,332,023)**	(1,158,432,385)
Remittance of share of National Government		**(3,626,828,591)**	(3,223,558,540)
Advances to other agencies		**(32,911,528)**	(21,382,823)
Advances to officers and employees		**(3,172,668)**	(1,446,779)
Net cash generated from operations		**8,446,554,712**	7,228,892,505
Corporate income tax paid		**(1,867,073,803)**	(1,498,558,967)
Net cash provided by operating activities		**6,579,480,909**	5,730,333,538
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds of short-term investments		**15,940,989,338**	23,374,271,007
Investment in time deposits		**(11,312,503,160)**	(23,958,660,571)
Acquisition of property and equipment		**(1,574,560,854)**	(481,061,714)
Proceeds from sale of property and equipment		**913,802,500**	0
Net cash provided by (used in) investing activities		**3,967,727,824**	(1,065,451,278)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(3,423,662,888)**	(2,250,721,253)
Debt servicing		**(1,106,399,956)**	(1,107,567,195)
Net cash used in financing activities		**(4,530,062,844)**	(3,358,288,448)
Effects of exchange rate changes on cash and cash equivalents		**(8,179,510)**	(58,245)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**6,008,966,379**	1,306,535,567
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**5,068,748,480**	3,762,212,913
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**6**	**11,077,714,859**	5,068,748,480

The notes on pages 9 to 52 form part of these financial statements.

1. GENERAL INFORMATION

The Manila International Airport Authority (MIAA), an attached agency of the Department of Transportation (DOTr), was created by virtue of Executive Order (E.O.) 778 which was approved on March 04, 1982. The Charter of the Authority was amended by E.O. 903 and E.O. 909 signed on July 21, 1983 and September 16, 1983, respectively. E.O. 298 was issued on July 26, 1987 to amend Sections 7, 10, 11 and 13 of E.O. 778, as amended by E.O. 903 and E.O. 909. The amendments were the following: (a) modified the composition of the Authority's Board of Directors to afford better coordination; (b) increased the capital contribution of the National Government; (c) reduced the contribution of the Authority to the General Fund from 65 per cent to 20 per cent of its annual operating income excluding utilities and terminal fee collections; and (d) appointed the Government Corporate Counsel and/or the Solicitor General as legal counsel of the Authority.

The Authority's functions for the airport are, among others, to formulate a comprehensive and integrated policy and program and to implement, review and update such policy and program periodically; to control, supervise, construct, maintain, operate and provide such facilities or services as shall be necessary for its efficient functioning; to promulgate rules and regulations governing its planning, development, maintenance, operation and improvement; and to control and/or supervise, as may be necessary, the construction of any structure or the rendition of any service within its premises.

The Authority's corporate thrusts and objectives aim for the continued implementation and development of projects with Key Results Area (KRA) for passengers' safety, security, comfort and welfare. The following are the major projects (P5 million and above) completed in CY 2019:

- Overlay of Runway 06/24;
- Commissioning of 39 Units Hold Baggage X-ray Machines;
- Commissioning of 23 Units Cabin Baggage X-ray Machines;
- Retrofitting of Medium Voltage Circuit Breaker to Medium Voltage Vacuum Circuit Breaker;
- Commissioning of 21 Units Explosive and Drug Trace Detector (ETD) and 4 Units Walk Through Metal Detector (WTMD);
- Upgrading of Defective Uninterruptible Power Supply (UPS) at Balagbag Station
- Upgrading of Paging System at Terminal 3;
- Installation of VRF Air Conditioning System at the Arrival Gallery of NAIA Terminal 2;

- Thermoplastic Repainting of Pavement Markings (A);

- Airside Perimeter Security Screening Checkpoints and Gate Canopies;

- Replacement of Fresh Air – Air Handling Units (AHU F1 & F2) at NAIA Terminal 2;

- Installation of Split Type Inverter Air Conditioning Units at NAIA Terminal 2;

- Installation of Tensile Membrane Canopy at NAIA Terminal 2; and

- Installation of Security Bollards at Curbside Area of NAIA Terminal 1, 2, 3 and 4.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The financial statements of the Authority were prepared in accordance with Philippine Financial Reporting Standards (PFRSs), which include all applicable PFRSs, Philippine Accounting Standards (PASs), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and Board Of Accountancy (BOA).

Basis of Preparation

The financial statements of the Authority were prepared on historical cost basis unless otherwise indicated. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Authority takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety; which is described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Functional and Presentation Currency

These financial statements are presented in Philippine peso, the currency of the primary economic environment in which the Authority operates. All amounts are rounded to the nearest peso, except when otherwise indicated.

3. ADOPTION OF NEW AND AMENDED PFRSs

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments that are relevant to the Authority effective beginning January 1, 2019:

- PFRS 16, Leases – This Standard replaces PAS 17, Leases and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

  The Authority has only one non-cancellable operating lease commitment as at January 1, 2019. Upon adoption of PFRS 16, the Authority used the modified retrospective approach with the date of initial application of January 1, 2019. The adoption of this new Standard has resulted in the Authority recognizing a right-of-use asset and related lease liability in the statement of financial position:

Right-of-Use Asset (included under the 'Property and Equipment') (Note 12)	733,054,402
Lease Liabilities (Note 19)	733,054,402

  At the date of initial application, the Authority used an incremental borrowing rate of 7.037 per cent to measure lease liabilities.

  The following table shows the original classification categories under PAS 17 and the new classification categories under PFRS 16 for each class of Authority's profit and loss as of January 1, 2019:

YEAR		PAS 17	PFRS 16			Difference (Impact on Equity) (E = D – A)
		Lease Expense (A)	Interest (B)	Depreciation (C)	TOTAL (D = B + C)	
1	2019	176,933,919.64	-	158,452,200.73	158,452,200.73	(18,481,718.91)
2	2020	176,933,919.64	39,134,198.33	158,452,200.73	197,586,399.05	20,652,479.41
3	2021	176,933,919.64	29,437,231.94	158,452,200.73	187,889,432.67	10,955,513.02
4	2022	176,933,919.64	19,057,890.02	158,452,200.73	177,510,090.75	576,171.11
5	Jan. 1 – Aug. 16, 2023	120,896,197.29	7,948,153.82	99,245,598.84	107,193,752.66	(13,702,444.63)

Effective in 2019 that are not relevant to the Authority

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* Under PFRS 9, a debt instrument can be measured at amortized cost or FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement.* The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

    - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

    - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures.* The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Authority currently does not have such long-term interests in its associate and joint venture, the amendments is not expected to have an impact on its financial statements.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments.* The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately;

  - The assumptions an entity makes about the examination of tax treatments by taxation authorities;

  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

  - How an entity considers changes in facts and circumstances.

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of uncertainty should be followed.

The Authority is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation.* The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Authority but may apply to future transactions.

- Amendments to PAS 12, *Income Taxes -Income Tax Consequences of Payments on Financial Instruments Classified as Equity.* The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Authority because dividends declared by the Authority do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization.* The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  The Authority has yet to evaluate the impact on its consolidated financial statements of the adoption of these amendments.

New and Amended PFRSs in Issue But Not Yet Effective

Relevant new and amended PFRSs which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business.* The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply on future business combinations of the Authority.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material.* The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective for annual periods beginning on or after January 1, 2023

- Amendments to PAS 1, Classification of Liabilities as Current or Non-Current – The amendments affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. Clarify that the classification of liabilities as current or non-current (i) should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of liability, (ii) is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, and (iii) settlement refers to the transfer to the counterparty of cash, equity instruments, and other assets or services.

- PFRS 17, *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.* The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations.* Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recognition, Measurement and Classification of Financial Assets and Financial Liabilities

The Authority recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

All financial instruments are initially recognized at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial assets and financial liabilities designated as at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs.

'*Day 1' Difference*

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Authority recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statements of income unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in the statements of income when the inputs become observable or when the instrument is derecognized.

For each transaction, the Authority determines the appropriate method of recognizing the ‘Day 1’ difference amount.

Financial Assets

The Authority classifies its financial assets, at initial recognition, in the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income (FVOCI) and financial assets at FVPL. The classification depends on the business model of the Authority for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to initial recognition unless the Authority changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

Financial Assets at Amortized Cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

    After initial measurement, the financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition, and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are reclassified to FVPL, impaired or derecognized, as well as through the amortization process.

    The Authority’s cash, short-term investments, and receivables are included under this category (Notes 6, 7 and 8).

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Authority has no financial assets classified as financial assets as at FVOCI and at FVPL as at December 31, 2018 and 2017.

Cash

Cash includes cash on hand and in banks which are stated at face value.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. Allowance for credit loss accounts is provided based on an evaluation of expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

Financial Liabilities

The Authority classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Authority determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value, and, in case of loans and borrowings, net of directly attributable transaction costs.

Other Financial Liabilities

Other financial liabilities pertain to issued financial instruments that are not designated or classified as at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than through the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and any directly attributable transaction costs that are an integral part of the effective interest rate.

Gains and losses are recognized in the profit or loss when the liabilities are derecognized or impaired, as well as through amortization process.

This accounting policy applies primarily to financial liabilities (other than statutory liabilities), long-term debt and other noncurrent liabilities (Notes 15, 16, 17, 18, 19, 20 and 21).

Impairment of Financial Assets at Amortized Cost and FVOCI

The Authority records an allowance for “expected credit loss” (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Authority expects to receive. The difference is then discounted at an approximation to the asset’s original effective interest rate.

For trade receivables, the Authority has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Authority has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Authority compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Authority retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Authority has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

  When the Authority has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Authority's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Authority could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Authority could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Authority; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

  If the Authority does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Authority are recognized at the proceeds received, net of direct issue costs.

Retained Earnings

Retained earnings represent accumulated profit attributable to equity holders of the Authority after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy and prior period adjustments.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties, except land, are measured at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives.

The estimated useful lives and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefit from items of investment properties.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal. Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner occupation or commencement of development.

Property and Equipment

Property and equipment are initially measured at cost. The cost of an item of property and equipment comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

- The initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Property and equipment, except land, are stated in the financial statements at cost less accumulated depreciation, amortization and any impairment in value. Land is stated at cost less any impairment in value.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. The cost of replacing a component of an item of property and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Authority, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of property and equipment have different useful lives, these are accounted for as separate items (major components) of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the property and equipment.

Impairment of Non-financial Assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit and loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Derecognition of Non-financial Assets

Non-financial assets are derecognized when the assets are disposed of or when no future economic benefits are expected from these assets. Any difference between the carrying value of the asset derecognized and the net proceeds from derecognition is recognized in profit or loss.

Related Parties

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Terminal Fees

Revenue from terminal fee is recognized when passengers are given access to the terminal facilities.

Landing Fees

Revenue from landing fees is recognized when the airlines are given access to runway facilities including lighting and aerobridge facilities.

Rental Revenue

Revenue from rental is recognized in the statement of comprehensive income on a straight-line basis over the term of the lease of floor spaces, buildings and land.

Parking Fees

Parking fees are recognized as the customers use the parking facilities.

Fines and Penalties

Fines and penalties are recognized when violation has occurred and when collectability of the amount is reasonably assured.

Subsidy Income

Subsidy income is recognized when the subsidy becomes receivable and the Authority has complied with all the conditions attached to the subsidy.

Interest Revenue

Interest revenue is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Expense Recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Leases

Authority as Lessee

For any new contracts entered into on or after January 1, 2019, the Authority considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

To apply this definition the Authority assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Authority

- the Authority has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

- the Authority has the right to direct the use of the identified asset throughout the period of use. The Authority assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Authority recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Authority, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).
The Authority depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Authority also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Authority measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Authority’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Authority has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in current liabilities for the current portion and non-current liabilities for the non-current portion.

Authority as Lessor

The Authority's accounting policy under PFRS 16 has not changed from the comparative period.

As a lessor the Authority classifies its leases as either operating or finance leases.

Leases wherein the Authority substantially transfers to the lessee all risks and benefits incidental to ownership of the leased items are classified as finance leases and are presented as receivable at an amount equal to the Authority's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Authority's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the income statement on a straight-line basis over the lease term.

The Authority determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes as assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

<u>Employee Benefits</u>

Short-term Benefits

Short term benefits include salaries, bonuses, compensated absences and other forms of employee benefits that are expected to be settled within one year from the reporting date. Short-term employee benefits are recognized as expense in the period the related services are provided.

Terminal leave benefits

Terminal leave benefits are computed based on the actual leave credits earned by employees as of the reporting date. The amount reported as liability in the statement of financial position is based on the employees' salary grade as of the reporting dates.

<u>Income Tax</u>

Income tax expense represents the sum of the current tax and deferred tax expense.

Current Tax

The current tax expense is the amount of tax due which is computed based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rate that is expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Authority expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and Deferred Tax for the Year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Borrowing Costs

Borrowing costs are interest and other costs that the Authority incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Provisions and Contingencies

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Authority expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Changes in accounting policies and estimates

The Authority recognizes the effects of changes in accounting policies retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application is impracticable.

The Authority recognized the effects of changes in accounting estimates prospectively by including in profit or loss.

The Authority corrects 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 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.

Events after Reporting Date

Subsequent events that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Subsequent events that provide additional information about conditions existing after period end (non-adjusting events) are disclosed in the notes to the financial statements.

5. JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with Philippine Financial Reporting Standards requires the Authority to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumption used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

Estimated allowance for impairment of receivables

The Authority maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. This amount is evaluated based on such factors that affect the collectability of the accounts. These factors include, the age of the receivables, the length of the Authority's relationship with the customer, the customer's payment behavior and known market factors. The amount and timing of recorded expenses for any period would differ if the Authority made different judgments or utilized different estimates.

At the end of 2019 and 2018, the Authority has recognized allowance for impairment of receivables in the amount of P 1.257 billion and P 1.319 billion, respectively.

Estimated useful lives of property and equipment

The Authority estimates the useful lives of its property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets and residual values are reviewed, and adjusted if appropriate, only if there is a significant change in the asset or how it is used.

The following estimated useful lives are used in depreciating property and equipment:

Property and Equipment	Years	Property and Equipment	Years
Buildings	20/30	Airport Equipment	10
Runways and Taxiways	20	Communication Equipment	10
Investment Property	20	Medical, Dental, Laboratory	10
Land Improvements	10	Military & Police Equipment	10
Leaseholds Asset	10	Firefighting Equipment	7
Furniture's and Fixtures	10	Motor Vehicles	7
Machineries	10	Other Equipment	5

6. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2019	2018
Cash on Hand	**116,180,225**	141,350,494
Savings Account – Dollar and Peso	**1,107,853,724**	491,542,624
Current Account – Dollar and Peso	**703,025,965**	486,805,856
Time Deposits – Peso	**9,150,654,945**	3,949,049,506
	11,077,714,859	5,068,748,480

Cash on Hand refers to cash with the collecting officers and petty cash fund.

Foreign currency deposits are translated into Philippine peso using the BSP closing rates of P50.635 and P52.580 to US$1.00 as of December 31, 2019 and 2018, respectively.

Total interest earned on cash and cash equivalents included in the statement of comprehensive income amounted to P404.082 million and P124.610 million in 2019 and 2018, respectively. (Note 29)

7. SHORT-TERM INVESTMENTS

The account *Short-term Investments* pertains to investments in peso time deposits with Authorized Government Depository Banks (AGDBs) for a period of 91 days or more of P7.898 billion in CY 2019 and P12.299 billion in CY 2018.

Total interest earned on short-term investments included in the statement of comprehensive income amounted to P228.090 million and P224.862 million in 2019 and 2018, respectively. (Note 29)

8. TRADE AND OTHER RECEIVABLES

This account consists of the following:

	2019	2018
Trade Receivables		
Non-Government Entities	**2,361,070,850**	2,403,910,352
Passenger Terminal Fees	**383,360,288**	372,403,614
Government Owned and Controlled Corp. (GOCCs)	**222,330,902**	272,322,258
National Government Agencies (NGAs)	**27,710,537**	27,148,955
	2,994,472,577	3,075,785,179
Allowance for Impairment	**(1,257,227,459)**	(1,318,867,027)
	1,737,245,118	1,756,918,152
Non-Trade Receivables		
National Government Agencies (NGAs)	**933,625,608**	1,847,342,000
	933,625,608	1,847,342,000
Other Receivables		
Expanded Value-Added Tax	**261,734,217**	244,580,330
COA Disallowances	**166,840,698**	166,844,119
Interest Receivables	**61,735,388**	107,627,635
Others	**24,736,551**	24,401,692
	515,046,854	543,453,776
	3,185,917,580	4,147,713,928

Trade Receivables consists of receivables from airline companies and various concessionaires/lessees (non-government entities) and other government entities (GOCCs and NGAs) for the use of facilities, services and utilities of the airport. This account also includes long-outstanding and non-moving trade receivables from concessionaires with rate disputes and collection cases.

Passenger Terminal Fees represents receivables from airline companies for passenger service charge integrated in the sale of airline tickets.

A reconciliation of the allowance for impairment at the beginning and end of 2019 and 2018 is shown below.

	2019	2018
Balance at beginning of year	**1,318,867,027**	1,338,326,873
Provision for the year	**24,487,079**	19,438,370
Reversal	**0**	(38,898,216)
Write-off	**(86,126,647)**	0
	1,257,227,459	1,318,867,027

MIAA's request for authority to write-off the receivable accounts of the Civil Aviation Authority of the Philippines covering CYs 2008 to 2009 was granted per COA-CGS Decision No. 2019-07 dated November 8, 2019.

Non-Trade Receivables consists mainly of the sale of the 61,148 sq.m. land to Department of Public Works and Highways (DPWH) for C5 Road Extension Project. (Note 12). In March 2019, MIAA collected P913.802 million or 50 per cent of the total receivables from DPWH.

Expanded Value-Added Tax pertains to the balances of the 12 per cent expanded value-added tax (EVAT) billed to concessionaires.

COA Disallowances pertains to disallowances in audit, which consist mainly of disallowances on remuneration for consultancy services for NAIA Terminal 2 Development Project of P149.05 million and overpayment of aircraft terminal maintenance services of P10.32 million that were recognized in the books due to the finality of the COA decisions (Note 21).

9. PREPAYMENTS

This account consists of the following:

	2019	2018
Creditable Input Taxes	**280,626,563**	219,067,129
Withholding Tax at Source	**176,093,611**	195,912,282
Advances to Contractors	**125,148,511**	188,422,384
Deferred Input Tax	**36,108,263**	34,339,284
Inventories	**134,720,708**	21,122,385
Prepaid Insurance	**20,985**	1,263,081
	752,718,641	660,126,545

Creditable Input Taxes pertains to the value-added taxes (VAT) paid by the Authority on local purchases of goods and services from VAT-registered persons/entities which are to be deducted/offset against output taxes.

Inventories represents cost of office supplies, accountable forms, drugs and medicines, fuel and oil, construction materials, electrical supplies and other supplies purchased/acquired for MIAA's operations but not yet used or consumed.

10. OTHER CURRENT ASSETS

This account consists of *Guaranty Deposits* representing bill deposits paid to the Manila Electric Company as a guarantee for payment of electric bills.

11. INVESTMENTS

	2019	2018
PASSCOR	**0**	11,850,000
ASTI	**0**	655,000
	0	12,505,000

Investment in Philippine Aviation Security Corporation (PASSCOR), an affiliate corporation engaged in aviation security at the Ninoy Aquino International Airport (NAIA), pertains to the 137,500 shares at P100 per share, or a total amount of P13.75 million, acquired by the Authority on March 1995. A total of 118,500 shares amounting to P11.850 million were paid representing 39.5 percent of the total PASSCOR capital.

Investment in Aviation Security and Training Inc. (ASTI) pertains to the Authority's P655,000 investment in stocks of ASTI, a wholly-owned, non-operational subsidiary of the Authority created on March 26, 2003. The amount is deposited with the Philippine National Bank and will be requested for transfer to MIAA's account upon approval of ASTI's dissolution which has yet to be filed.

The Authority recognized loss on its investments with the Philippine Aviation Security Corporation (PASSCOR), while Investment in Aviation Security and Training Inc. (ASTI) was reclassified to Other Assets account in 2019 (Note 14).

12. PROPERTY AND EQUIPMENT

This account consists of the following:

	LAND & LAND IMPROVEMENTS	AIRPORT SYSTEM	CONSTRUCTION IN PROGRESS	BUILDINGS & STRUCTURES	MACHINERIES & EQUIPMENTS	RIGHT-OF-USE ASSET	TOTAL
2019							
COST							
At January 1, 2019	19,196,831,705	25,932,249,245	194,662,514	410,012,528	8,098,222,947	0	53,831,978,939
Additions	0	620,882,848	1,053,005,705	0	568,287,777	0	2,242,176,330
Reclassifications	0	0	(699,863,878)	0	0	0	(699,863,878)
Disposals/Write-off	0	(620,882,848)	0	0	(199,928,056)	0	(820,810,904)
Effect of adoption of PFRS 16	0	0	0	0	0	733,054,402	733,054,402
Balance, December 31, 2019	**19,196,831,705**	**25,932,249,245**	**547,804,341**	**410,012,528**	**8,466,582,668**	**733,054,402**	**55,286,534,889**
ACCUMULATED DEPRECIATION							
At January 1, 2019	(4,235,794,607)	(8,052,150,432)	0	(316,423,968)	(5,587,983,368)	0	(18,192,352,375)
Depreciation	(34,295,880)	(1,025,246,222)	0	(5,220,708)	(371,133,545)	(158,452,201)	(1,594,348,556)
Adjustments	0	0	0	0	(36,771,787)	0	(36,771,787)
Disposals/Write-off	0	558,794,563	0	0	170,994,194	0	729,788,757
Balance, December 31, 2019	**(4,270,090,487)**	**(8,518,602,091)**	**0**	**(321,644,676)**	**(5,824,894,506)**	**(158,452,201)**	**(19,093,683,961)**
Carrying Amount, December 31, 2019	**14,926,741,218**	**17,413,647,154**	**547,804,341**	**88,367,852**	**2,641,688,162**	**574,602,201**	**36,192,850,929**
2018							
COST							
At January 1, 2018	19,257,979,705	25,659,383,064	0	410,012,528	7,535,164,965	0	52,862,540,262
Additions	0	272,866,181	194,662,514	0	646,958,268	0	1,114,486,963
Disposals/Write-off	(61,148,000)	0	0	0	(83,900,286)	0	(145,048,286)
Balance, December 31, 2018	**19,196,831,705**	**25,932,249,245**	**194,662,514**	**410,012,528**	**8,098,222,947**	**0**	**53,831,978,939**
ACCUMULATED DEPRECIATION							
At January 1, 2018	(4,196,609,876)	(7,046,753,183)	0	(309,996,658)	(5,371,621,277)	0	(16,924,980,994)
Depreciation	(39,184,731)	(1,005,397,249)	0	(6,427,309)	(331,476,998)	0	(1,382,486,287)
Disposals/Write-off	0	0	0	0	78,343,121	0	78,343,121
Balance, 12/31/2018	**(4,235,794,607)**	**(8,052,150,432)**	**0**	**(316,423,967)**	**(5,624,755,154)**	**0**	**(18,229,124,160)**
Carrying Amount, December 31, 2018	**14,961,037,098**	**17,880,098,813**	**194,662,514**	**93,588,561**	**2,473,467,793**	**0**	**35,602,854,779**

Land owned by the Authority was recorded in 1987 at appraised value of P1,000 per square meter. It covers an area of 6,250,905 square meters based on a Cadastral Survey dated January 5, 1987. In 1991, the Authority sold to the Light Rail Transit Authority a total area of 107,179 square meters at P1,000 per square meter.

In 2003 and 2004, purchases were made from the heirs of Eladio Santiago of 720 square meters valued at P2.16 million and from the Nayong Pilipino Foundation (NPF) of 86,000 square meters at P500 million, respectively.

On September 29, 2011, President Benigno Aquino III signed EO 58 mandating the transfer of real estate property owned by the NPF to the Authority which consists of 22.3 hectares, more or less, located in Pasay City. The owner's duplicate copies of the Transfer Certificates of Title (TCTs) are still under the custody of the NPF and have not been transferred to MIAA. This was recorded in the books of the Authority in 2017 at its Fair Market Value at the date of acquisition amounting to P8.259 billion as determined by an independent/third party appraiser (Note 22 and 23).

On December 11, 2013, the Office of the President approved the request of the DPWH for the transfer through sale in its favor a part of said MIAA property (Lot 3270-B-3-A-2-A-2 under TCT No. 141810), in the total amount of P 540.06 million or at zonal value of P10,000 per square meter. Subject property was used by DPWH for the construction of the Circumference Road 5 (C-5) Extension Project from South Luzon Expressway in Pasay City to Sucat Road, Paranaque City.

On December 18, 2018, MIAA and DPWH signed a Memorandum of Agreement (MOA) to implement the Republic's approved construction of the C5 South Link Expressway Project (C-5 SLEP). MIAA conceded to absolutely and irrevocably sell, transfer and convey to DPWH the 61,148 square meter total affected land area. DPWH agreed to buy the said land area of re: [Segment 3A-1: 18,959 sq.m; Segment 3A-2: 39,996 sq.m; 58,955 sq.m and TCT No, 6735: 2,193 sq.m] for a total just compensation of P 1.847 billion.

13. INVESTMENT PROPERTY

At December 31, 2018	
Cost	334,126,026
Accumulated Depreciation	(298,094,039)
Carrying Amount	**36,031,987**
Year Ended December 31, 2019	
Opening Net Book Value	36,031,987
Depreciation Expense	(2,619,385)
Closing Net Book Value	**33,412,602**
At December 31, 2019	
Cost	334,126,026
Accumulated Depreciation	(300,713,424)
Carrying Amount	**33,412,602**

This account pertains to the 61 buildings and other structures owned by the Authority which are being leased to private and government entities. The total rental/lease income from Authority's investment property (General Aviation areas) amounted to P110.615 million and P103.539 million in 2019 and 2018, respectively. (Note 28)

Based on the CY 2018 Appraisal Report of Celer Appraisal Inc. on MIAA land and buildings located at General Aviations, the fair market value of land ranges from P50,600 to P57,000 per square meter. The report also indicates its fair rental value on a monthly basis:

	Existing Rental Rate / month	Fair Rental Value /month
Open Area	47.31	172.84
Covered	33.79	150.00
Office	90.11	200.00

Building and other land improvements of General Aviations has a fair market value of P519.17 million.

14. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2019	2018
Restricted Fund Assets	**1,147,864,681**	788,741,026
Deferred Tax Asset	**639,848,496**	622,002,379
Other Assets *(Note 11)*	**655,000**	0
	1,788,368,177	1,410,743,405

Restricted Fund Assets represents the fund transfer from the Department of Transportation (DOTr) for the implementation of the Rapid Exit Taxiways and NAIA Terminal 2 Rehabilitation Project and remittances from airline companies of terminal fee from unflown/unused/cancelled airline tickets (Note 20).

Deferred Tax Asset represents the differences between the carrying amounts of the assets and liabilities and their tax bases that may either be a future taxable amount or a future deductible amount (Note 31).

15. TRADE AND OTHER PAYABLES

This account consists of the following:

	2019	2018
Dividends Payable	**6,000,000,000**	3,423,662,888
Accounts Payable	**941,665,885**	986,231,937
Interest Payable	**39,246,283**	31,564,518
Other Payables	**366,654,369**	290,262,702
	7,347,566,537	4,731,722,045

Dividends Payable represents the 52.77 per cent of MIAA's annual net earnings (net of deductions allowed under Section 29 of the National Internal Revenue Code, as amended, and income taxes paid thereon) payable to the National Government and to be remitted to the Bureau of the Treasury (BTr), pursuant to RA 7656, dated November 9, 1993. Section 3 of this Act requires government-owned or controlled corporations to declare and remit at least 50 per cent of their annual net earnings as cash, stock or property dividends to the National Government. Section 7(a) of the Revised Implementing Rules and Regulations of the Act provides for the timing of remittance, to wit: "Except as otherwise provided herein, all GOCCs shall declare cash dividends and shall remit to the BTr at least fifty per cent (50%) of the dividend due, on or before May 15 following the dividend year, based on the financial statements submitted to COA for audit."

Pursuant to Republic Act (RA) No. 11469 known as the "Bayanihan to Heal as One Act", and RA 7656 known as the "Dividend Law" the Secretary of Finance requested to the Authority an additional remittance of P3 billion.

Accounts Payable represents payables to suppliers/contractors for purchases of materials, supplies and other obligations to non-government entities in connection with the operation of the Authority.

The dividends payable of P3.423 billion in CY 2018 was remitted to the BTr on May 15, 2019.

16. INTER-AGENCY PAYABLES

This account consists of the following:

	2019	2018
Due to BIR	**822,350,507**	806,192,250
Due to BTr	**492,522,194**	555,261,914
Due to GSIS	**11,766,656**	16,374,436
Due to Pag-IBIG	**2,038,284**	1,880,178
Due to PhilHealth	**1,896,163**	1,710,350
Due to Other NGAs	**467,473,193**	513,705,810
	1,798,046,997	1,895,124,938

Due to Bureau of Internal Revenue (BIR) represents corporate income tax, Value-Added Tax and taxes withheld.

Due to Bureau of the Treasury (BTr) represents unremitted share of the National Government and the Office for Transportation Security (OTS) on the following:

	2019	2018
Authority income	**440,296,928**	447,278,111
Terminal fees	**43,956,617**	94,212,238
OTS share on domestic terminal fees	**8,268,649**	13,771,565
	492,522,194	555,261,914

Due to GSIS, Pag-IBIG and PhilHealth accounts represent premiums and loan amortization deductions from the employees' salaries for remittance to the concerned offices.

Due to Other National Government Agencies (NGAs) represents unliquidated portion of fund transfer from the Department of Transportation (DOTr) for the implementation of the Rapid Exit Taxiways and NAIA Terminal 2 Rehabilitation Projects and unremitted share of the Office for Transportation Security (OTS) on international terminal fees.

	2019	2018
Rehabilitation of NAIA Terminal 2	**418,301,451**	418,301,451
Rapid Exit Taxiways	**0**	35,772,681
OTS share on terminal fees	**48,807,712**	59,085,925
Interest earned from the subsidy/ others	**364,030**	545,754
	467,473,193	513,705,811

EO 277, dated January 30, 2004, created the OTS within the Department of Transportation and Communications (DOTr) and reconstituted the National Council for Civil Aviation Security (NCCAS) as the National Civil Aviation Security Committee (NCASC). Section 2 of EO 277 directs the OTS to be primarily responsible for the implementation of International Civil Aviation Organization (ICAO) Convention on national security.

Letter of Instruction (LOI) No. 414 A, dated June 17, 1976, directs the collection of security fee for every departing passenger, as follows: P10 on international flights and P3 on domestic flights. It was amended by EO 30, dated September 30, 1998, increasing the collection of terminal fee to P60 and P15, respectively. LOI 414 A provides that the National Action Committee on Anti-Hijacking and Anti-Terrorism (NACAHT), for whose use the amounts collected are intended, is authorized to promulgate appropriate rules so that the collection of security fee can be done efficiently.

In 2003, MIAA BR 2003-074 was issued increasing the domestic passenger terminal fee for all departing passengers from P100 to P200, subject to existing rules and regulations.

Following the mandate of EO 30, series of 1998, MIAA Board Resolution (BR) No. 99-53 as amended by MIAA BR 2005-078, provides the following revenue sharing structure of the passenger terminal fees collected from both international and domestic passengers:

	International	Domestic
MIAA	390	185
NG	100	0
NACAHT	60	15
	550	200

In 2006, MIAA BR 2006-032 was issued which imposed the Security and Development Charge of US $3.50, or P200, on all international departing passengers not exempted by law, rules or regulations, for a period of five years, beginning on February 1, 2007 and ending on January 31, 2012.

EO 298 dated July 26, 1987 amending Section 11 of EO 903 dated July 21, 1983 provides: "Within 30 days after the close of each quarter, twenty per centum (20%) of the gross operating income, excluding payments for utilities of tenants and concessionaires and terminal fee collections, shall be remitted to the General Fund in the National Treasury to be used for the maintenance and operation of other international and domestic airports in the country" (Note 25).

17. LOANS PAYABLE - DOMESTIC

This account consists of outstanding domestic loans from the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) as set forth in the Syndicated Term Loan Facility Agreement dated July 4, 2011.

	2019	2018
LBP PN No. 4808 TL12 4076 000 dtd. April 11, 2012	**854,398,650**	1,098,512,550
DBP PN No. 2012-29-021 dtd. April 11, 2012	**854,398,650**	1,098,512,550
Less: Semi-annual amortizations	**(488,227,800)**	(488,227,800)
	1,220,569,500	1,708,797,300
Less: Current Portion	**(488,227,800)**	(488,227,800)
	732,341,700	1,220,569,500

Loans from both the LBP and DBP are payable in 20 semi-annual installments commencing on October 11, 2012 and ending on April 11, 2022, with 2.5 per cent interest per annum (subject to quarterly repricing) and penalty charge of 12 per cent per annum on the total amount due without grace period as additional charge in case certain stipulations are not met. Non-finance charge of P12.206 million for each loan was deducted. Both loans are guaranteed by the National Government.

18. LOANS PAYABLE - FOREIGN

This account consists of outstanding foreign loans secured by the Authority for the construction of Terminal 2.

	2019	2018
French Loan to finance consultancy services for the detailed architectural & engineering design of NAIA Terminal 2 contracted with Natixis (formerly Credit Nacionale)		
FF 2,496,794 = Euro 380,633.79 = US $434,988.30 @ 52.56		22,864,290
FF 1,771,796 = Euro 270,108.55 = US $302,953.75 @ 50.80	**15,390,656**	
Fund Releases made by Overseas Economic Cooperation Fund (OECF) of Japan financing the consultancy of Aeroport De Paris - Japan Airport Consultants (ADP-JAC) and contract with Mitsubishi Tokyo Oreta BF Corporation (MTOB)		
Y 4,393,690,000 = US $40,035,303.28 @ P52.56		2,104,375,646
Y 3,514,952,000 = US $32,330,528.50 @ P50.80	**1,642,455,509**	
	1,657,846,165	**2,127,239,936**
Less: Current Portion	**(416,911,553)**	**(427,514,269)**
	1,240,934,612	**1,699,725,667**

The French loan from Credit Nationale, now Natixis, is covered by Loan Agreements dated January 25, 1991 (DAN: 94-2089) for FRF 14.5 million and July 5, 1994 (DAN: 94-2232) for FRF 6.08 million. The loan dated January 25, 1991 is payable in 42 semi-annual installments commencing on June 30, 2002 and ending on December 31, 2022 with 2.5 per cent interest per annum, while the loan dated July 5, 1994 is payable in 29 semi-annual installments commencing on June 30, 2001 and ending on June 30, 2015 with 3.3 per cent interest per annum on the unpaid account.

Loan from Japan Bank for International Cooperation (JBIC), formerly OECF, now Japan International Cooperation Agency (JICA), is payable in 41 semi-annual installments commencing on August 10, 2003 and ending on August 10, 2023 with 5 per cent interest per annum including 2 per cent spread of the National Government.

19. FINANCE LEASE PAYABLE

The Authority rents its NAIA Terminal 3 sites from the Bases Conversion and Development Authority (BCDA). The lease is for a period of twenty-five years, with annual rental of one per cent of the appraised value at P30,000 per square meter in area comprising 634,843 square meters with ten per cent escalation every five years.

The present value of the remaining rental payable to BCDA discounted at the incremental borrowing rate of 7.037 per cent as of January 1, 2019.

YEAR		Lease Payment (net of VAT) (A)	Discount Factor (7.037%)	Present Value of Lease Payment
1	2019	176,933,919.64	1.0000	176,933,919.64
2	2020	176,933,919.64	0.9343	165,301,643.02
3	2021	176,933,919.64	0.8728	154,434,114.39
4	2022	176,933,919.64	0.8155	144,281,056.45
5	Jan. 1 - August 16, 2023	120,896,197.29	0.7618	92,103,668.25
Finance Lease Payable, January 1, 2019				733,054,401.75

Schedule of remaining lease terms with BCDA based on the 25 years contract effective August 17, 1998:

YEAR		Lease Liability (Balance brought forward at January 1) (A)	Lease Payment (net of VAT) (B)	Interest (C = A*7.037%)	Decrease in Lease Liability (D = B-C)	Lease Liability (Balance carried forward at December 31) (E = A-D)
1	2019	733,054,401.76	176,933,919.64	0	176,933,919.64	556,120,482.11
2	2020	556,120,482.11	176,933,919.64	39,134,198.33	137,799,721.32	418,320,760.80
3	2021	418,320,760.80	176,933,919.64	29,437,231.94	147,496,687.71	270,824,073.09
4	2022	270,824,073.09	176,933,919.64	19,057,890.02	157,876,029.62	112,948,043.47
5	Jan. 1 – Aug. 16, 2023	112,948,043.47	120,896,197.29	7,948,153.82	112,948,043.47	0

As of December 31, 2019, the carrying amount of Finance Lease Payable is as follows:

Balance, January 1, 2019	733,054,402
Additions	0
Interest Expense	0
Payments	176,933,920
	556,120,482
Current portion	137,799,721
Non-current portion	418,320,761

20. OTHER LIABILITIES

This account consists of the following:

	2019	2018
Customer's Deposit Payable	**396,550,295**	433,767,042
Trust Liabilities	**722,591,127**	311,162,814
Guaranty/Security Deposits Payable	**140,687,659**	119,220,039
Leave Benefits Payable	**176,254,225**	132,901,189
Tax Refund Payable	**28,614,688**	32,583,551
Other Current Liabilities	**1,464,697,994**	1,029,634,635
Deferred Tax Liabilities	**5,544,516**	0
Other Non-current Liabilities	**5,544,516**	0
Total Other Liabilities	**1,470,242,510**	1,029,634,635

Customer's Deposit Payable represents the airport lessees' and/or concessionaires' deposits equivalent to two months or as stated in the contract/temporary permit.

Trust Liabilities represents remittances of various airline companies starting July 2018 for unrefunded Terminal Fees of unflown tickets (Note 14).

Guaranty/Security Deposits Payable represents cash received from contractors/suppliers to guarantee performance of contracts.

Leave Benefits Payable pertains to the accumulated unused leave credits of employees.

Tax Refund Payable represents excess taxes withheld from employees' compensation.

Deferred Tax Liabilities represents the differences between the carrying amounts of the assets and liabilities and their tax bases that may either be a future taxable amount or a future deductible amount (Note 31).

21. DEFERRED REVENUE

This account pertains to the following:

	2019	2018
Deferred Output Tax	**261,734,217**	244,580,330
Contra Account of Receivables-COA Disallowances	**166,840,698**	166,844,119
Unearned Revenue/Income	**148,364,150**	152,679,823
Other Deferred Credits	**107,152,925**	96,630,442
	684,091,990	660,734,714

Deferred Output Tax represents VAT amount which is not due until actual payment of the billed amount from clients.

Contra Account of Receivables-COA Disallowances (Note 8) decreased due to partial settlements made during CY 2019.

Unearned Revenue/Income pertains to the airport lessees' and/or concessionaires' one-month advance rental/concessions privilege fee.

Other Deferred Credits represents collected Output VAT from sale of goods and services.

22. GOVERNMENT EQUITY

This account includes the value of assets transferred to the Authority by the then Air Transportation Office, now Civil Aviation Authority of the Philippines, and the then Department of Transportation and Communications, now Department of Transportation. This also includes the P605 million share of the National Government on the income of the Authority from 1983 to 1986 that was converted to National Government equity in accordance with E.O. 298. The increase in the account of P2.808 billion represents part of the value of the 22.3 hectares property of the Nayong Pilipino Foundation (NPF) that was transferred to the Authority pursuant to E.O. 58 dated September 29, 2011. The recorded value of said property amounting to P8.259 billion, includes the value of the building and land improvements of P11.018 million (Note 12), which includes the amount of P5.461 billion credited to the *Contributed Capital* account (Note 23).

23. CONTRIBUTED CAPITAL

This represents part of the P8.259 billion value of NPF property recorded under the account in the amount of P5.461 billion (Note 12 and 22).

In CY 2019, the completed project for the Rapid Exit Taxiways and the partial liquidation made for NAIA Terminal 2 Rehabilitation Project were recognized as an additional Capital Contribution – DOTr.

24. REVENUE

This account consists of the following:

	2019	2018
Terminal Fees	**5,497,157,387**	5,085,278,264
Landing and Parking Fees	**5,262,464,243**	4,935,047,399
Rent/Lease Income	**3,568,491,652**	3,415,290,500
Parking Fees	**379,070,436**	352,534,034
Other Service Income	**334,142,917**	279,151,627
Royalty Fees	**127,659,205**	123,990,661
	15,168,985,840	14,191,292,485

Other Service Income represents income from visitors' stick-on pass of P7.52 million in CY 2019 and P8.06 million in CY 2018 and utilities of P326.62 million in CY 2019 and P271.09 million in CY 2018.

25. NATIONAL GOVERNMENT SHARE ON MIAA'S GROSS INCOME

This represents the 20 per cent share of the National Government on the Authority's annual operating income based on actual cash collection, excluding income from utilities and terminal fee (Airport Users' Charge (AUC) to be remitted to the General Fund in the National Treasury to be used for the maintenance and operation of other international and domestic airports in the country in accordance with Section 3 of E.O. 298 dated July 26, 1987, computed as follows:

	2019	2018
Landing & Parking Fees (Aeronautical Fees)	**4,097,242,099**	3,839,825,183
Rentals	**2,377,457,288**	2,318,624,740
Other Business Income (Concession Privilege Fees)	**2,017,658,437**	1,971,831,096
Other Service Income (Miscellaneous Revenues)	**454,908,397**	437,838,711
	8,947,266,221	8,568,119,730
Rate of Government's Share	**20%**	20%
National Government's Share	**1,789,453,244**	1,713,623,946

26. PERSONNEL SERVICES

This account consists of the following:

	2019	2018
Salaries and Wages	**454,059,177**	392,911,757
Other Compensation		
Overtime and Night Differential	**88,190,781**	120,918,953

	2019	2018
Year-end Bonus	**38,454,556**	32,881,618
Personal Economic Relief Allowance	**32,128,364**	29,063,964
Hazard Pay	**12,561,145**	10,052,317
Representation Allowance	**9,488,082**	22,428,211
Clothing	**8,012,220**	8,960,519
Cash Gift	**6,811,886**	6,034,750
Laundry Allowance	**83,502**	57,750
Other Bonuses and Allowances	**144,003,587**	130,776,720
Personal Benefits Contribution		
Life and Retirement Insurance Contribution	**54,733,452**	46,863,054
PhilHealth Contribution	**5,692,559**	4,880,901
Pag-IBIG Contribution	**1,631,900**	1,452,800
ECC Contribution	**1,631,800**	1,459,100
Other Personnel Benefits		
Terminal Leave	**50,534,955**	6,936,724
Retirement Benefits	**3,183,974**	1,303,168
Other Personnel Benefits	**65,662,107**	49,472,005
	976,864,047	866,454,311

27. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2019	2018
Depreciation	**1,596,967,941**	1,373,920,122
Utility Expenses	**1,066,819,044**	1,022,860,215
General Services	**876,601,687**	767,770,632
Professional Services	**794,986,092**	744,237,864
Repairs and Maintenance	**785,181,602**	873,812,205
Service Fee	**197,626,968**	221,525,019
Taxes, Insurance Premiums and Other Fees	**80,144,951**	61,035,981
Supplies and Materials	**76,263,840**	78,045,369
Extraordinary and Miscellaneous Expenses	**27,846,918**	28,401,902
Impairment Loss	**24,487,079**	19,438,369
Communication Expenses	**12,942,722**	12,971,939
Rent Expenses	**12,471,831**	157,698,354

	2019	2018
Training Expenses	**5,116,507**	1,624,461
Intelligence Expenses	**3,000,000**	0
Membership Dues and Contributions to Organization	**2,501,483**	2,201,928
Subscription Expenses	**2,209,646**	1,105,215
Representation Expenses	**1,836,813**	1,409,993
Donations	**1,000,000**	0
Traveling Expenses	**875,289**	1,305,692
Advertising Expenses	**512,466**	543,820
Other Maintenance and Other Operating Expenses	**3,247**	9,790,183
	5,569,396,126	5,379,699,261

28. LEASES

Authority as Lessor

The Authority also rents some of its terminal facilities to various lessees. The lease terms range between one month to five years, with monthly rental ranging between P374.22 and P13.345 million. Escalation rate of two per cent per annum after the third year for concessionaires with lease term of five years. Lease payments under operating leases recognized as income amounted to P1.442 billion in 2019 and P1.495 billion in 2018.

At year end, the Authority has outstanding receivables under non-cancellable operating leases that fall due as follows:

	2019	2018
*Not later than one year	**1,541,216,388**	1,694,746,593
Later than one year but not later than 5 years	**259,159,591**	139,124,667
Later than 5 years	**169,264,177**	32,084,163
	1,969,640,156	1,865,955,423

* Not later than one year is inclusive of rental/lease income from Authority's investment property (General Aviation areas) amounting to P110.615 million (Note 13).

29. INTEREST INCOME

This account pertains to interests earned on cash deposits and short-term investments totaling P632.172 million in 2019 and P349.472 million in 2018 (Notes 6 and 7).

30. FINANCIAL EXPENSES

This account consists of:

	2019	2018
Interest expense	**199,989,705**	167,855,471
Guaranty fees	**14,646,834**	19,529,112
Bank charges	**114,748**	83,439
Other financial charges	**11,167,277**	5,499,589
	225,918,564	192,967,611

31. INCOME TAX

Income tax expense for the years ended December 31 consists of:

	2019	2018
Current	**2,165,477,005**	2,019,282,821
Deferred	**(12,301,601)**	(36,243,408)
	2,153,175,404	1,983,039,413

The reconciliation of income tax expense computed at applicable statutory tax rates and income tax expense shown in the statements of comprehensive income is as follows:

	2019	2018
Income tax at statutory rate	**2,151,702,464**	2,662,263,706
Non-deductible depreciation expense	**130,547,271**	123,818,522
Non-deductible interest expense	**59,996,911**	43,246,407
Interest income subject to final tax	**(189,651,849)**	(104,841,558)
Prior years adjustments - credit	**580,607**	0
Subsidy income	**0**	(205,589,464)
Capital Gains Tax borne by buyer	**0**	(535,858,200)
Effective income tax	**2,153,175,404**	1,983,039,413

An analysis of Deferred Tax is as follows:

	2019	2018
Leave benefits payable	**52,876,267**	39,870,357
Allowance for impairment of receivables	**377,168,238**	395,660,108
Unrealized foreign exchange loss	**209,803,991**	186,471,914
Deferred Tax Asset	**639,848,496**	622,002,379
Impact on equity on transition to PFRS 16 for the Right of Use of Asset	**(5,544,516)**	0
Deferred Tax Liability *(Note 20)*	**(5,544,516)**	0

32. RESTATEMENT OF ACCOUNTS

The 2018 financial statements were restated to reflect the following adjustments:

<u>Prior years' errors discovered in CYs 2018 and 2019</u>

	December 31, 2017 (As previously reported)	Restatement/ Adjustment	January 1, 2018 (As restated)
STATEMENT OF FINANCIAL POSITION			
Other Current Assets	**87,535,504**	**(288,558)**	**87,246,946**
Correction of prior years' Other Assets account (Letters of Credit)		*(288,558)*	
Property, Plant and Equipment, net	**35,936,673,911**	**1,935,357**	**35,938,609,268**
Recognition of Disaster Response & Rescue Equipment previously taken out in the books in CY 2016		*1,935,357*	
Inter-Agency Payables	**1,249,181,662**	**300,000,000**	**1,549,181,662**
Reclassification of Subsidy Income received from NG to Due to NGAs (Rapid Exit Taxiways Project)		*300,000,000*	
STATEMENT OF CHANGES IN EQUITY			
Retained Earnings	**28,707,305,594**	**(298,353,201)**	**28,408,952,393**
Recognition of Disaster Response & Rescue Equipment previously taken out in the books in CY 2016		*1,935,357*	
Correction of prior years' errors		*(288,558)*	
Reclassification of Subsidy Income received from NG to Due to NGAs (Rapid Exit Taxiways Project)		*(300,000,000)*	

<u>Prior years' errors discovered in CY 2019</u>

	December 31, 2018 (As previously reported)	Restatement/ Adjustment	January 1, 2019 (As restated)
STATEMENT OF FINANCIAL POSITION			
Other Current Assets	**87,535,504**	**(288,558)**	**87,246,946**
Correction of prior years' Other Assets account (Letters of Credit)		*(288,558)*	
Property, Plant and Equipment, net	**35,600,919,422**	**1,935,357**	**35,602,854,779**
Recognition of Disaster Response & Rescue Equipment previously taken out in the books in CY 2016		1,935,357	
Inter-Agency Payables	**1,441,050,806**	**454,074,132**	**1,895,124,938**
Reclassification of Subsidy Income received from NG to Due to NGAs (Rapid Exit Taxiways Project)		*300,000,000*	
Reclassification of Subsidy Income received from NG to Due to NGAs (Rehabilitation - T2)		*509,000,000*	
Liquidation of DOTr funds transferred to MIAA			
Rapid Exit Taxiways Project		*(264,227,319)*	
Rehabilitation of NAIA Terminal 2		*(90,698,549)*	
STATEMENT OF CHANGES IN EQUITY			
Retained Earnings	**32,162,327,728**	**(807,353,201)**	**31,354,974,526**

	December 31, 2018 (As previously reported)	Restatement/ Adjustment	January 1, 2019 (As restated)
Recognition of Disaster Response & Rescue Equipment previously taken out in the books in CY 2016		*1,935,357*	
Correction of prior years' errors		*(288,558)*	
Reclassification of Subsidy Income received from NG to Due to NGAs (Rapid Exit Taxiways Project)		*(300,000,000)*	
Reclassification of Subsidy Income received from NG to Due to NGAs (Rehabilitation - T2)		*(509,000,000)*	
Contributed Capital	**5,461,552,821**	**354,925,868**	**5,816,478,689**
Liquidation of DOTr funds transferred to MIAA			
Rapid Exit Taxiways Project		*264,227,319*	
Rehabilitation of NAIA Terminal 2		*90,698,549*	

CY 2018 Statement of Comprehensive Income

Net Income, CY 2018 (As previously reported)	**6,891,172,941**
Adjustments:	
Reclassification of entries	
Less: From Subsidy Income to Due to NGAs account:	
Rehabilitation – NAIA Terminal 2	(509,000,000)
Net Income, CY 2018 (As restated)	**6,382,172,941**

Previously, the receipt of subsidies from the National Government – DOTr was recognized in the Authority's profit and loss. In 2019, MIAA reclassified the unutilized portion of subsidy to Liability account.

The Authority presented three statements of financial position in compliance with the requirement of PAS 1, Presentation of Financial Statements, to include a complete set of financial statements as statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies as accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

33. OTHER MATTERS

a. Board Resolution No. 2019-046 dated September 26, 2019 Early Retirement Incentive Program (ERIP) in RE: Amended MIAAs Organizational Restructuring Proposal

Relative to MIAAs Organizational Restructuring Proposal (ORP), MIAA was advised by Governance Commission for GOCCs (GCG) to comply with the additional requirements of the Commission enumerated in GCG Memorandum Circular No. 2015-4 issued in May 2, 2016. MIAA prepared separation package for those personnel whose positions will be affected in the MIAA ORP, with two (2) options:

1. To remain in government service and apply to other available positions in the agency;

2. Avail of retirement plus the ERIP as part of the ORP of the MIAA, subject to the approval of the President, based on the following formula:

Years of Service	Equivalent ERIP Gratuity
Up to 20 years	1 x Basic Monthly Salary
Above 20 years up to 30 years	1.5 x Basic Monthly Salary
Above 30 years	2 x Basic Monthly Salary

Employees with age 50 years old and above with minimum of 15 years in service were also included in the computation, should they opt to avail the proposed ERIP. The total amount to be incurred for the proposed ERIP is P895.59 million.

MIAA Early Retirement Incentive Program was already forwarded to the Department of Transportation Office on February 20, 2020, for submission to the Office of the President thru the GCG.

b. Receivable from Private Concessionaire with Pending Case

Philippine Airport and Ground Services (PAGS) (Civil Case No.000363) – P112.39 million.

This is an action to enjoin MIAA from increasing the rental rates for the premises (Open Area A and Open Area B) mentioned in the Revised and Restated Contract of Lease between parties. PAGS claims that the Restated Contract does not contain any escalation clause. MIAA, however, claims that the Restated Contract is null and void as it was not approved by the MIAA Board.

Hearing is ongoing. PAGS is presenting its witnesses. The Office of the Solicitor General has recommended Compromise Agreement in view of the prevailing doctrine in Airspan. MIAA had sent its intention to compromise but no response was received from PAGS.

c. Airspan Case: Rate Adjustments

The Philippine Airlines (PAL), Macroasia Airport Services Corporation, and Macroasia Catering Services have, likewise, filed separate claims with the Authority for refund of rentals pertaining to the increase that was invalidated for lack of publication as ruled by the SC in the Airspan case. Said claims for refund, estimated at P1.2 billion, are still subject to the approval of the Office of the Government Corporate Counsel and the adjudication of the money claims by COA (MIAA Board Resolution No.2010-026). However, the MIAA Board of Directors issued Resolution No. 2017-103 dated January 8, 2018 recalling and cancelling MIAA Board Resolution No. 2010-026. Management sent letters to PAL and Macroasia to file money claims before COA. On December 26, 2018, PAL filed money claim before COA against MIAA for the refund of rentals paid for the period June 1999 to October 2016 in the amount of P 2.09 billion.

In view of the prevailing doctrine in Airspan case, the Authority had determined accounts that may be subject to refund in case a proper claim is filed by the affected parties.

d. Samahang Manggagawa sa Paliparan ng Pilipinas (SMPP) vs. MIAA
Civil Case No. 05-1422-CFM
RTC, Branch 119, Pasay City

A petition for Mandamus was filed by petitioners SMPP before the RTC of Pasay City praying for the issuance of a Writ of Preliminary Mandamus ordering respondent MIAA to implement Section 4.1 of DBM Corporate Compensation Circular No. 10 by integrating, including and/or adding the Cost of Living Allowance (COLA) and Amelioration Allowance (AA) into the basic salaries for the respective positions of the individual petitioners effective July 16, 1999 up to the present.

Thereafter, respondent MIAA Board of Directors was directed to issue the necessary Board Resolution: (1) appropriating funds to pay COLA and AA of petitioners which were not integrated, included and/or added to their respective basic salaries commencing on July 16, 1999 up to the present; (2) directing the release of said funds as back pay for COLA and AA; and (3) allowing the grant of continuing COLA and AA.

The RTC affirmatively acted on the prayer for issuance of Mandamus and issued a decision upholding petitioner's position.

Dissatisfied with the said ruling, MIAA elevated on appeal the said decision to the CA. In a decision, dated July 30, 2010, the CA reversed and set aside the RTC's decision.

The case is total estimated liabilities of P2.36 billion for similarly situated now pending before the SC. In January 2019, the SC is requiring the parties to inform the court if there are developments to assist the court in the resolution of the case.

e. Accounts under Litigation

1. People's Aircargo and Warehousing Co., Inc. (PAIRCARGO) vs. MIAA
Civil Case No. 00-304
RTC, Branch 110, Pasay City

This is a case filed by PAIRCARGO against MIAA questioning the increase in rental rates as mandated by Administrative Orders issued by the MIAA Board. Said concessionaire alleged that MIAA has no legal right to increase its rental rates because the concessionaire's lease contract with the then Civil Aeronautics Administration, which was renewed in 1991 under the pre-emptive right of the lessee, does not provide an escalation clause. By agreement of the parties, the status quo will be maintained during the pendency of the case.

Hearing is ongoing. The OSG is recommending Compromise Agreement in view of the prevailing doctrine in Airspan.

2. **Avia Filipinas Int'l. Inc. vs. MIAA**
   G.R. No. 180168
   Supreme Court

   This is a case filed by Avia Filipinas against MIAA stemming from the increase in the former's monthly lease rentals from P6,580 per month to P15,966.50, or P9,386.50 increase per month, effective September 1, 1991 to September 30, 1994, for a total of P347,300.50. The increase was based on Section 2.04 of the lease contract and Administrative Order No. 1, Series of 1990, which embodied the increase in rentals of the properties being leased by MIAA to its lessees and concessionaires. However, Avia Filipinas refused to pay the increased rentals, claiming that under Sec. 8.13 of the lease contract, *"any amendment, alteration, or modification thereof shall not be valid and binding, unless and until made in writing and signed by the parties thereto"*. It claimed that since it did not sign the rental increase embodied in Administrative Order No. 1, Series of 1990, the said increase is not valid and binding.

   On March 21, 2003, the lower court rendered a decision in favor of Avia Filipinas ordering MIAA to pay Avia Filipinas P2 million actual damages, P2 million exemplary damages, P100,000 attorney's fees, and costs of suit and to refund the monthly rental payments beginning July 1, 1997 up to March 11, 1998 with 12 percent interest.

   MIAA appealed to the CA which rendered a decision on June 19, 2007, deleting the award of actual and exemplary damages and reducing from 12 to 6 per cent the interest on the monthly rentals to be refunded beginning July 1, 1997 up to March 11, 1998. The 6 per cent interest is to begin from date of filing of the complaint until finality of the decision. A 12 per cent interest shall be imposed on any unpaid balance from such finality until judgment is fully satisfied. The award of attorney's fees still stands.

   MIAA brought the case to the SC by way of a Petition for Review on December 7, 2007.

   The SC, in its Decision dated February 27, 2012, denied MIAA's petition and affirmed the resolution of the CA. A Motion for Reconsideration was filed by MIAA before the SC.

   MIAA is awaiting the Writ of Execution, but Avia Filipinas has not come forward to execute the judgment award.

3. **Domestic Petroleum Retailer Corp. vs. MIAA**
   CA Second Division
   RTC Branch 119, Pasay City

   This is a case for collection of sum of money. DPRC is seeking the refund of the increase in rentals it allegedly paid under protest to MIAA in the principal amount of P9,593,179.87 plus legal interest computed from the time of judicial demand on July 27, 2006, and the sum of P300,000 as and for attorney's fees and the cost of the suit. MIAA appealed the case before the SC.

4. **Conrado P. Cosico, Jr. and Antonio P. Cosico vs. MIAA**

   This is a case for consignation with prayer for issuance of TRO and Preliminary Injunction. The Cosicos are seeking to compel MIAA to honor the lease contract which was entered into by their predecessors and the CAA which they claim to have been renewed by MIAA. The plaintiff prayed for P200,000 attorney's fees. The case is on appeal with the Court of Appeals.

5. **Inter-Asia Services Corporation vs. MIAA**

   This is a case for breach of contract. MIAA terminated the contract of Inter Asia for the lease and operation of Parking A of NAIA Terminal 1 for failure of the plaintiff to comply with the conditions of the contract, i.e. construction of the multi-level parking lot. Plaintiff countered that MIAA was the first to breach the contract since it did not reduce the Concession Privilege Fee (CPF) by 40 per cent It prayed for at least P1 million for actual damages and P600,000 for attorney's fees. The case is pending before the RTC, Makati City.

6. **SPS. Nocom and Kieng vs. MIAA**

   This is a case for recovery of possession and accounting of rental. Plaintiffs are the registered owner of parcel of land consisting of 9,867 sq.m, more or less, covered by TCT No, 109416. NAIA occupied the said land without authority from the plaintiffs sometime in 1995. Hence, a claim for just compensation for the subject lot was filed by the Plaintiff.

   The Court of Appeals in its decision dated May 20, 2015 ordered MIAA to pay the Nocoms the sum of P41.24 million as rentals from December 1995 until December 2014 plus interest of 12 per cent per annum from date of decision until fully paid; and, beginning January 2015 to pay monthly rental of P176,406.33 with 12 per cent interest from the date of default until fully paid. The case is pending appeal before the SC.

7. **Corazon Cruz vs. MIAA**

   This is a case for quieting of title with recovery of ownership and damages. Cruz claims to be the owner of a parcel of land in MIAA's possession and prayed for MIAA to pay P500,000 for moral damages; P200,000 attorney's fees; P500,000 for the costs of litigation and three per cent of the gross value of property. The RTC and the CA decided in favor of MIAA. The case is pending appeal before the SC.

8. **Aviation Technology Innovators, Inc. vs. MIAA**

   This is a case for damages, fixing the period of contract of lease and declaring the rental rate and interest null and void with application for issuance of preliminary injunction with prayer for TRO and/or Status Que Ante.

   ATII entered to a contract of lease with the defendant MIAA for a period of one (1) year. On February 21, 2014, MIAA sent a demand letter to the plaintiff demanding the latter to pay its alleged outstanding account amounting to

P59.74 million. On the strength of the Airspan decision, ATII proposed to pay the computed principal obligation in the amount of P6.04 million and interest of P42.48 million in 24 months. Hence, the case where ATII prayed for MIAA to pay the sum of P500,000 as and by way of moral damages, P100,000 as exemplary damages and P200,000 as and by way of attorney's fees. The case is pending before the RTC, Pasay City.

9. **ARINC Incorporated vs. MIAA**

   This is a case for petition for money claim filed by ARINC Inc. before the COA for services rendered in the amount of USD 261,112.40.

10. **Duty Free Philippines vs. MIAA**

    This is a case pending before the Office of the Government Corporate Counsel for arbitration. Duty Free seeks the refund of payments. The claim for refund arose from the Supreme Court decision in Airspan et al. MIAA G.R. 157581 (December 1, 2004) which declared null and void MIAA Board Resolutions which increased the rental charges for certain areas within the Airport. The amount claimed as of March 31, 2017 amounts to P77.13 million and USD.627 million plus two per cent interest compounded annually.

34. SUPPLEMENTARY INFORMATION ON TAXES

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

1. The Authority is a VAT-registered company with output tax declaration of P1,196,142,960 for the year based on the amount reflected in the Sales Account of P9,967,858,002.

   The Authority has Zero-Rated Sale of Services amounting to P 4,481,223,016 pursuant to Section 12 of RR-4-2007.

2. The amount of VAT input taxes claimed are broken down as follows:

a. Balance at the beginning of the year	219,067,129
b. Current year's purchases	
I. Goods for resale/manufacture or further processing	n/a
II. Goods other than for resale or manufacture	25,724,759
III. Capital goods subject to amortization	72,390,761
IV. Capital goods not subject to amortization	131,769
V. Services lodged under cost of goods sold	n/a
VI. Services lodged under other accounts	500,817,900
	599,065,189

c. Claims for tax credit/refund and other adjustments

I. Prior year's set-up/accrual	(12,746,118)
II. Current year's set-up/accruals	16,042,624
III. Cancelled checks/transactions and adjustments	53,018
IV. Available input tax and tax deferred for succeeding period	(540,855,279)
	(537,505.755)

d. Balance at the end of the year	280,626,563

3. The amount of withholding taxes paid/accrued for the year amounted to:

I. Tax on compensation benefits	50,569,230
II. Creditable withholding taxes	111,832,088
III. Final withholding taxes	26,022,808
IV. Value-Added Tax and Other Percentage taxes withheld	257,189,651

4. Schedule of Other Taxes and Licenses

Network/Radio station license and RLM certificate (NTC)	731,910
Airport Coordination Australia (Annual Admin Fee)	584,079
Registration/Emission Testing and Inspection (LTO)	329,268
Tax on French Loan & adjustment of Foreign Exchange	51,550
Permit to operate generator sets and diesel storage (EMB-NCR)	21,000
Community Tax (Pasay City Treasurer)	10,500
Fire range accreditation fee	1,500
Annual VAT Registration	500

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. The faithful representation of the Unearned Revenue account amounting to P148.364 million cannot be ascertained due to the existence of unsubstantiated amount of P33.215 million covering the balances in 2004 and prior years.

1.1 Paragraph 2.5 of the Conceptual Framework for Financial Reporting states that:

> *"Relevance and faithful representation are the fundamental qualitative characteristics of useful financial information."*

1.2 Furthermore, paragraph 15 of the Philippine Accounting Standards (PAS) No. 1 requires that:

> *"Financial statements shall 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 Conceptual Framework for Financial Reporting (Conceptual Framework)."*

1.3 Unearned Revenue/Income is defined in the Revised Chart of Accounts as:

> *"This account is credited to recognize the receipt of advance rent/lease income from investment property. This account is debited when rent/lease income is earned, and/or for adjustments."*

1.4 In MIAA, the account is used to record the one-month advance rental/concession privilege fee collected from its concessionaires/lessees within the NAIA complex.

1.5 Section 4(a) Part II of MIAA Administrative Order No. 1 Series of 2000 provides that:

> *"To guarantee prompt payment of fees and charges covered by contracts of lease and/or concession as well as compliance with the provisions of the contract or permit, the lessee/concessionaire shall, prior to the effectivity and/or exercise of the lease and/or concession privilege, comply with the following requirements:*
>
> *1. Pay one (1) month advance rental and concession privilege fee*

xxxx"

1.6 Section 4(d) further states that:

> *"The advance payment, deposit and surety bond shall be maintained during the duration of the lease/concession, and, in case of default, breach or damage to the MIAA, shall be forfeited in favor of the Authority or automatically applied to unsettled accounts."*

1.7 As of December 31, 2019, the Unearned Revenue/Income has a balance of P148.364 million.

1.8 However, in the review of records and schedules pertaining thereto, it was noted that the balance includes a lump sum amount of P33.215 million which has no breakdown/details. The Accounting personnel explained that the said amount pertains to the balances way back CY 1985 to 2004 but the documents or records pertaining thereto has yet to be located or traced.

1.9 In view thereof, the fair presentation of the Unearned Revenue account of P148.364 million cannot be ascertained.

1.10 **We recommended that Management direct the Accounting Division to document the lump sum amount and make adjustments in the books, if necessary.**

1.11 Management committed to exert their best effort to retrieve/locate the documents. They have also initiated the creation of database of Advances and Deposits of concessionaires and will start sending confirmation letters to validate existence.

2. The balance of the Advances to Contractors account of P125.149 million is understated by P2.621 million due to the erroneous recording of Input VAT in the payment of progress billings.

2.1 Paragraph 2.13 of the Conceptual Framework for Financial Reporting provides that:

> "*To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and <u>free from error</u>. xxxx"* (underscoring ours)

2.2 Advances to Contractors represent the advance payment by MIAA to its contractors for the purchase of goods and services as authorized in the Revised Implementing Rules and Regulations (IRR) of R.A. No. 9184.

2.3 As of December 31, 2019, the Advances to Contractors account has a balance of P125.149 million.

2.4 Audit disclosed that the said amount is understated by P2.621 million. The understatement was due to the erroneous recording/deduction of input VAT from the advance payment made to the Contractor. In the payment of progress billing, input VAT was again charged/computed, hence the same was computed twice. The input VAT in the progress billing was credited to the Advances to Contractors account resulting in the understatement of the account.

2.5 The understatement of the Advances to Contractors account consequently affects the fair presentation of the financial statements.

2.6 **We recommended that Management direct the Accounting Division to make the necessary adjustment in the books to correct the error.**

2.7 Management had effected the correction/adjustment on June 30, 2020 under JEV No. 2020-06-069.

3. The recorded balance of the Passenger Boarding Bridges classified as Airport Equipment in the amount of P239.724 million and the related Accumulated Depreciation account are doubtful due to unsubstantiated discrepancy between the GL and the lapsing schedule amounting to P18.039 million resulting in the understatement of the Airport Equipment account and overstatement of the related Accumulated Depreciation account by the same amount.

3.1 Paragraph 15 of the Philippine Accounting Standards (PAS) No. 1 requires the fair presentation of the Financial Statements.

3.2 Paragraph 30 of the Philippine Accounting Standards (PAS) No. 16 requires that:

> *"After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses."*

3.3 As of December 31, 2019, re-computation on the Accumulated Depreciation of the nine Passenger Boarding Bridges (PBB) based on the lapsing schedule disclosed the following details:

Particulars	Per Accounting	Per Re-computation	Variance
Acquisition Cost	284,820,434	284,820,434	0
Accumulated Depreciation	45,096,569	27,057,941	18,038,628
Carrying Amount	239,723,865	257,762,493	(18,038,628)
2019 Depreciation Expense	27,057,941	27,057,941	0

3.4 Our audit disclosed that the Construction in Progress pertaining to the total cost of PBB was erroneously recorded in the lapsing schedule as Airport Equipment, thus related depreciation charges were computed and accumulated depreciation was provided. At the end of CY 2018, the Construction in Progress account was properly classified as Airport Equipment. However, the corresponding depreciation and accumulated depreciation was not adjusted thereby resulting in the overstatement of the Depreciation Expense and the related Accumulated Depreciation in the amount of P18.039 million.

3.5 The team was not able to validate the data in the lapsing schedule because there was no submitted detailed computation of depreciation for 2018.

3.6 **We recommended that Management:**

a) Conduct a thorough review and verification of the discrepancy and effect appropriate adjustments;

b) Submit the 2018 lapsing schedule and other supporting documents; and

c) Reconcile records regularly to ensure that the recorded transactions are correct and updated.

3.7 Management commented that there was an error committed in the recording of the asset and the accumulated depreciation account and necessary adjustments will be immediately effected in the books.

4. The non-monitoring of compliance with the Concession Contracts and MIAA Administrative Order No. 1 s. 2000 by concessionaires subject to payment of Concession Privilege Fee (CPF) based on percentage of gross sales (GS-based CPF) coupled by the inadequate guidelines on the billing and collection of the CPF resulted in non-payment/under-payment by some concessionaires, and ultimately in the understatement of income from CPF.

4.1 MIAA Administrative Order No. 1 s. 2000 mandates that all businesses within NAIA Complex are to be levied with CPF on top of the basic rental fee and other charges. In line thereto, the duty free shops, food and beverages, and retail and services are charged of CPF based on percentage of Gross Sales (GS-based CPF), while banks, money changers, vending machines and similar others are charged of CPF based on fixed amount. Rates of GS-based CPF ranged from 5 per cent to 12 per cent of the concessionaires' gross monthly sales. Fixed CPF are billed while payment of GS-based CPF are initiated by the concessionaires.

4.2 Analysis of the rent/lease income account disclosed that collections from GS-based CPF represents 46.31 per cent of the total rent/lease income of MIAA in CY 2019, as shown below:

Particulars	Amount	Percentage
Rental Fee (Basic)	P1,412,256,926	39.57%
CPF (Fixed/Billed)	503,758,819	14.12%
CPF (GS-based/Unbilled)	1,652,475,907	46.31%
Total	**P 3,568,491,652**	100%

4.3 Section 5.b, Part 2 of the MIAA AO No. 1 s. 2000 provides that:

"Concessionaires paying on the basis of revenue shall submit a monthly sworn statement of their gross revenue from operations and to maintain a separate book of account for the purpose which shall be subject to the periodic inspection/audit of the Authority. Failure to submit the required statements shall be sufficient ground for termination of the contract without prejudice to the collection of whatever amount is due to the government including interest and penalties."

4.4 The Monthly Sworn Statement (MSS) serves as the concessionaires' declaration of their monthly sales revenue and the amount of CPF payable to MIAA. The MSS becomes the basis of the Collecting Officer in receiving the CPF payment from the concessionaire.

4.5 In CY 2019 and in the past recent years, MIAA has required its concessionaires with GS-based CPF to set-up/install Point of Sales (POS) application as stipulated in the Concession Contracts. The application is a wireless connection which allows the capture/transfer of concessionaires' daily sales to the Tenant Sales Monitoring System (TSMS) of MIAA handled by the Management Information System Division (MISD).

4.6 The concession contracts also require the installation of POS within thirty days from the approval/renewal of the contract. Failure to comply is a ground for the revocation/termination of the concession contract. With the POS, the CPF due from concessionaires can be automatically computed.

4.7 The GS-based CPF is to be paid within the 15th of the succeeding month and late payment is subject to an interest of two per cent per month computed daily and compounded monthly reckoned from the due date, until the amount is fully paid.

4.8 To ascertain compliance with the cited rules/policies and to determine if the GS-based CPF are properly collected and recorded in the books, review was conducted on the documents and reports related to CPF transactions. Presented in the table below is the result of the review based on the records of the Collection Division, MISD and the sample transactions covering the months of March, June, September and December 2019:

Existing MIAA Rules & Procedures on CPF Collections (per AO No. 1 and Contract)	**100% compliance**	**Remarks/Observation**
Submission of MSS by concessionaires	X	Not all concessionaires submit a copy of the MSS. Some just show/present the copy to the Collecting Officer upon payment.
Installation of POS application	X	25 per cent of the concessionaires have not complied with the POS requirement. Likewise, most of the concessionaires with POS installation have incomplete or missing sales data (no POS sales entry for a number of days). (Enforcement and monitoring of the contract particularly on the installation of the POS is under the office of the Concession Management Division (CMD).
Payment of CPF within the 15th of the succeeding month	X	Based on the four months samples, there were concessionaires who did not pay their CPF within the 15th of the succeeding month.

Existing MIAA Rules & Procedures on CPF Collections (per AO No. 1 and Contract)	100% compliance	Remarks/Observation
Payment of interest for late payment of CPF (computed daily and compounded monthly)	X	Some concessionaires with late payments were not computed/did not pay interest. The Accounting Division computes the interest only if the concessionaire requests for a Statement of Account (SOA).

4.9 Moreover, while Management required the installation of POS, there are no guidelines/policies issued on what to do with the data in the TSMS e.g. the reports to be generated, when, what office to furnish, and so forth. This deficiency had led to the following observations:

a) The incomplete sales data entries of concessionaires were not immediately addressed/resolved;

b) The use of the sales data in the TSMS was not maximized. A monthly sales summary report of concessionaires could have been generated from the TSMS and used as basis of the Accounting Office in recording and monitoring the CPF receivables and in preparing the CPF bills;

c) Due to the absence/non-availability of monthly sales summary report, the CPF receivables are left unmonitored by the Accounting Division, thus delinquent concessionaires or those with unpaid GS-based CPF are not immediately identified/discovered.

4.10 The foregoing observations show that Management did not monitor the compliance of concessionaires with the provisions of the lease/concession Contract and AO No. 1. Management also failed to craft and issue adequate guidelines covering the procedures on the billing and collection of the GS-based CPF after adopting the TSMS and requiring the POS installation of the concessionaires.

4.11 These deficiencies resulted in non-payment/under-payment of CPF by some concessionaires for an undetermined amount, likewise understated the income from CPF.

4.12 Some of the cited deficiencies were noted by the Internal Audit Service Office (IASO). In fact in its Audit Report dated June 6, 2019, one concessionaire was reported to have an underpayment of P121,514 and penalty for late payments totaling P2.386 million for the period September 2012 to December 2016.

4.13 **We recommended that Management immediately address the deficiencies noted and revisit the existing policies and monitoring activities and/or issue additional guidelines on CPF transactions to include, among others, the following:**

a) Compliance with the installation of POS;

b) Timely billing and recording of CPF due from concessionaires, including interest/penalty, if any;

c) Maintenance of Subsidiary Ledger for each concessionaire in the Accounting Division;

d) Concession Management Division (CMD) to provide Accounting Division a quarterly list of new, amended and deleted/terminated concession contracts;

e) MISD to generate from the TSMS a Summary of Monthly Sales of Concessionaires (SMSC) which shall be forwarded to the Accounting Division as basis for billing and recording of CFP due from concessionaires; and

f) MISD to immediately report/coordinate with CMD/concerned MIAA office the list of concessionaires with missing or incomplete POS transactions for immediate action.

4.14 Management had taken note of the audit observation and confirmed that there is no clear-cut policy on the use of POS. However, the following initial steps had been undertaken to address the deficiencies:

a) The CMD had disseminated memorandum dated August 10, 2020 to all concessionaires directing strict compliance with the use of POS;

b) Started drafting the policies/guidelines that would enforce the POS system recording and reporting of sales operation and control guidelines audit and its procedures and compliance to servicing requirements; and

c) Reiterated the regular submission of MSS.

4.15 Management further commented that they will issue a circular for the respective responsibilities of the concerned offices on the implementation of the POS system to ensure the accurate and timely collection of CPF.

5. The uniform and accurate gathering of data on aircrafts and passengers' movement in all NAIA terminals required under MIAA Memorandum Circular No. 06-M (s. 2016) was not properly implemented resulting in erroneous and unreliable reports, hence the correctness of the Passenger Service Charge (PSC) collected and reported by the Airline Companies (ACs) remained unvalidated.

5.1 In CY 2012 MIAA started adopting the integration scheme where the PSC is integrated to the cost of the airline ticket and collected by the ACs. The ACs later remit the PSC collections to the Collection Division or by directly depositing the same to the Authority's PSC bank account.

5.2 Under the Authority's guidelines, the remittances of the PSC by the ACs shall be accompanied by a Remittance Report (RR). The RR is a form prescribed by MIAA to be filled-out by ACs for every remittance made showing the number of passengers, the number of passengers exempted from PSC payment, amount collected and due to MIAA and other details. The PSC exempted passengers are infants and airline crews known as Internationally-Recognized Exempted Passengers (I-REP) and OFWs, athletes and others called Locally-Recognized Exempted Passengers (L-REP). Since the data in the RRs are provided by the ACs, it is necessary that the same be validated to ensure the correctness of the reported PSC collections.

5.3 In CY 2017, several audit observations were raised on the implementation of the scheme including the non-validation of the RRs. While most of the observations had been addressed by the Management, the problem on the validation of the RR remain unresolved.

5.4 MIAA Memorandum Circular (MC) No. 06-M (s. 2016) orders the uniform and accurate gathering of data on aircrafts and passengers' movement in all NAIA terminals. Below are the offices/divisions charged to implement the MC and their corresponding duties and responsibilities:

a) *Terminal Operation Personnel/Group (TOP/TOG)* of Terminals 1, 2, 3 and 4 shall gather daily flight operations data and passengers statistics in their respective terminals including the number of PSC paying and non-paying passengers and forward the data to the Plans and Programs Division (PPD).

b) *Plans and Programs Division (PPD)* shall prepare the monthly summary of flights and passenger data and furnish the Assistant General Managers (AGMs) of MIAA and other concerned offices.

c) *Collection Division (CD)* provides data of MIAA issued Certificate of Exemption to TOG per Terminal and coordinate with PPD and TOP for the passenger load data for the checking/verification during remittance.

d) *Terminal Managers* look into the control and management of personnel involved (TOP/TOG) in the undertaking to ensure completeness and accuracy of the data gathered.

5.5 Audit disclosed that the TOP/TOG of Terminals 1 to 4 prepares and furnishes the Collection Division (CD) of their monthly report of flights and passenger load. The CD however, did not use the said reports in validating the RRs, claiming that the same are not complete and/or not reliable. To confirm the CD's claim, verification and analysis were made on the RRs of the ACs and the monthly reports of flights and passengers of the TOP/TOG (on a sampling basis), and the following observations were noted:

a) The RRs and the TOG reports do not tally as to number of passengers and exempted passengers. Below are the summary of discrepancies related to sample airlines as shown below:

Comparison of Data per Remittance Report and TOG Report

Airline	No. of Airline Passengers		
	Per Remittance Report	**Per TOG Report**	**Difference**
Domestic Flights			
Cebu Pacific	2,354,480	2,334,764	19,716
PAL	1,365,015	1,363,102	1,913
Air Asia	934,127	934,796	(669)
International Flights			
Cebu Pacific	1,061,131	1,060,804	327
PAL	1,679,784	1,678,271	1,513
Air Asia	297,256	306,002	(8,746)

Note: (These samples cover the months of January, April, May, June and August 2019)

Number of I-REP per RRs and TOP/TOG Reports – International Flights

Airline	No. of Exempted Passengers (I-REP)		
	Per RR (ACs)	**Per TOG reports**	**Difference**
Cebu Pacific	7,023	2,868	4,155
Philippine Air Asia	1,696	1,789	(93)

Airline	No. of Exempted Passengers (I-REP)		
	Per RR (ACs)	Per TOG reports	Difference
Singapore Airlines	1,663	1,652	11
Cathay Pacific	1,391	1,381	10
Qatar Airways	1,140	1,083	57
United Airlines	244	211	33
All Nippon Air	568	544	24

b) Number of flights are more than the number of I-REP which is not possible to happen. (Samples were taken from Terminal 3 flights)

	International Flights			Domestic Flights		
	No. of Flights	No. of I-REPs	Difference	No. of Flights	No. of I-REPs	Difference
Cebu Pacific						
Jan	875	601	274	2,653	1,475	1,178
April	878	553	325	2,759	1,729	1,030
May	934	516	418	2,727	1,827	900
June	882	619	263	2,711	1,420	1,291
August	890	579	311	2,650	1,484	1,166

c) Some of the TOP/TOG reports have incomplete data on exempted passengers. Reports on Terminal 1 have no OFW (locally exempted) passengers. Terminal 1 is exclusively for international flights, and most of the flights' destinations are countries where most of our OFWs are working.

d) It was also noted that the TOG/TOP of the four terminals are using different forms and/or have different approaches/manner of preparing the report, which makes it not adaptable for consolidation.

5.6 These deficiencies showed that MC No. 6 was not properly implemented resulting in erroneous and unreliable data or information on flight and passenger movement. The TOG/TOP reports therefore cannot be used as basis in validating the accuracy of the RRs.

5.7 **We recommended that management:**

a) Direct the concerned officials/personnel to strictly follow and implement MIAA MC No. 06-M (s. 2016);

b) Introduce amendments/revisions to MIAA MC No. 06-M, if necessary, so that accurate data on passengers' flight and passenger movement

can be attained, which can be used in the validation of the Remittance Reports of the AC; and

c) **Adopt a good monitoring system in the implementation of MIAA MC No. 06-M and other guidelines related thereto.**

5.8 Management commented that the ongoing Financial Management Information System (FMIS) computerization project of MIAA is likely to achieve a reliable system in the gathering and recording of data with respect to passengers' operation. The said project includes a module wherein the TOPs will collaborate with the airline representative/s after each flight to obtain information on flight and passenger load. The system is likewise designed to email each airline a daily summary of previous day's activity. Management will also work on the amendment of MC No. 06-M to conform with the new system of gathering flight and passenger data.

6. **MIAA properties with total carrying amount of P36.150 million, substantial value of which have remaining useful life of more than 50 per cent of their economic useful life, were auctioned and awarded to buyers for only P5.447 million based on junk/ scrap price resulting in a net loss of P30.703 million. Moreover, MIAA's disposal procedure was not in compliance with applicable guidelines, casting doubt on the propriety and regularity of the disposal transactions.**

6.1 It is a State policy that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned*. (*Section 2, PD 1445).

6.2 Section 79 of PD 1445 provides that:

> *"Destruction or sale of unserviceable property. When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative xxx if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder of the proper committee on award or similar body .xxx.*"

6.3 Anent thereto, COA Circular 89-296 dated January 27, 1989 lodged in the head of the agency the full and sole authority, the divestment or disposal of government property, who shall create its own disposal committee to undertake the same.

6.4 The guidelines in the disposal of government property are provided and spelled out in several disposal manuals and other related issuances, which among others, include the following rules and salient points:

- Unserviceable Properties are those properties which are beyond repair and has no more utilization potential, as well as those property which have been rendered obsolete or have lost its efficacy either due to technological advancement, completion of project and the like.

- Unserviceable properties can be disposed thru sale, transfer, barter, donation or destruction, if found valueless.

- Disposal of government property particularly thru sale, requires the determination of its appraised value. The objective of computing the appraised value is to set the minimum selling price so that the government shall receive fair compensation for the items sold.

- Appraised Value (AV) is an estimate or opinion of value of an adequately described property as of a specific date transmitted in writing and supported by presentation and analysis of relevant and factual data.

- The general procedures in the appraisal are:

  a) Conduct an ocular inspection of the property to be appraised to assess its physical condition.

  b) Seek reference price information such as Acquisition Cost (AC) or Current Market Value (CMV) of similar property or replacement cost for a similar new property.

  c) Compute the appraised value using the prescribed formula on appraisal of government property.

- Two of the general guidelines and principles in the determination of the appraised value are:

  a) Unserviceable property which can no longer be repaired or reconditioned shall be appraised at scrap or junk value.

  b) Unserviceable properties which can still be repaired or reconditioned, and properties which are no longer needed but are still functional shall be appraised based on Current Market Value (CMV), if available, or on AC if the former is unavailable. If both values are not available, the property shall be appraised at sound value (the formula in computing the AV is provided in the manual)

6.5 Analysis of the Property, Plant and Equipment (PPE) accounts disclosed that in CY 2019 MIAA disposed properties with acquisition cost amounting to P184.898 million through sale. Review was made on the records and documents covering the said disposal transactions including CY 2018, and below are the results:

Bidding/Auction sale of PPE and Net losses in CY 2019 and CY 2018

Disposal Ref No.	Date of Bidding/ Auction	*NBV of the Disposed PPE Per Audit	Proceeds (Amount Paid by Buyer)	Net Loss
2017-A-005 to 006	12/13/17	P4,742,002	P 415,999	(P 4,326,003)
2018-A-001 to 002	03/13/18	3,220,266	503,499	(2,716,767)
2018-A-003 to 004	06/13/18	1,183,605	780,000	(403,605)
2018-A-005 to 006	09/13/18	368,803	P1,170,999	802,196
		P 9,514,676	P2,870,497	(P 6,644,179)
2018-A-007 to 008	12/21/18	P11,038,409	P1,553,999	(P 9,484,410)
2019-A-001 to 002	05/28/19	3,604,660	361,999	(3,242,661)
2019-A-003 to 004	09/30/19	11,992,083	660,199	(P11,331,884)
		P26,635,152	P2,576,197	(P24,058,955)
		P36,149,829*	**P5,446,694**	**(P30,703,135)**

**NBV represents the AC of the property less Accumulated Depreciation*

6.6 It was also noted that all items were awarded to Morales Trading except for the unserviceable/dilapidated vehicles, as shown on the next page:

Summary of the Biddings/Auctions based on Winning Bidders/Buyers

Winning Bidder	Items/PPE	NBV of Properties Sold/ Auctioned	Net Proceeds (Amount Paid by Buyer)	Net Loss
Morales Trading	Various items except the unserviceable vehicles below	P35,727,163	P4,857,994	(P30,869,169)
Other bidders	Unserviceable/ dilapidated vehicles (22 units)	422,667	588,700	(166,033)
Total		**P36,149,829**	**P5,446,694**	**(P30,703,135)**

6.7 Review and analysis were likewise made on the Reports of Unserviceable and Condemnable Supplies, Materials and/or Equipment (RUCSME), the Inventory and Inspection Report of Unserviceable Property (IIRUP) prepared by the Property Management Division (PMD) and other related files, and the following audit observations were noted:

a) More than half of the disposed PPEs have substantial NBV and have not reached/exhausted its Estimated Useful Life (EUL). Presented below is the summary of the disposed properties classified according to percent of NBV over AC.

Summary of Disposed/Properties as to Percentage of NBV/AC

Percentage of NBV to AC	Total NBV	As Percentage of Total
More than 50%	P19,830,999	54.86
From 40.01% to 50%	161,955	0.45
From 30.01% to 40%	1,887,688	5.22
From 20.01 % to 30%	2,788,939	7.71
from 10.01% to 20%	6,093,340	16.86
10% and below	5,386,908	14.90
Total	**P36,149,829**	**100.00**

EUL – is the estimated lifespan of a depreciable fixed asset, during which it can be expected to contribute to company operations.

The percentage of the NBV to AC (net of salvage value) is equivalent to the percentage of the remaining useful life of the asset. From the table, it can be gleaned that 55 per cent of the disposed properties have remaining useful life of more than 50 per cent in terms of its NBV over AC and the list is presented as Annex A.

Management claimed that the properties were beyond economical repair, however, the Audit Team is not persuaded and convinced considering the substantial NBV and the remaining useful life of most of the properties disposed.

Some of the disposed PPEs listed in Annex A are the following:

a.1 <u>13 units X-ray Machines with a total NBV of P14.997 million or an average NBV of P1.363 million (average of 56.43 per cent of its AC of P26.116 million)</u>

In the initial interview, we learned that these machines were functioning and not defective, but were replaced to improve Airport security as a result of the recommendation in a foreign auditor's report who conducted an Assessment on Airport Security on the NAIA terminals. These machines have an EUL of 10 years but were disposed within the period of three years and five months to five years and two months from Acquisition Date (AD).

a.2 <u>Window-type Air Conditioner with a NBV of P12,262 (70 per cent of its AC of P17,517)</u>

A window-type air conditioner with an EUL of five years and warranty of two years on parts and services, and five years on compressor was disposed within one year and eight months from its AD.

Other air conditioners which have been used within the period of one year and four months to three years and six months were also included in the disposal. Common knowledge, experience and historical data would tell that air conditioners have lifespan of five to 10 years or more and its usual warranty period is more than two years.

a.3 <u>Two Walk Through Metal Detectors with a total NBV of P0.644 million (82 per cent of its AC of P0.786 million)</u>

These items with an EUL of 10 years were disposed within two years from AD.

a.4 Executive Chair with NBV of P18,826 (88 per cent of its P21,393 AC)
This item with an EUL of 10 years was disposed within one year and four months from AD.

a.5 Two Floor Polishers with a total NBV of P61,603 (79 per cent of its P77,979 AC)

These items with an EUL of five years were disposed within one year and two months from AD.

a.6 25 units of Steel Platform Hand Truck with a total NBV of P160,803 (65.5 per cent of its 245,500 AC)

These items with an EUL of five years were disposed within one year and 11 months from AD.

a.7 One Slip Printer, Epson TM-U590 with a NBV of P19,333 (74.5 per cent of its P25,951 AC)

This item with an EUL of five years was disposed within one year and five months from AD.

b) The prescribed formula in determining the Appraised Value of the properties was not followed. Rather, the properties were appraised based on junk/scrap condition price despite the substantial NBV of most of the items as shown below:

Sample of disposed properties with its NBV and corresponding Appraised Values

Item Description	Qty	NBV	Appraised Value	Remarks
X-ray	2	P 2,782,366	P 24,000	P8.00 @ 3,000 kg; includes other items
Metal detector	2	644,286		
Security Prohibited Box	6	200,146	2,400	P8.00 @ 300 kg; includes other items
Cutter	2	22,750		
X-ray	2	2,420,759	5,000	P10.00 @ 500 kg; includes Explosive
Compressor	3	780,322		

Item Description	Qty	NBV	Appraised Value	Remarks
Hand Truck	25	160,803		Detection System and other items. The EDS though fully depreciated, has a NBV of P4,374,731
X-ray	2	2,270,089	20,000	P10.00 @ 2,000 kg; includes other items
Cutter	1	10,156		
X-ray	7	7,523,438	30,000	P10.00 @ 3,000 kg; includes other items
Fire Extinguisher	7	315,188		
Cleaners	12	592,564	50,000	P10.00 @ 5,000 kg; includes other items and X-ray
Cutter	3	47,195		
Gang chair	55	1,314,757	2,000	P10.00 @ 200 kg
Aircon	4	52,628	3,200	P200.00 @ 16pcs
Aircon	2	29,179	4,000	P200.00 @ 20pcs
Aircon	3	65,904	4,400	P200.00 @ 22pcs
Cutter	3	36,319	2,000	P10.00 @ 200 kg; includes other items
Printers	1	21,250	1,160	P40.00 @ 29pcs
Printers	6	88,918	2,000	P40.00 @ 50pcs
Printers	3	29,732	750	P30.00 @ 25pcs
Printers	9	111,536	1,830	P30.00 @ 61pcs
Grand Total	**160**	**P19,520,284**	**P152,740**	**Difference: P19,367,544**

It can be gleaned from the table above that the properties were appraised based on junk/scrap price.

The appraisal is not in accord with the disposal guidelines. As discussed in paragraph 6.4 above, only the properties which can no longer be repaired/reconditioned are to be appraised at junk/scrap condition price while those that can be repaired or reconditioned and those no longer needed but functional shall be appraised based on the prescribed formula provided in the manual on disposal.

c) The properties were not inspected to assess/determine the actual physical condition before disposal.

The manual requires that the disposal committee or its representative shall conduct an ocular inspection of the property to be appraised to assess its physical condition. The assessment requires the allocation of condition rating (100 per cent to 0 per cent) of every item and these ratings are use in the computation of the Appraised Value. This activity was apparently not undertaken as there are no documents/records proving the same. Even in the Inspection and Inventory Report of Unserviceable Property (IIRUP), the physical conditions of the items were not indicated. Stated in the IIRUP is the general statement "CONDEMNED/UNSERVICEABLE PROPERTY FOR AUCTION; Due to Wear and Tear".

6.8 Moreover, management did not submit to the Audit Team the documents/reports required under Section VI-A of COA Circular No. 89-296, which include the a) program for disposal with time schedules; b) Inventory Report showing the itemized list and complete description of the assets; c) Appraisal Report showing the appraised values of the assets, prepared by an in house and/or independent appraiser; and d) Disposal procedure adopted. This precluded the Team from conducting timely review and evaluation of the disposal procedures and documents, and/or the conduct of inspection, before the auctions were conducted.

6.9 The non-compliance by MIAA officials/personnel on the existing guidelines governing the disposal of government property that resulted in financial loss of P30.703 million casts doubt on the propriety and regularity of the disposal transactions in CY 2019 and CY 2018.

6.10 **We recommended that Management:**

a) Conduct an investigation and impose appropriate sanctions on the officials/personnel found remiss/liable for the improper disposal of the assets that resulted in financial loss to the Authority;

b) Comply with the guidelines prescribed in the disposal of government properties; and

c) Craft/formulate a policy on disposal of MIAA properties anchored from the existing disposal manuals and other related laws, rules and regulations.

6.11 Management commented that:

a) The disposed Property, Plant and Equipment (PPE) were rendered unserviceable and beyond economical repair by their respective end-users, hence they were appraised based on scrap/junk value. The end-user, who are entrusted with the possession or custody of the properties assigned to them are in a better position to determine if these are junk/scrap condition and can no longer be used for their intended purposes. Moreover, the warranty period of these equipment during which the contractor/supplier shall be liable for their repair or replacement have already expired under the contract.

b) In an airport setting where operation is on 24/7 basis and has a wide area for maintenance and sanitation purposes, the rate of deterioration of properties is faster compared with the ones used under normal condition.

c) The PPE were lodged in an open warehouse, severe weather conditions contribute to the wear and tear of the assets, thus preventing the authority from commanding a higher price during the action. Likewise, the warehouse can no longer accommodate the increasing number of disposed properties coming from the four terminals and other MIAA offices, hence the immediate disposal of the PPE.

d) All PPE have been inspected and verified by the PMD/Warehouse personnel upon turn-over and found to be beyond economical repair as to the physical condition.

e) The 13 units baggage X-ray machines were indeed found to be beyond economical repair as per ECD which is responsible for the maintenance of these equipment. Also, the spare parts of the X-ray machines are expensive and will cost more than 30 per cent of its acquisition cost.

f) On the award of sale to Morales Trading, public auctions were conducted and the said company met all the requirements in the Terms and Reference.

g) Additional comments and documents, including those related to X-rays and gang chairs, were submitted and are for validation.

h) As a corrective measure existing policy on depreciation of the assets will be revisited and the Authority shall adhere to the guidelines prescribed in the Manual on Disposal of Government Property. Corrective measures for a more efficient and effective disposal of waste materials are being initiated.

i) Necessary and appropriate correcting entries will be recorded in the books on CY 2020.

6.12 As a rejoinder, we stand by our observation that:

a) The inspection of unserviceable equipment and property to verify justification for disposal is one of the functions of an agency's disposal committee (paragraph 2.1.a of the Manual on Disposal of Government Property)

b) PPE assignments (for 24/7 operations), warranty periods and other subsequently submitted data and files are for validation. The indicated warranty period of the cited air conditioner in a.2 under paragraph 6.7 shows that the warranty period has not yet expired when it was disposed.

c) The non-compliance by MIAA officials/personnel on the existing guidelines governing the disposal of government property that resulted in financial loss of P30.703 million casts doubt on the propriety and regularity of the disposal transactions in CY 2019 and CY 2018.

B. OTHER OBSERVATIONS

7. The computerization project intended primarily to address the deficiencies of the existing manual operations/processes particularly on the Authority's revenue related transactions remained uncompleted despite the lapse of two years, thereby delaying the attainment of the Project's objectives. Also, MIAA paid the Contractor the full cost of the delivered items when the contract provides only for 90 per cent payment prior to the project's full integration.

7.1 The Financial Management Information System (FMIS) is an integral part of the MIAA's Information System Strategic Plan (ISSP) for the years 2016-2018. Among the numerous systems incorporated in the ISSP, the FMIS is a priority project as it will allow MIAA to cope up with the increasing number of transactions in view of the increasing number of flights and passengers and will help MIAA to easily interface with its clients and business partners who for a long time have been into computerized operations. For years, MIAA has been facing challenges brought about by its existing manual processes/operations and pocket type systems, oftentimes causing erroneous and/or delayed reports/information.

7.2 Thus, in November of CY 2017, a requisition was initiated and bidding was subsequently conducted on February 6, 2018 for the requirements of Phase 1 of the FMIS project. Phase 1 entitled *Accounts Receivable including front End Solutions* covers several modules which include the development of systems and middle wares of the revenue related activities of MIAA to include among others the landing and take-off of aircrafts, utility consumptions of concessionaires, Check-in Counter usage, Car park usage, Passenger load, and the Post of Sales records of concessionaires. This will allow interlink and data sharing from among the concerned MIAA offices/divisions, thus, will ensure real time and accurate reporting of events and transactions, enhancing the revenue collection of the Authority.

7.3 On July 31, 2018, MIAA contracted Competitive I.T. Solutions Inc., the lone bidder, to do the Project at a cost of P29.581 million. As agreed, the project duration is seven months starting from August 7, 2018 to March 8, 2019. Later, the Contractor requested for a two months extension which was approved by the Authority, moving the Project's completion date to May 8, 2019.

7.4 Notwithstanding the extension, the Project was not completed and was not made operational as of May 8, 2019. Documents showed that the accomplishments of the Contractor were still behind the target dates. Samples of the deliverables and its corresponding targets and accomplishment dates are presented hereunder:

Item No.	Deliverables	Latest Day to Accomplish (CY 2019)	Date Completed/Invoice Date (CY 2019)
2	Front End (Aeronautical Fees)	February 8	May 30
3	Metered Utilities	March 8	May 30
6	Automated Bill Generator	April 8	June 25
7	Accounts Receivable System	April 8	August 15
15	Office Equipment and Peripherals	April 8	July 23
12	Configuration and Installation of Hardware	May 8	No data submitted as of December 31, 2019
13	Installation and Testing of Accounting System	May 8	-do-
14	Verification and Finalization of Reports	May 8	-do-

7.5 It was also noted that it took Management seven months to complete the procurement of the Project. Receipt and opening of bid envelope up to the issuance of the Notice to Proceed (NTP) took 176 days, which is far beyond the maximum period of 84 days provided in Annex C of the Revised Implementing Rules and Regulations (IRR) of RA 9184.

7.6 Moreover, the two months extension granted by the Management to the Contractor is also questionable considering that the latter's request was made only on February 28, 2019, barely eight days before the required completion date of the Project on March 8, 2019. To request for an extension on a date so close the deadline is a clear circumvention of the rules. Also, extension of contract time shall be granted only in cases of additional work, fortuitous events and similar other justifiable cases, but not on work/services already considered in the determination of the original contract.

7.7 Par 3.1 of Annex I of the IRR of RA 9184 provides that -

> *"When the supplier fails to satisfactorily deliver goods under the contract within the specified delivery schedule, inclusive of duly granted time extensions, if any, the supplier shall be liable for damages for the delay and shall pay the procuring entity liquidated damages, not by way of penalty, an amount equal to one-tenth (1/10) of one percent (1%) of the cost of the delayed goods scheduled for delivery for every day of delay until such goods are finally delivered and accepted by the procuring entity."*

7.8 In reply to the team's query in January 2020 regarding the Status of the project, the Project Manager explained that the major cause of delay was in the data building which was caused by the "unharmonized" and/or incomplete data maintained by the different MIAA offices. He further stated that the System needs to rationalize existing functions which necessitated the creation of new roles while making others moot. Although orientation and workshops were provided, familiarization of the users and their absorption rate could not be controlled. Guidelines and implementing rules & regulations had to be formulated to eliminate or lessen ambiguity in existing circulars.

7.9 However, the Team believes that the cited reasons are common and normal in computerization projects which should have been anticipated and considered at the onset or in the planning stage of the Project.

7.10 As of December 31, 2019, the Project has not been rolled-out or made operational, thereby delaying the attainment of its objective.

7.11 Furthermore, review of the Disbursement Vouchers showed that the total payment made for the project as of December 31, 2019 was P23.664 million. The payment covers the full cost of the completed systems and hardware delivered and accepted by MIAA as of December 31, 2019.

Breakdown of Payments per Deliverables

Item No.	Systems Delivered/Accepted by MIAA as of December 31, 2019	Detailed Cost Per Contract
1-6	Equipment/ peripherals	P2,870,753
	Modules	
7	Front End (Aeronautical Fees)	4,424,112
8	Metered Utilities	1,106,028
9	Concession Registry System	1,106,028
10	POS Data Extractor	1,106,028
11	Automated Bill Generator	1,106,028
12	Manual Encoding	442,411
13	Accounts receivable system	5,530,140
14	Collection System	2,212,056
15	Corporate Web Portal	3,318,084
16	AMS - GAIS	442,411
	Total	**P23,664,080**

7.12 Section 5.3 of the Terms of Reference (TOR) of the Contract provides that –

> *"The Contractor may claim payment for modules completed at a maximum of Ninety (90%) percent as per schedule submitted in 4.0.*
>
> *Balance of claims for equipment, softwares and modules, less retention fee, may be claimed after complete integration of the project as determined by the User Acceptance Test e.7."*

7.13 The Project manager explained that the contractor was not granted an advance payment allowed under the IRR, hence was given the full payment of the delivered items/services. However, the justification is not tenable considering that the 90 per cent limit is provided in the contract.

7.14 **We recommended that Management direct the MISD to:**

a) **Demand from the Contractor any undelivered/uncompleted work/deliverables;**

b) **Coordinate with the officials/personnel involved in the Project and take immediate action on the issue/concern raised; and**

c) **Effect the roll-out of the project as soon as completed.**

7.15 **Management should likewise follow and enforce the provisions of the contract and adhere to the pertinent provisions of the IRR of RA 9184 in the procurement of goods and services.**

7.16 Management commented that the Project is already 94.99 per cent complete, and the remaining items are only the utility services (Cloud and internet providers), and refinement of reports generated by the system. The Cloud and internet providers are needed when the systems are already operational. A trial run using the system was conducted in February 2020 for a period of one month. The roll-out was scheduled on March 3, 2020 but was partially stalled due to the lockdown but some of the systems are now being used or are operational.

7.17 During the exit conference, the MIAA General Manager (GM) instructed the Project manager to roll-out the project before the end of CY 2020.

7.18 The GM also commented that the delay in the procurement process was due to series of Board deliberations and rigid discussions on the details of the project before the contract was awarded and the Notice to Proceed was issued.

7.19 As a rejoinder, the Team has yet to validate the status of the Project completion as claimed by the Project Manager.

8. **Management did not terminate the contract on the Rehabilitation of NAIA Terminal 2 Project with a contract cost of P604.657 million at the time that the Contractor's negative slippage reached 15.31 per cent in July 2019 and despite continuous incurrence of delay which peaked at 67.06 per cent as of December 31, 2019, contrary to the provisions of Annex I of the IRR of RA 9184. This resulted in the extension of the construction period prolonging the inconvenience of passengers/terminal users, likewise exposing MIAA to complaints and/or negative comments.**

8.1 The project on the Rehabilitation of NAIA - Terminal 2 with an approved budget of P615.983 million was awarded to A.G. ARAJA Construction and Development Corporation (ARAJA) thru public bidding in the amount of P604.657 million. The contract period is 540 calendar days (CDs), starting September 19, 2018 and ending March 11, 2020.

8.2 The project covers the enhancement and face lifting of the interior and exterior part of the terminal, including the expansion of the arrival baggage hall and some other areas. With the construction work involved, the passengers and the public have been experiencing and bearing with inconvenience during the duration of the project.

8.3 In a separate contract, MIAA hired and tapped the services of SCHEMA Konsult Inc., as the consultant who shall manage and supervise the construction during the period.

8.4 On September 27, 2018, MIAA made an advance payment to ARAJA in the sum of P90.699 million, equivalent to 15 per cent of the contract cost, as provided in the contract.

8.5 In the review of the disbursement vouchers for CY 2019, it was noted that there was no payment made to the contractor on the project. Thus, the Team requested management for an update of its status.

8.6 Based on the review and verification of the documents submitted by management, it was noted that the Contractor, ARAJA has been delayed in its work accomplishments as early as January of CY 2019. The slippage increased with the running of the period and despite the demands and warnings from the Consultant, ARAJA, did not improve its work performance. ARAJA submitted Catch-Up Plans (CUPs) required by the Consultant, but the same were not implemented/complied.

8.7 On July 22, 2019, in view of the negative slippage of 15.31 per cent, the Consultant recommended the termination of the contract of ARAJA citing Clause no. 16.1 (i) of the General Conditions of the Contract stating that:

> *"Article 16 – Termination for Default of the Contractor*
>
> *16.1 The procuring Entity shall terminate this contract for default when any of the following conditions attend its implementation:*
>
> *(i) Due to the Contractor's fault and while the project is on-going, it has incurred negative slippage of fifteen percent (15%) or more in accordance with Presidential Decree 1870, regardless of whether or not previous warnings and notices have been issued for the Contractor to improve his performance."*

8.8 The clause is anchored from Item III, A., 2.a of Annex "I" of the IRR of RA. 9184.

8.9 The recommendation of the consultant was validated and affirmed by the Contract Termination Review Committee (CTRC) and lead to the issuance of the Termination Order (TO), which was received by ARAJA on August 19, 2019. ARAJA however filed a request for reconsideration which was accepted/approved by the MIAA Board after the former submitted a new CUP dated September 19, 2019 which still considered the March 11, 2020 deadline with corresponding surety bond. Consequently, the TO was recalled and the contractor resumed its work on September 23, 2019.

8.10 On November 19, 2019, the Contractor requested to extend the project's completion date to April 15, 2020, claiming compensation for its lost workdays from August 19 to September 23, 2019 (35 CDs) from receipt of TO to resumption of work. The request for extension was supported by a new CUP based on April 15, 2020 deadline with a reduced contract cost of P517.295 million. The reduction covered the deletion of the provisional sum of P20 million and the scrapping of the interior works of P67.363 million which management decided as non-urgent. The scrapped interior works of P67.363 million was the subject of a complaint letter by one of the members of the MIAA Board of Directors in November 2018, alleging that the said works are unnecessary.

8.11 On November 27, 2019, the Consultant reported to Management that the Contractor still failed to comply and implement the CUP dated September 19, 2019 which was the basis of the TO recall. The Consultant further stated that the Contractor, considering its actual output, will need additional six months or more from the original completion date on March 11, 2020 to complete the project. The Consultant likewise emphasized and/or recommended that the status of the Project qualifies for termination under the provisions of RA 9184; however if management opted to continue the contract, ARAJA has to pay liquidated damages for the work after March 11, 2020.

8.12 On December 11, 2019, the Board issued Notice of Termination (NT) of the contract on the ground that the Contractor is in default based on the CUP dated September 19, 2019, and in accordance with Annex I of the IRR. However, on December 19, 2019, the Board, recalled the NT and granted the request of the contractor for a 35-day extension through Board Resolution No. 2019-118.The corresponding CUP dated November 20, 2019 was signed/approved.

8.13 Shown below are the Consultant's reported slippages on the Project from April to November 2019 based on the CUPs/Schedules submitted by the Contractor.

Date (CY 2019)	**% of Slippages**
April 22,	(-) 6.84%
May 20	(-) 8.10%
May 31	(-) 13.31%
July 22	(-) 15.31%
October 22	(-) 19.41%
October 25	(-) 21.11%
November 30	(-) 44.52%

8.14 Apparently, the contract of ARAJA is ripe for termination as early as July 22, 2019.

8.15 As of December 31, 2019, the actual work accomplishment on the project is 20.99 per cent. Comparing the same with the original target accomplishment of 88.05 per cent, the project lagged behind by 67.06 per cent.

8.16 The Team requested management to submit a justification for not terminating the contract with ARAJA and for granting the request for extension of 35 days. The team likewise, requested for the status of the project as of April 15, 2019.

8.17 The summary of Management's reply follows:

- The collective decisions and resolutions agreed by the MIAA Board allowing the Contractor to proceed and resume and complete the work is anchored in the best interest of the project.

- The decision was based on the statement of the Consultant that the timeline to complete the project by another contractor will be around 2021; three months for bidding and 12 months for the project implementation. On the other hand, if A.G. ARAJA will be allowed to continue with the project and they will comply with their commitment, the project will probably be completed by July 2020.

- As regards the extension of the project completion date, management explained that fairness dictates that the period when the Contractor was literally barred by MIAA physically from the work site should not be accounted for on the part of the Contractor as this was beyond their control. Liquidated damages on the other hand, as a rule, could only be assessed if the project remains unfinished after or beyond the agreed completion date, which is of course was accordingly adjusted with the grant of the 35-day extension.

8.18 The Team agrees with management that continuing the Contract with ARAJA is more viable decision given the scenario presented by the Consultant in December 2019. However, the Team has a different opinion on the granting of the 35-day extension for reasons that:

a) The Consultant's position and recommendation was to impose liquidated damages for the work to be completed after March 11, 2020, in case MIAA opted to continue the contract with ARAJA;

b) The Termination Order was based on facts and law. The contractor incurred a negative slippage of 15.31 per cent as of July 22, 2019, and under Annex I of the IRR, the contract qualifies for termination;

c) The contractor's claim in his request for reconsideration for the recall of the TO that the project accomplishment as of August 15, 2019 was 24.39 per cent is not true. This is negated/contradicted by the Contractor himself based on the progress billing as of December 31, 2019 where he reported an accomplishment of 20.99 per cent;

d) The September 20, 2019 CUP which was one of the conditions of the recall of the first termination order was never complied/implemented by ARAJA.

Thus, had the contractor performed his work in accordance with the contract, the TO would have not been issued.

8.19 Moreover, from January to April 15, 2020 ARAJA continued incurring negative work slippages. Below are the accomplishments and slippages of ARAJA lifted from the report of the Consultant based on the latest CUP:

	March 13, 2020	**March 31, 2020**	**April 15, 2020**
Target Accomplishment	80.01%	82.02%	82.02%
Actual Accomplishment	31.28%	33.06%	36.27%
Slippage	-48.73%	-48.96%	-45.75%
Slippage as to No. of days	111 days	112 days	104 days

8.20 It can be gleaned from the table above that ARAJA's negative slippage is 48.73 per cent before the lock-down took effect on March 16, 2020. If ARAJA had complied with the schedule of the contract, the project should have been completed by January or early February 2020 considering the reduction in the scope of work costing P87.363 million.

8.21 It was also noted that ARAJA had been paid for two progress billings in CY 2020 despite the incurrence of substantial negative slippages.

8.22 Article 16.1 (i) of the Special Conditions of the Contract, likewise, provides that:

"A slippage of more than thirty (30) days in the original schedule, even if the slippage is less than 15% percent, would result in non-payment, the cancellation of the contract, blacklisting of the Contractor, and the entry of a new contractor who will finish the project (Cabinet Action/Decision File No. 437-020518-07-18)."

8.23 **We recommended that Management take all appropriate actions and remedies to ensure the completion of the project the soonest time possible. Management should likewise enforce the provisions of the contract and adhere to the pertinent provisions of the IRR on the implementation of the project.**

9. MIAA was not able to allocate at least five per cent of its budget for Gender and Development (GAD) programs and activities as required in Section 36 of RA 9710 or the Magna Carta of Women.

9.1 Section 36, Chapter VI of Republic Act No. 9710, the Magna Carta of Women (MCW), require all government agencies to formulate GAD Plan to address their gender issues and mandates. The GAD Plan shall be integrated into the regular activities of agencies which shall be at least five per cent of the total budget of the agency.

9.2 Review of the approved annual GAD Plan and Budget (GADPB) submitted by the MIAA to the Philippine Commission on Women showed that the Authority allocated only a total of P2.125 million or 0.013 per cent of its approved operating budget of P16.979 billion. To comply with the minimum five per cent requirement of the law, MIAA should have allocated the amount of P833.961 million for CY 2019.

9.3 **We recommended that Management allocate at least five per cent of its annual budget for GAD related projects and activities as mandated in Section 36 of RA 9710.**

9.4 Management commented that they had started harmonizing some priority projects as GAD related program, through the use of the Harmonized Gender and Development Guidelines (HGDG) Evaluation Tools so that portion of the project costs can be attributed as GAD expenditures. For CY 2020, the GAD expenditures are projected to reach P683.710 million as reflected in the revised GADPB.

9.5 Management further mentioned that as a mechanism to fully institutionalize the use of HGDG in the Authority, they will require end-users to attach duly accomplished HGDG Form in their respective budget proposal for capital expenditures starting on the budget calendar for CY 2021.

10. The GAD Accomplishment Report for CY 2019 was not submitted to the Auditor as required under Item V of COA Circular No. 2014-001 dated March 18, 2014, thus, the implementation of the GADPB cannot be verified.

10.1 Item V of COA Circular No. 2014-001 dated March 18, 2014 requires that audited agencies submit to the COA Audit Team a copy of the GAD Accomplishment Report within five working days from the end of January of the preceding year.

10.2 The Authority submitted the Annual GAD Plan and Budget for CY 2019 on March 28, 2019. However, the corresponding accomplishment Report was not submitted to the Audit Team. Thus, the implementation of the said GAD plan could not be verified.

10.3 **We recommended that the GAD Focal Point strictly adhere to Item V of COA Circular No. 2014-001 on the timely submission of the said report to the COA Audit Team.**

10.4 Management apologized for the non-submission of the GAD accomplishment for CY 2019. They explained that the PCW had twice extended the deadline on the submission of the accomplishment report for CY 2019 and the GADPB for CY 2020 due to the prevailing situation. They committed to submit the said report as soon as the same is completed/available.

11. Compliance with the Government Service Insurance System (GSIS) Law – Republic Act (RA) 8291

11.1 Statutory deductions for GSIS contribution of MIAA employees were withheld and remitted as of December 31, 2019, including government share except for the month of December 2019 which were remitted in January 2020.

12. Status of suspensions, disallowances and charges

12.1 Below is the summary of the Notices of Suspensions and Disallowances issued and settled during the year.

Audit Action	Beginning Balance January 1, 2019	Issued	Settled / Matured into Disallowance	Ending Balance December 31, 2019
Suspensions	P 0	P31,374,236	P31,374,236	P 0
Disallowances	42,870,948	15,880,072	14,066	58,736,954
Charges	0	0	0	0
	P42,870,948	**P47,254,308**	**P31,388,302**	**P58,736,954**

12.2 There were three Notices of Suspension issued during the year but were later lifted and the transactions were allowed in audit after the requirements were complied by the responsible officials/personnel.

12.3 On the other hand, the Notices of Disallowance (ND) issued during the year pertain to the disallowance of Representation and Transportation Allowances (RATA) of MIAA officials totalling P15.772 million and three other transactions. The ND for the RATA has a pending Motion for Reconsideration with the Commission Proper (CP).

12.4 The beginning balance pertains to the excess Overtime Pays which were disallowed in CY 2014. An entry of judgement has been rendered by the Court. The CP has yet to issue the COA Order of Execution (COE) to enforce settlement.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the twenty-one (21) audit recommendations contained in the CY 2018 Annual Audit Report, fourteen (14) were implemented, four (4) were partially implemented and three (3) were not implemented. Details follow:

Reference (CY 2018 AAR Observation No.)	Observations	Recommendations	Status of Implementation
No. 1, Page 54	The balance of the Customer's Deposit Payable account aggregating P433.767 million could not be relied upon due to the absence of subsidiary ledgers and other supporting documents which is not in compliance with Par. 15 of Philippine Accounting Standard (PAS) No. 1	(a) Provide subsidiary ledger/schedules for Customer's Deposit Payable (CDP) accounts;	Implemented Updated schedule of the CDP has been provided on a quarterly basis to the Audit Team.
		(b) Intensify effort to locate the supporting documents of the account; and	Partially Implemented Management is continuously locating the documents.
		(c) Consider the reversion of CDP which had been outstanding for more than ten (10) years, if efforts turn out futile.	Partially Implemented Items for verification were reduced from P15.3 million to P9.1 million.
No. 2, Page 57	Investments with the Philippine Aviation Security Corporation (PASSCOR) and Aviation Security and Training, Inc. (ASTI) amounting to P11,850,000 and P655,000, respectively, were left unmonitored exposing the said	(a) Demand the accounting of its investment with PASSCOR from those charged with governance, and initiate appropriate action, if necessary, to recover its investment; and	Implemented Investment in PASSCOR was already written-off but the Management is still looking for possible legal remedies to recover the investment.

Reference (CY 2018 AAR Observation No.)	Observations	Recommendations	Status of Implementation
	investments to possible losses which is not in accordance with Section 2 of Presidential Decree (PD) No. 1445.	(b) Take the necessary actions to recover the cash deposited in the name of ASTI.	Partially implemented Management reclassified the Investment to Other Assets account. The amount is deposited with the Philippine National Bank and will be requested to be transferred to MIAA's account upon approval of ASTI's dissolution which has yet to be filed.
No. 3, Page 59	Contracts of Lease for MIAA properties and spaces were awarded mostly without the benefit of public bidding contrary to Section 20 of Executive Order No. 903 dated July 21, 1983 and paragraph 2 of Part IV (A) of MIAA Memorandum Circular No. 35 Series of 1999, which could deprive the Authority of obtaining better/higher rental rates.	(a) Refrain/stop the practice of awarding contract of lease without public bidding; and (b) Strictly comply with Section 20 of EO 903 and pertinent provision of MIAA MC No. 35 series of 1999.	Not Implemented Management submitted a letter of explanation regarding the Authority's grant of concessions without public bidding. Not Implemented

Reference (CY 2018 AAR Observation No.)	Observations	Recommendations	Status of Implementation
No. 4, Page 62	The practice of the Bids and Awards Committee (BAC) of shortening the period from Advertisement to the Receipt and Opening of Bid Envelope (ROBE) to an average of 25 days, instead of availing the 45/50/65 maximum period provided in Section 25.5 of the Implementing Rules and Regulations (IRR) of RA 9184, may have precluded other prospective bidders from completing the bid requirements and/or submitting their bids, thus depriving the Authority from obtaining the most reasonable price and offer for the projects.	Direct the BAC to observe the maximum periods provided in Section 25.5 and Annex C of the IRR, particularly the period from Advertisement to the Receipt and Opening of Bid Envelope (ROBE), in the absence of urgency of the requirements/project and/or some valid reasons.	Implemented The Authority's Bids and Awards Committee (BAC) issued Resolution No. 2019-058 increasing the period from Advertisement to ROBE from average of 25 days to 30/35 calendar days.

Reference (CY 2018 AAR Observation No.)	Observations	Recommendations	Status of Implementation
No. 5, Page 68	Management did not effectively enforce COA Order of Execution (COE) in accordance with Section 3 Rule XIII of the 2009 Revised Rules of Procedure of the Commission on Audit in relation to Article 1254 of the Civil Code of the Philippines, resulting in the delay of the settlement of the amount disallowed.	(a) Strictly observe Section 3 Rule XIII of the 2009 RRPCOA in relation with Article 1254 of the Civil Code; (b) Effectively monitor individual settlement of COE's to prevent delays on settlement of COA disallowances; and (c) Refrain from the further grant of loans to MIAA Officers and Employees with COA disallowances if such could compromise the timely settlement of disallowance.	Implemented Implemented Implemented
No. 6, Page 72	The Management did not file tax declaration with the Assessor's Office in the Cities of Pasay and Parañaque for its real properties used for public and commercial purposes contrary to Article 293 (a) Rule XXXI of the Administrative Order No. 270 – Prescribing the Implementing Rules and Regulations of the Local Government Code of 1991.	File tax declaration for its real properties used for public and commercial purposes pursuant to Article 293 (a) Rule XXXI of the Administrative Order No. 270.	Implemented

Reference (CY 2018 AAR Observation No.)	Observations	Recommendations	Status of Implementation
No. 7, Page 73	Management did not to regularly furnish the Audit Team with a copy of the lease contracts as required in Section VII (D) 7 of Memorandum Circular No. 35 dated August 2, 1999, precluding its timely review and evaluation.	(a) Submit a copy of the remaining 360 lease contracts; and (b) Ensure the timely submission of all newly perfected contracts without the need for request from the Auditor.	Implemented Implemented Copies of newly perfected contracts has been submitted to the Audit Team.
No. 8, Page 74	Management did not strictly enforce Section 4 of Administrative Order (AO) No. 1 which requires concessionaires to pay one-month advance rental and three months deposit, post surety bond, and issue post-dated checks prior to the commencement of lease.	(a) Identify the concessionaires who failed to comply with the requirements under Section 4 of AO 1 and demand the immediate payment/compliance; (b) Stop the practice of allowing concessionaires to start their business operation unless the requirements are fully complied; and impose sanctions on concerned MIAA officials/personnel who fails to implement the same; and (c) Maintain a Subsidiary Ledger for each concessionaire, and/or monitoring record/report which will facilitate verification /review.	Implemented Management has created a list with no advance rental and deposit and started serving Demand Letters. Implemented The Authority now requires Accounting Clearance to Concessionaires to monitor compliance. Implemented

Reference (CY 2018 AAR Observation No.)	Observations	Recommendations	Status of Implementation
No. 9, Page 77	Rules on payment of fees and charges prescribed in Section 5 were observed. However, the correctness of the fees and charges paid by the concessionaires based on percentage of gross receipts or those maintaining Point of Sales System could hardly be ascertained due to non-submission/non-availability of sales report of concessionaires.	Maintain complete records/documents on the transactions and promptly submit/provide the Audit Team with documents necessary in audit.	Implemented Monthly Sworn Statement has been submitted to the Audit Team.
No. 10, Page 79	Penalties and interests for late payment were imposed in accordance with Sec. 6 of AO No. 1, but collection thereof was not strictly enforced.	Management should be prudent not only in computing the interest and serving the billing to Concessionaires, but also in asserting its claim by collecting the amount due to MIAA.	Partially Implemented Management sent demand letters to Concessionaires with unpaid accounts and the same is already settled.
No. 11, Page 80	The Authority had barely accomplished projects or activities on Gender and Development (GAD) resulting in	(a) Direct the GAD Focal point to formulate adequate GAD plans and programs that will address gender issues and concerns and effectively monitor the implementation of the	Implemented Management's GAD Focal Point Person has initiated the conduct of learning and awareness

Reference (CY 2018 AAR Observation No.)	Observations	Recommendations	Status of Implementation
	its failure to address the identified gender issues and underutilization of the approved GAD budget. Moreover, the GAD allocation of at least five per cent of the Corporation's Operating Budget as required by law was not complied.	said activities; and (b) Comply with the required five per cent minimum budget allocation for GAD activities.	activities for 2019. Not Implemented Management missed to comply with the required budget allocation for 2019.

Manila International Airport Authority **Annex A**
List of Disposed PPEs with More than 50% Net Book Value Over Acquisition Cost
For the Calendar Years 2018 and 2019

Disposal Ref No.	DESCRIPTION OF ARTICLES	EUL	No of "Years. Months" Depreciated	Remaining EUL (Years.Months)	Acq. Date	Acquisition Cost	NBV - COA	% NBV/ AC	Disposed Qty
19-A-003/4	Slip Printer, Epson TM-U590 PO#17-179	5	2.2	2.10	07 31 2017	25,950.89	15,830.04	61.00%	1
19-A-003/4	Slip Printer, Epson TM-U590 PO#17-179	5	2.2	2.10	07 31 2017	25,950.89	15,830.04	61.00%	1
19-A-003/4	Slip Printer, Epson TM-U590 PO#17-179	5	2.2	2.10	07 31 2017	25,950.89	15,830.04	61.00%	1
19-A-003/4	Printer A3 Colored Ink Tank System, Epson L1300 PO#17-324	5	2.4	2.8	05 31 2017	16,696.43	9,683.93	58.00%	1
19-A-003/4	Printer A3 Colored Ink Tank System, Epson L1300 PO#17-1095	5	1.11	3.1	11 30 2017	17,857.14	11,354.17	63.58%	1
19-A-003/4	Printer A3 Colored Ink Tank System, Epson L1300 PO#17-1095	5	1.11	3.1	11 30 2017	17,857.14	11,354.17	63.58%	1
19-A-003/4	Printer A3 Color deskjet, Epson L1300 PO#16-1118	5	2.9	2.3	12 31 2016	16,955.36	8,562.46	50.50%	1
19-A-003/4	Mobile Phone, Samsung Galaxy Note 4 (SM-N910C) LTE with Accessories (Desktop Dock) PO#15-565	10	4.4	5.8	06 30 2015	30,079.36	18,348.41	61.00%	1
19-A-003/4	Epson L850 All-In-One Printer PO#PO#17-724	5	2.1	2.11	08 31 2017	16,517.86	10,323.66	62.50%	1
19-A-003/4	Colored Printer, Epson L1300 PO#18-259	5	1.6	3.6	03 31 2018	17,857.14	12,767.86	71.50%	1
19-A-003/4	Baggage Xray Machine AUTOCLEAR WO#13-023C	10	5.2	4.10	07 31 2014	2,008,928.57	1,074,776.79	53.50%	1
19-A-003/4	Baggage Xray Machine AUTOCLEAR WO#13-023C	10	5.2	4.10	07 31 2014	2,008,928.57	1,074,776.79	53.50%	1
19-A-003/4	Baggage Xray Machine AUTOCLEAR WO#13-023C	10	5.2	4.10	07 31 2014	2,008,928.57	1,074,776.79	53.50%	1
19-A-003/4	Baggage Xray Machine AUTOCLEAR WO#13-023C	10	5.2	4.10	07 31 2014	2,008,928.57	1,074,776.79	53.50%	1
19-A-003/4	Baggage Xray Machine AUTOCLEAR WO#13-023C	10	5.2	4.10	07 31 2014	2,008,928.57	1,074,776.79	53.50%	1

Disposal Ref No.	DESCRIPTION OF ARTICLES	EUL	No of "Years. Months" Depreciated	Remaining EUL (Years.Months)	Acq. Date	Acquisition Cost	NBV - COA	% NBV/ AC	Disposed Qty
19-A-003/4	Baggage Xray Machine AUTOCLEAR WO#13-023C	10	5.2	4.10	07 31 2014	2,008,928.57	1,074,776.79	53.50%	1
19-A-003/4	Baggage Xray Machine AUTOCLEAR WO#13-023C	10	5.2	4.10	07 31 2014	2,008,928.57	1,074,776.79	53.50%	1
19-A-003/4	55 units Four-Seater Gang Chairs for NAIA Terminals PO#17-025C	10	2.1	7.11	08 31 2017	1,618,162.86	1,314,757.32	81.25%	55
19-A-003/4	150 LBS HCFC 123 Brand New s/n: 11-37 (7 pcs) PO#17-047	7	2.1	4.11	08 31 2017	430,500.00	315,187.50	73.21%	7
19-A-001/2	Window Type Inverter Air Conditioner, Carrier PO#16-882(T2)	5	2.8	2.4	09 30 2016	43,500.00	22,620.00	52.00%	1
19-A-001/2	Window Type Inverter Air Conditioner, Carrier PO#16-882(T2)	5	2.8	2.4	09 30 2016	43,500.00	22,620.00	52.00%	1
19-A-001/2	Window Type Airconditioning Unit, Kolin KAG150RSINV PO#18-870	5	0.8	4.4	09 30 2018	23,660.71	20,663.69	87.33%	1
19-A-001/2	Remote Callstation PRS-CSR, Brand:Bosch PO#15-611	10	3.10	6.2	07 31 2015	57,384.64	37,586.94	65.50%	1
19-A-001/2	Remote Callstation PRS-CSR, Brand:Bosch PO#15-611	10	3.10	6.2	07 31 2015	57,384.64	37,586.94	65.50%	1
19-A-001/2	Printer, Colored, Epson L1300 PO#16-1013	5	2.8	2.4	09 30 2016	16,517.86	8,589.29	52.00%	1
19-A-001/2	Printer A3 Colored Ink Tank System, Epson L1300 PO#17-152	5	2.0	3.0	05 31 2017	16,517.86	10,571.43	64.00%	1
19-A-001/2	Printer A3 Colored Ink Tank System, Epson L1300 PO#17-152	5	2.0	3.0	05 31 2017	16,517.86	10,571.43	64.00%	1
17-A-005/6	Baggage Xray Machine (2 units)	10	3.5	6.7	07 31 2014	4,017,857.14	2,782,366.07	69.25%	2
19-A-001/2	Handheld Trunk Radio;MOTOROLA;ATS2500 PO#13-1742	10	5.4	4.8	01 31 2014	25,000.00	13,000.00	52.00%	1
19-A-001/2	Brush Cutter, Honda GX35 PO#17-214	5	2.1	2.11	04 30 2017	16,250.00	10,156.25	62.50%	1
19-A-001/2	Baggage Xray Machine (2 units) AUTOCLEAR WO#13-023C	10	4.10	5.2	07 31 2014	4,017,857.14	2,270,089.29	56.50%	2
19-A-001/2	Analog Multimeter, Simpson 260R Series 8 PO#17-038	5	2.3	2.9	02 28 2017	22,053.57	13,121.88	59.50%	1
18-A-007/8	Baggage Xray Machine (1 unit) AUTOCLEAR WO#13-023C	10	4.5	5.7	07 31 2014	2,008,928.57	1,210,379.46	60.25%	1

Disposal Ref No.	DESCRIPTION OF ARTICLES	EUL	No of "Years. Months" Depreciated	Remaining EUL (Years.Months)	Acq. Date	Acquisition Cost	NBV - COA	% NBV/ AC	Disposed Qty
17-A-005/6	CEIA Walk Through metal detector model PMD2 WO#15-010C	10	2.0	8.0	12 31 2015	392,857.14	322,142.86	82.00%	1
17-A-005/6	CEIA Walk Through metal detector model PMD2 WO#15-010C	10	2.0	8.0	12 31 2015	392,857.14	322,142.86	82.00%	1
18-A-007/8	Baggage Xray Machine (1 unit) AUTOCLEAR WO#13-023C	10	4.5	5.7	07 31 2014	2,008,928.57	1,210,379.46	60.25%	1
18-A-007/8	Slip Printer, Epson TM-U590(Parallel) PO#16-497	5	2.6	2.6	06 30 2016	25,303.57	13,916.96	55.00%	1
18-A-007/8	Slip Printer, Epson TM-U590(Parallel) PO#16-497	5	2.6	2.6	06 30 2016	25,303.57	13,916.96	55.00%	1
18-A-007/8	Slip Printer, Epson TM-U590(Parallel) PO#16-497	5	2.6	2.6	06 30 2016	25,303.57	13,916.96	55.00%	1
18-A-007/8	Slip Printer, Epson TM-U590(Parallel) PO#16-497	5	2.6	2.6	06 30 2016	25,303.57	13,916.96	55.00%	1
18-A-007/8	Slip Printer, Epson TM-U590(Parallel) PO#16-497	5	2.6	2.6	06 30 2016	25,303.57	13,916.96	55.00%	1
18-A-007/8	Slip Printer, Epson TM-U590 PO#17-179	5	1.5	3.7	07 31 2017	25,950.89	19,333.42	74.50%	1
18-A-007/8	Steel Platform Hand Truck PO#16-1318(T3) 25 units	5	1.11	3.1	01 31 2017	245,500.00	160,802.50	65.50%	25
18-A-007/8	Window Type, 1.0HP Aircon Unit, Kolin KAG110RSINV PO#17-748	5	1.4	3.8	08 31 2017	19,196.43	14,589.29	76.00%	1
18-A-007/8	Window Type, 1.0HP Aircon Unit, Kolin KAG110RSINV PO#17-748	5	1.4	3.8	08 31 2017	19,196.43	14,589.29	76.00%	1
18-A-007/8	Semi-Hermetic Compressor Motor PO#13-026C	10	5.5	4.7	07 31 2013	507,526.50	260,107.33	51.25%	1
18-A-007/8	Semi-Hermetic Compressor Motor PO#13-026C	10	5.5	4.7	07 31 2013	507,526.50	260,107.33	51.25%	1
18-A-007/8	Semi-Hermetic Compressor Motor PO#13-026C	10	5.5	4.7	07 31 2013	507,526.50	260,107.33	51.25%	1
18-A-005/6	Handheld Trunk Radio;MOTOROLA;ATS2500 PO#13-1742	10	4.8	5.4	01 31 2014	25,000.00	14,500.00	58.00%	1
18-A-005/6	Brush Cutter, Honda GX35 PO#17-214	5	1.5	3.7	04 30 2017	16,250.00	12,106.25	74.50%	1
18-A-005/6	Brush Cutter, Honda GX35 PO#17-214	5	1.5	3.7	04 30 2017	16,250.00	12,106.25	74.50%	1

Disposal Ref No.	DESCRIPTION OF ARTICLES	EUL	No of "Years. Months" Depreciated	Remaining EUL (Years.Months)	Acq. Date	Acquisition Cost	NBV - COA	% NBV/ AC	Disposed Qty
18-A-005/6	Brush Cutter, Honda GX35 PO#17-214	5	1.5	3.7	04 30 2017	16,250.00	12,106.25	74.50%	1
18-A-003/4	Sofa, 1-seater size: 34" H x 32" W x 22" L PO#13-535	10	4.7	5.5	11 30 2013	25,535.71	15,002.23	58.75%	1
18-A-003/4	Sofa, 1-seater size: 34" H x 32" W x 22" L PO#13-535	10	4.7	5.5	11 30 2013	25,535.71	15,002.23	58.75%	1
18-A-003/4	Security Prohibited Item (SPI) Box PO#16-900(T3)	5	1.7	3.5	11 30 2016	46,654.02	33,357.62	71.50%	1
17-A-005/6	Dot Matrix Printer, Epson, LQ-2190	5	2.3	2.9	09 30 2015	35,714.29	21,250.00	59.50%	1
18-A-003/4	Security Prohibited Item (SPI) Box PO#16-900(T3)	5	1.7	3.5	11 30 2016	46,654.02	33,357.62	71.50%	1
18-A-003/4	Security Prohibited Item (SPI) Box PO#16-900(T3)	5	1.7	3.5	11 30 2016	46,654.02	33,357.62	71.50%	1
18-A-003/4	Security Prohibited Item (SPI) Box PO#16-900(T3)	5	1.7	3.5	11 30 2016	46,654.02	33,357.62	71.50%	1
18-A-003/4	Security Prohibited Item (SPI) Box PO#16-900(T3)	5	1.7	3.5	11 30 2016	46,654.02	33,357.62	71.50%	1
18-A-003/4	Security Prohibited Item (SPI) Box PO#16-900(T3)	5	1.7	3.5	11 30 2016	46,654.02	33,357.62	71.50%	1
18-A-003/4	Executive Chair, Chrome base, SEC 5000 PO#16-1521	10	1.4	8.8	02 28 2017	21,392.86	18,825.71	88.00%	1
18-A-003/4	Cardiac Monitor, Guoteng BSCS9000F Patient Monitor PO#12-1244	10	5.6	4.6	12 31 2012	68,750.00	34,718.75	50.50%	1
18-A-003/4	Brush Cutter, Honda PO#16-1233	5	1.8	3.4	10 31 2016	16,250.00	11,375.00	70.00%	1
17-A-005/6	Evaporative Air Conditioner w/o compressor and Freon Gas	10	3.6	6.6	06 30 2014	19,642.86	13,455.36	68.50%	1
17-A-005/6	Evaporative Air Conditioner w/o compressor and Freon Gas	10	3.6	6.6	06 30 2014	19,642.86	13,455.36	68.50%	1
17-A-005/6	Evaporative Air Conditioner w/o compressor and Freon Gas	10	3.6	6.6	06 30 2014	19,642.86	13,455.36	68.50%	1
18-A-003/4	Brush Cutter, Honda PO#16-1233	5	1.8	3.4	10 31 2016	16,250.00	11,375.00	70.00%	1
18-A-003/4	3-Seater Sofa, 1-dark green 2-blue PO#16-867	10	1.9	8.3	09 30 2016	25,446.43	21,438.62	84.25%	1

Disposal Ref No.	DESCRIPTION OF ARTICLES	EUL	No of "Years. Months" Depreciated	Remaining EUL (Years.Months)	Acq. Date	Acquisition Cost	NBV - COA	% NBV/ AC	Disposed Qty
18-A-001/2	Untra High Speed Floor Polisher, 1500rpm, Housekeeper's Choice	5	2.9	2.3	06 30 2015	140,178.57	70,790.18	50.50%	1
18-A-001/2	Untra High Speed Floor Polisher, 1500rpm, Housekeeper's Choice	5	2.9	2.3	06 30 2015	140,178.57	70,790.18	50.50%	1
18-A-001/2	Floor Polisher, Victor 20" PO#16-1583(T1)	5	1.2	3.10	01 31 2017	38,989.29	30,801.54	79.00%	1
18-A-001/2	Floor Polisher, Victor 20" PO#16-1583(T1)	5	1.2	3.10	01 31 2017	38,989.29	30,801.54	79.00%	1
18-A-001/2	Floor Polisher, Size: 20", Heavy Duty, Victor	5	2.7	2.5	08 31 2015	40,089.29	21,447.77	53.50%	1
18-A-001/2	Floor Polisher, Size: 20", Heavy Duty, Victor	5	2.7	2.5	08 31 2015	40,089.29	21,447.77	53.50%	1
18-A-001/2	Floor Polisher, Size: 16", Heavy Duty, Victor	5	2.7	2.5	08 31 2015	27,589.29	14,760.27	53.50%	1
18-A-001/2	Floor Polisher 20* brush diameter, 2hp, 1500rpm, Model 20 Floormate	5	2.9	2.3	06 30 2015	41,071.43	20,741.07	50.50%	1
18-A-001/2	Floor Polisher 20* brush diameter, 2hp, 1500rpm, Model 20 Floormate	5	2.9	2.3	06 30 2015	41,071.43	20,741.07	50.50%	1
18-A-001/2	FIDS monitor, KTC	10	4.10	5.2	05 31 2013	25,339.29	14,316.70	56.50%	1
18-A-001/2	FIDS monitor, KTC	10	4.10	5.2	05 31 2013	25,339.29	14,316.70	56.50%	1
18-A-001/2	FIDS monitor, KTC	10	4.10	5.2	05 31 2013	25,339.29	14,316.70	56.50%	1
18-A-001/2	FIDS monitor, KTC	10	4.10	5.2	05 31 2013	25,339.29	14,316.70	56.50%	1
18-A-001/2	FIDS monitor, KTC	10	4.10	5.2	05 31 2013	25,339.29	14,316.70	56.50%	1
18-A-001/2	Carpet Cleaner, Karcher BRC 45/45 C PO#16-632 (T1)	5	1.7	3.5	08 31 2016	346,428.57	247,696.43	71.50%	1
18-A-001/2	Bush Cutter w/ Nylon Holder, Stihl, FS250 PO#16-407(T3)	5	1.11	3.1	04 30 2016	24,017.86	15,731.70	65.50%	1
18-A-001/2	Bush Cutter w/ Nylon Holder, Stihl, FS250 PO#16-407(T3)	5	1.11	3.1	04 30 2016	24,017.86	15,731.70	65.50%	1
18-A-001/2	Bush Cutter w/ Nylon Holder, Stihl, FS250 PO#16-407(T3)	5	1.11	3.1	04 30 2016	24,017.86	15,731.70	65.50%	1

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18-A-001/2	Back Pack Vacuum Cleaner, Heavy Duty, Brand: Karcher	5	2.9	2.3	06 30 2015	42,125.00	21,273.13	50.50%	1
18-A-001/2	Back Pack Vacuum Cleaner, Heavy Duty, Brand: Karcher	5	2.9	2.3	06 30 2015	42,125.00	21,273.13	50.50%	1
17-A-005/6	Window Type Airconditioner, HAIER HW-18LNA13 PO#16-391	5	1.8	3.4	04 30 2016	17,516.96	12,261.88	70.00%	1