

## CIVIL AVIATION AUTHORITY OF THE PHILIPPINES NOTES TO THE FINANCIAL STATEMENTS

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### I. GENERAL INFORMATION

#### ***Agency Profile***

The Civil Aviation Authority of the Philippines (CAAP) was created by virtue of Republic Act No. 9497 otherwise known as the Civil Aviation Authority Act of 2008 which was enacted on March 4, 2008. Under its Transitory Provisions (Section 85, Chapter XII), Air Transportation Office (ATO), created under RA 776 also known as the “Civil Aeronautics Act of the Philippines” was abolished and all its powers, duties and rights vested by law and exercised by the said agency was transferred to CAAP. Likewise, all assets, real and personal property, funds and revenues owned by or vested in the different offices of the ATO, including all contracts, records and documents relating to the operations of the abolished agency and its offices and branches were similarly transferred to CAAP. Any real property owned by the national government or government-owned corporation or authority which is being used and utilized as office or facility by the ATO shall also be transferred and titled in favor of CAAP.

The policy of the State to provide safe and efficient air transportation for the country as enunciated in Chapter I, Section 2 (Declaration of Policy) of RA 9497, to wit “*It is hereby declared the policy of the State to provide safe and efficient air transport and regulatory services in the Philippines by providing for the creation of a civil aviation authority with jurisdiction over the restructuring of the civil system, the promotion, development and regulation of the technical, operational, safety and aviation security functions under the civil aviation authority*” is the mandate of CAAP.

Chapter II, Section 4 (Organization of Authority) of its enabling law created CAAP “*as an independent regulatory body with quasi-judicial and quasi-legislative powers and possessing corporate attributes*”. It is attached to the Department of Transportation and Communications (DOTC) for the purpose of policy coordination.

CAAP is the administrator of the Flight Information Region (FIR) and the Authority managing the aviation sector of the Philippines.

#### ***Corporate Objectives***

The objectives of the Authority are as follows:

- a. Development and utilization of the air potential of the Philippines;
- b. Encouragement and development of an air transportation system properly adapted to the present and future of foreign and domestic commerce of the Philippines;
- c. Regulation of air transportation in such a manner as to support sound economic condition in such transportation and to improve the relations between air carriers;
- d. Ensuring the safety, quality, reliability, and affordability of air transport services for the riding public; and
- e. Encouragement and development of a viable and globally competitive Philippine aviation industry.

## **Organizational Structure**

The corporate powers of the Authority are vested in a board which is composed of eight members, as follows:

- Secretary of the DOTC shall act as chairman ex-officio;
- Director General of the Civil Aviation (DGCA) who shall automatically be the vice-chairman of the Board;
- Secretary of the Department of Finance (DOF);
- Secretary of the Department of Foreign Affairs (DFA);
- Secretary of the Department of Justice (DOJ);
- Secretary of the Department of the Interior and Local Government (DILG)
- Secretary of the Department of Labor and Employment (DOLE); and
- Secretary of the Department of Tourism (DOT).

CAAP is headed by a Director General (DG), who is also the Chief Executive and Operating Officer responsible for all civil aviation in the Philippines and the administration of RA 9497. He shall be appointed by the President of the Philippines and shall have tenure of office of four years, which may be extended for another non-extendible term of four years and shall only be removed for cause in accordance with the rules and regulations prescribed by the Civil Service Commission (CSC).

The DG has two Deputy Director Generals (DDG). Prior to 2011, the two positions already existed to oversee the administrative and operational aspects of the Authority. In order for CAAP to realize its full corporate powers, and pursue the objectives of RA 9497, specifically Section 15 (please see below, under "*Fiscal Autonomy*"), the need to create the Office of the Chief Financial Officer (CFO) became apparent. The Board of Directors, through Board Resolution No. 2011-006, Series of 2011 approved the creation of the Office of the CFO, whose head shall assume a co-terminus appointment with the appointing authority and the corresponding qualification standards and salary shall be at par/equivalent with that of the DDG.

A Table of Organization (TO), which was developed in consultation with CSC and the Department of Budget and Management (DBM) in 2011, is presently in effect in CAAP. It is to be noted that an organizational restructuring program was initiated in 2012 with a targeted implementation in 2013.

The Organizational Restructuring Program (ORP) which was initiated in 2012 for implementation in 2013 is currently undergoing further rationalization and alignment to CAAP's Sustainability programs as a result of its regained stature as a credible civil aviation authority in the international civil aviation community. With the regaining of its Category 1 aviation safety status from the US Federal Aviation Administration (FAA) on April 10, 2014, CAAP has freed Philippine civil aviation from all restrictions that had hampered its growth and development since 2008 including the removal of the International Civil Aviation Organization (ICAO) Significant Safety Concerns (SSCs) in March 2013 and the delisting of the Philippine civil aviation from the European Union (EU) Aviation Safety List in July 2013. The ORP is expected to be implemented in the 1<sup>st</sup> semester of 2015.

To further streamline the operations of the 81 airports under its management, CAAP implemented new Airport Clustering Scheme in 2013 and created 12 Area Centers from its previous 10, to wit:

<b>Area Center</b>	<b>Location</b>	<b>No. of Satellite Airports</b>
Area 1	Laoag	4
Area 2	Tuguegarao	5
Area 3	Plaridel	2
Area 4	Puerto Princesa	12
Area 5	Legaspi	6
Area 6	Iloilo	5
Area 7	Mactan	5
Area 8	Tacloban	9
Area 9	Zamboanga	8
Area 10	Laguindingan	5
Area 11	Davao	4
Area 12	Butuan	4

### ***Fiscal Autonomy***

The Authority shall enjoy fiscal autonomy. All revenues earned by the Authority from the collection/levy of any and all such fees, charges, dues, assessments and fines it is empowered to collect/levy shall be used solely to fund the operations of the Authority. All monetary revenues collected shall accrue to the Authority and shall be deposited to its bank account. Funds collected by the Authority shall be retained effective March 23, 2008, the date of effectivity of the CAAP Charter (Section 15 of the Implementing Rules and Regulations of RA 9497).

CAAP, however, being a Government Owned and Controlled Corporation (GOCC) as mandated by RA 7656 shall declare and remit at least fifty percent (50%) of its annual net earnings as cash, stock or property dividends to the National Government (NG).

In light of the need for CAAP to invest in infrastructure and technology, particularly with the onset of the ASEAN Single Aviation Market (ASAM) in January 2015, CAAP has made known through a letter to the Department of Finance dated February 18, 2013, its preference to defer the implementation of this provision of RA 7656 and, in the future through appropriate procedures, be exempted from this provision as a measure of achieving its sustainability objectives. The flexibility of managing its own revenues is a key factor to ensure CAAP's ability to exercise its regulatory mandate expediently and effectively.

### ***Capitalization***

Under RA 9497, CAAP has an authorized capital stock of P50 billion which shall be fully subscribed by the Republic of the Philippines. The subscription of the National Government shall be paid as follows:

- a. The unexpended balances of the appropriations in the current General Appropriations Act and other acts in force upon approval hereof, pertaining to, held or used by ATO;
- b. The value of existing assets of ATO, which shall be determined by independent and qualified appraisers within six months from the effectivity of this Act, and after deducting the loans and other liabilities of ATO at the time of the takeover of the assets and property; and
- c. Such amounts as may be appropriated from time to time from the funds of the National Treasury, including any outlay from the infrastructure program of the National Government.

### ***Exemption from Taxes, Customs and Tariff Duties***

In accordance with Section 16 of RA 9497, the importation of equipment, machineries, spare parts, accessories and other materials, including supplies and services used solely and exclusively in the operations of the Authority, not obtainable locally shall be exempt from all direct and indirect taxes, wharfage fees and other charges and restrictions, the existence of pertinent laws to the contrary notwithstanding.

Likewise, all obligations entered into by the Authority and any income derived there from, including those contracted with private international banking and financial institutions, shall be exempt from all taxes, both principal and interest. The Authority is also exempt from the payment of capital gains tax, documentary stamp tax, real property estate tax and all other local government imposed taxes and fees.

### ***Principal Office***

The Authority shall have its principal office at MIA Road, Pasay City, Metro Manila, Philippines and may hold hearings on any proceedings at such time and places within the Philippines, as it may provide by order in writing.

### ***Other Significant Information***

#### **Regaining Stature**

The first Director General of the CAAP was MGen Ruben Ciron, AFP (Ret), a Philippine Air Force officer. He was appointed to the post in an acting capacity in July 2008 barely four months from the enactment of RA 9497. He envisioned CAAP “*to be a world-class Civil Aviation Authority committed to excellence and national development*”. It is to be noted, however, that it was in 2008 that Philippine civil aviation received a downgraded rating from Category 1 to Category 2 by the Federal Aviation Authority (FAA) of the United States of America.

In March 2009, DG Ciron was succeeded by Alfonso Cusi, a long-serving General Manager of the Manila International Airport Authority (MIAA) with jurisdiction over the Ninoy Aquino International Airport (NAIA), the country’s main aviation gateway. Note that it was during this year that the International Civil Aviation Organization (ICAO), the global aviation compliance agency of the United Nations (UN), levied Significant Safety

Concerns (SSCs) on Philippine civil aviation. In 2010, the European Union (EU) blacklisted Philippine carriers in the aftermath of the ICAO sanction imposing a ban as a result. Japan and Korea similarly imposed sanctions.

In January 2011, Ramon S. Gutierrez, a former Air Force Colonel and a retired commercial pilot was appointed DG. He was to serve a tenure of four years. He carved our CAAP's new vision founded on core values the acronym of which spelled CAAP – Commitment, Accountability, Adaptability, Professionalism. He sought *“to see the Civil Aviation Authority of the Philippines becomes an institution providing good service to its clientele that is better than the best in the Southeast Asian region.”* He served until June 20, 2012 up to which time Philippine civil aviation was weighed down by the triple sanctions of the US FAA, the ICAO and the EU ban.

On June 21, 2012, LGen William K. Hotchkiss III, AFP (Ret), a former Commanding General of the Philippine Air Force, was appointed DG. Upon assumption of office and true to his military ethos, he set out to deliver on the marching orders given to him by President Benigno Aquino – remove the SSCs of the ICAO, delist the Philippines from the EU blacklist, and reinstate Philippine civil aviation to Category 1. Assembling a team of former military and airline pilots, he immediately instituted administrative reforms within CAAP. Harnessing the collective strength of the organization, he funneled their efforts toward the attainment of the task.

In the midst of the preparations for the visit of the ICAO mission in October 2012, a most regrettable incident diverted the attention of the CAAP leadership from its unilateral focus. On August 18, 2012, a Piper Cessna plane ferrying DILG Secretary Jesse Robredo from Cebu City to Naga City crashed offshore Masbate. Of the four persons on board, Secretary Robredo and the two pilots died with only the PNP aide of the Secretary surviving the crash. To get to the bottom of the accident, the Aircraft Accident Investigation and Inquiry Board (AAIIB) was reconstituted with participation of safety officials and other aviation stakeholders. In rendering a professional and impartial report, the Board found two CAAP personnel administratively and criminally liable for neglect of duty. Cases were consequently filed with the Office of the Ombudsman.

Undeterred by this unfortunate event, DG Hotchkiss continued on his relentless efforts to deliver on his tasks. His determination and perseverance bore sweet fruits of success with the removal by ICAO of its SSCs in March 2013. This achievement was followed by the delisting of Philippine civil aviation from the EU Aviation Safety List in July 2013 allowing our national air carrier, Philippine Airlines, to fly to destinations in the 28-member states of the EU. By December 31, 2013, CAAP, under his stewardship, has gradually regained its stature of credibility in global civil aviation.

## **Staffing**

In almost six years of its existence, CAAP's efforts to complete its manpower requirements as called for, has met some difficulty, mainly through a failure to implement a transitional “slotting” of personnel from ATO existing plantilla position to CAAP approved plantilla. CSC approved a set of Qualification Standards on March 8, 2010, but these standards were generally not compliant to ICAO Standards and Recommended Practices and thus, not responsive to the needs of the Flight Standards Inspectorate Service (FSIS) – the unit primarily responsible for attaining the country's ratings in the ICAO and Federal Aviation Administration (FAA). In addition, the salary

structure approved by the DBM on June 19, 2009 could still not attract and retain the much needed qualified technical personnel.

A lot of these problems could be traced back to the inability of the enabling law, RA 9497, to delegate the power to appoint CAAP personnel to the Director General (DG), and to discipline CAAP personnel thereby hampering management's prerogative to remove or replace unfit, unqualified or otherwise erring ATO holdover employees.

To remedy this situation, the Authority made representations with the Office of President, precisely to define the appointing powers of the DG which was not dealt with in RA 9497. As a result of said efforts, President Benigno S. Aquino III, through Executive Secretary Paquito Ochoa, Jr. responded by issuing Administrative Order No. 7, ***“Authorizing the Director General of the Civil Aviation Authority of the Philippines (CAAP) to Appoint Employees and Personnel of CAAP for the Positions with Salary Grade 26 and Below as Well as Positions with Job Levels 21 and Below.”***

Parallel to this new mandate from the Office of the President, and with a clear view to meet the FAA and ICAO's requirements for qualified technical personnel, CAAP was able to find a solution to the perennial problem of lack of qualified Flight Safety Inspectors for wide-bodied commercial aircraft flown by local airlines.

After careful and extensive discussions with the CSC, CAAP was able to obtain a favorable ruling on its request to appoint retired airline pilots aged 65 and above to fill the positions of:

- Division Chief – 1 position
- Supervising Flight Operations Safety Inspector – 1 position
- Senior Flight Operations Safety Inspector – 3 positions
- Flight Operations Safety Inspector II – 6 positions
- Flight Operations Safety Inspector I – 11 positions

and exempting them from the mandatory retirement age of 65 years old as mandated for all government employees thru CSC Resolution No. 11-00299, promulgated on March 1, 2011, Re: Exemption from the Compulsory Retirement Age of 65. They were then granted appointments under co-terminus status with the appointing authority.

## **Strategy**

In 2012, CAAP has laid the groundwork for the formulation of a Strategic Roadmap to drive its thrusts to regain its stature as a credible Civil Aviation Authority (CAA) through compliance with international aviation safety standards and undertake programs of sustainability to discharge its mandate enunciated in its enabling law (RA 9497). Harnessing the collective efforts of its personnel in pursuit of its vision “to be a pre-eminent Civil Aviation Authority in the world and a global brand of excellence in aviation” and mission “to ensure a safe, secure and green Philippine sky”, it channeled its financial and manpower resources towards the targets set by President Benigno Aquino III - the removal of the SSCs which the ICAO levied in 2009, lifting of the ban imposed by the European Community (EC) on Philippine carriers in 2010, and the reinstatement to Category 1 by the US FAA. The lifting of the sanctions imposed by the CAAs of Japan

and Korea in restricting destinations and limiting frequencies of Philippine carriers will likewise be addressed. To meet these daunting challenges, CAAP, through fiscal prudence and operational diligence, sought to address these impediments that stymied the growth of the civil aviation sector in particular and the Philippine economy in general from 2007 to 2012.

A key program set by CAAP in 2012 was the formulation of a consensual and inclusive Strategic Planning Process to evolve a Strategic Roadmap to sustain its drive towards its objectives. This activity was initiated by a Strategic Planning Conference on April 4-6, 2013 attended by CAAP Management, its Service Chiefs, and heads of all its operating Units. The CAAP DG made known his intent and guidance to all the participants as Management sought to craft the Corporate Creed for CAAP's future thrusts towards sustainability. CAAP seeks to deliver on its targets within the shortest time possible to provide impetus to the growth of the country's civil aviation in particular and the Philippine economy in general by 2013.

While seeking to be at the forefront of national development, CAAP remains focused on its vital role as administrator and protector of the country's Flight Information Region (FIR) or Philippine airspace.

Under the inspired and focused leadership of LGen William K. Hotchkiss III, AFP (Ret), CAAP Director General who assumed office on June 21, 2012, the Authority, with fiscal prudence and diligent housekeeping, has taken in stride the necessary steps to lay the groundwork for the campaign to regain for CAAP its rightful stature and reputation as a respected CAA in the world and Philippine civil aviation as at par with international aviation standards and excellence in aviation. The budget allocations of CAAP in 2012 are carefully deliberated, financial investments that are aligned and calibrated toward its efforts to be faithful to its mandate, vision, mission and the attainment of its targets. CAAP Management and personnel continuously profess fidelity and adherence to its principles of "sovereignty indivisible with national security" and "reciprocity indivisible with parity", its belief in "the Filipino Can" spirit and its dream of "The Future is in the Skies".

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Financial Statements Presentation**

- 2.1 The Financial Statements have been prepared on a historical cost basis and transactions are recorded on accrual method of accounting for income and expenses in accordance with state accounting principles generally accepted in the Philippines.

Income is accounted for using the accrual method except for collection of fees and charges for licenses/permits/certificates and other services imposed under DOTC Department Order (DO) No. 94-762, s. 1993 where the Cash Basis Method is being used. Also, income are classified and recognized in

accordance with the DOTC - DO Nos. 94-762, s.1993, 98-1190, 99E-002, s. 1999 and 98-1178, s. 1999.

All expenses are recognized when incurred and reported in the financial statements in the period to which they relate.

- 2.2 The CAAP adopts a branch accounting system, which is commonly known as decentralized accounting system. Under this system, a complete set of books of accounts is kept and maintained by each Area Center to reflect the financial condition and activities of the satellite airports under its jurisdiction. The satellite airports are the airports under the Area Center, which do not maintain books of accounts. Their transactions are collated and recorded in the Area Center. Reciprocal accounts, such as Due to Regional Offices (422) and Due from Central Office (141) are used in recording reciprocal transactions pertaining to remittances of Area Centers to Central Office and collection of Central Office for Area Centers' Accounts Receivables; whereas Due from Regional Offices (142) and Due to Central Office (421) are used in recording reciprocal transactions pertaining to fund transfers for Personal Services (PS) and Other Maintenance and Operating Expenses (MOOE), for Infrastructure Projects, and for fund transfer for Office Supplies and Accountable Forms between the Central Office and the Area Centers.
- 2.3 Allowance for Doubtful Accounts is derived from computations based on percentage and Aging of Accounts Receivable as follows:

<u>Age of Accounts</u>	<u>Percentage</u>
1 -60 days	1%
61 - 180 days	2%
181 days – 1 year	3%
More than 1 year	5%

- 2.4 Supplies and materials purchased for stock purposes are recorded using the weighted average perpetual inventory system, also called as the moving average inventory method. Regular purchases are coursed through the inventory account and issuance thereof are recorded as they take place except those purchased out of the cash advances of the Special Disbursing Officers that are charged directly to the appropriate expense accounts.
- 2.5 Petty Cash Fund (PCF) account is maintained under the imprest fund system. Replenishments/liquidations are then charged to the appropriate expense account.
- 2.6 For assets under construction, all related expenses incurred during the construction of the project are capitalized and charged to Construction in Progress (CIP) account. Upon completion of the construction, the balance of CIP account is transferred to appropriate asset accounts. Those incurred after the construction are accounted for as operating costs.



- 2.7 All Property and Equipment (PE) classified as agency assets are carried at cost and are subject to depreciation, except land. These assets are depreciated using the straight line method with 10 per cent residual value.
- 2.8 Accounts Payable are recognized and recorded in the books of accounts only upon acceptance of goods/inventory/other assets and rendition of services to the Authority.
- 2.9 Accounts were classified to conform to the new Chart of Accounts prescribed under the New Government Accounting System, which was implemented effective September 20, 2004 under COA Circular No. 2004-008.
- 2.10 Accounting records of the Authority are maintained in Philippine peso. Income earned and expenses incurred which are denominated in foreign currencies are translated into Philippine peso at the exchange rate prevailing on the transaction dates in accordance with paragraph 21 of PAS 21. These foreign currency monetary items will also be translated at the reporting date using the closing rate in accordance with paragraph 23 of PAS 21. The resulting gains or losses from the exchange differences are recognized in the statement of profit and loss.

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### **3. AREA CENTER 8 – TACLOBAN AIRPORT**

In November 2013, Super typhoon “Yolanda” hit the City of Tacloban and severely damaged and devastated the entire City of Tacloban including Tacloban DZR airport. All records, files, equipment and airport facilities were damaged and washed out by the super typhoon.

All financial records and files, such as disbursement vouchers, books of accounts, journals, registries, bank statements, and returned checks were totally damaged, lost or washed out. Only the Cash Book and Check Register of the Disbursing Officer were retrieved and recovered. The Office did not have any basis for recording financial transactions except the Cash Book and Check Register.

Financial Reports as of June 30, 2013 served as the starting point in the preparation of the annual financial statements for 2013.

Financial transactions for July 2013 to November 07, 2013 were recorded at net amount as it is based on the checks issued by the Disbursing Officer. Remittances of employees’ contributions and loan payments to GSIS, Pag-IBIG, Philhealth, and to other Agencies were taken up as additions to Salaries & Wages as these are personnel deductions not taken up upon issuance of checks for payment of salaries. Disbursements for November 2013 and December 2013 were paid thru the issuance of Manager’s Check as there were no checks available for use.

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#### 4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2013	2012
Cash in Bank-Local Currency, Time Deposit	3,017,760,312	2,330,418,966
Cash in Bank-Local Currency, Current Account	1,229,520,011	964,134,109
Cash in Bank-Local Currency, Savings Account	603,617,035	412,654,128
Cash in Bank-Foreign Currency Time Deposit	276,773,616	243,765,947
Cash in Bank-Foreign Currency, Savings Account	227,716,821	166,660,821
Cash-Collecting Officer	31,231,512	21,684,064
Cash-Disbursing Officer	1,001,519	56,200
Petty Cash Fund	1,430,320	1,425,516
Payroll Fund	691,580	64,703
	<b>5,389,742,726</b>	<b>4,140,864,454</b>

The account *Cash-Collecting Officers* represents undeposited collections from receivables, National Committee on Anti-Hijacking (NACAHT) Trust Fund, refund of cash advances and others not considered as income.

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#### 5. RECEIVABLES

This account consists of:

	2013	2012
Accounts Receivable, net	7,799,270,677	7,077,887,126
Less: Allowance for Doubtful Accounts	390,001,196	345,100,617
Net Accounts Receivables	7,409,269,481	6,732,786,509
Due from Regional Offices	81,528,360	3,712,202,783
Due from Nat'l Gov't Agencies	65,001,448	65,190,251
Due from LGUs	42,586,413	42,564,276
Receivables-Disallowances / Charges	29,674,819	29,131,615
Interest Receivable	5,111,500	4,974,144
Due from National Treasury	4,191,382	4,191,382
Due from GOCCs	261,067	262,619
Due from Officers and Employees	7,010	28,439
Other Receivables	11,663,604	11,527,448
	<b>7,649,295,084</b>	<b>10,602,859,466</b>

- a. *Accounts Receivable* pertains to amount due from customers for Operating Services by the Head Office and Area Centers.
- b. *Due from Regional Offices* account represents unliquidated infrastructure fund transfer from Head Office to Area Centers and Satellite Airports.

- c. *Due from LGUs* account pertains to fund transfers from the CAAP–Head Office and some Area Centers to the Provincial Government for land acquisition.
- d. *Receivables-Disallowances/Charges* pertain to audit disallowances/charges of public/private individuals/entities which became final and executory.
- e. *Due from National Treasury* pertains to Area Center 11 - Davao collections of Bidders Bond and remuneration fees that were deposited with the National Treasury. These will be requested from DBM for refund.

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## 6. INVENTORIES

Area Centers 1 (Laoag), 5 (Legazpi) and 11 (Davao) used Inventory account in recording purchases of office supplies in compliance with the recommendation of their COA (Commission on Audit) state auditor.

This consists of:

	2013	2012
Office Supplies	995,771	0
Accountable Forms	248,908	0
Medical, Dental and Lab. Supplies	7,399	0
Gasoline, Oil and Lubricants	1,065,178	0
Other Supplies	2,308,370	0
	<b>4,625,626</b>	<b>0</b>

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## 7. ADVANCES TO OFFICERS AND EMPLOYEES

The account pertains to the balances of unliquidated cash advances for local and foreign travels, and intelligence funds.

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## 8. PROPERTY AND EQUIPMENT

This account consists of the following:

	Land and Land Improvements	Building and Other Structures	Furniture and Equipments	Construction in Progress	TOTAL
Cost:					
At January 1, 2013	1,589,206,766	1,483,796,978	1,640,187,267	582,798,543	5,295,989,554
Additions	692,661,438	150,234,309	244,344,939	150,971,866	1,238,212,552
Disposals	0	0	(1,548,796)	(21,494,883)	(23,043,679)
Adjustments	(318,264,854)	(14,944,704)	(214,400,615)	(216,087,848)	(693,912,299)
<b>At December 31, 2013</b>	<b>1,963,603,350</b>	<b>1,619,086,583</b>	<b>1,668,582,795</b>	<b>496,187,678</b>	<b>5,747,460,406</b>

Accumulated depreciation					
At January 1, 2013	930,138,231	810,533,529	915,529,124	0	2,656,200,884
Additions	91,257,727	50,052,483	149,019,783	0	290,329,996
Disposals	0	0	(1,378,654)	0	(1,378,654)
Adjustments	(114,056,734)	(2,067,574)	(48,907,722)	0	(165,032,033)
<b>At December 31, 2013</b>	<b>907,339,224</b>	<b>858,518,438</b>	<b>1,014,262,531</b>	<b>0</b>	<b>2,780,120,193</b>

<b>Net carrying amount</b>					
<b>December 31, 2013</b>	<b>1,056,264,126</b>	<b>760,568,145</b>	<b>654,320,264</b>	<b>496,187,678</b>	<b>2,967,340,213</b>
December 31, 2012					
Cost	1,589,206,766	1,483,796,978	1,640,187,267	582,798,543	5,295,989,554
Accumulated Depreciation/ Adjustment	930,138,231	810,533,529	915,529,124	0	2,656,200,884
<b>Net carrying amount</b>					
<b>December 31, 2012</b>	<b>659,068,535</b>	<b>673,263,449</b>	<b>724,658,143</b>	<b>582,798,543</b>	<b>2,639,788,670</b>

The infrastructure projects completed in 2013 include:

	<b>Amount</b>
Improvement of CAAP Canteen	4,375,503
Relocation of Receiver Station at Tagaytay	7,094,270
Improvement of Aerodrome Development Management Services Office	3,179,951
Relocation of Transmitter Station at Tagaytay Radar Facility	6,155,312
Tuguegarao Airport Dev't. Project – Widening of Runway	9,807,733
Asphalt overlay/repair of runway at Lubang Airport	34,391,202
Improvement of runway project at Plaridel Airport	9,764,377
Concreting of apron & 2 taxiways at San Jose, Palawan	30,206,290
Concreting of runway extension at Marinduque Airport	3,530,908
Completion of passenger terminal bldg. at Masbate Airport	14,586,579
Repair/upgrading of runway at Legazpi Airport	19,580,358
Asphalt overlay of runway at Dumaguete Airport	48,880,127
Expansion/concreting of apron at Dumaguete Airport	24,403,824
Purchased/installation of runway threshold identification lights at CDO	689,847
	<b>216,646,281</b>

## 9. DEFERRED ASSETS

This consists of:

	<b>2013</b>	<b>2012</b>
Deferred Charges	<b>141,724,010</b>	129,348,174
Advances to Contractors	<b>26,705,612</b>	26,136,776
Deposit on Letters of Credit	<b>18,332,140</b>	18,332,140

	2013	2012
Prepaid Insurance	17,895,662	670,513
Other Prepaid Expenses	49,698,122	43,992,306
	<b>254,355,546</b>	<b>218,479,909</b>

- a. *Deferred Charges* pertains to the payment to the International Civil Aviation Organization (ICAO) for the Trust Fund Project (PH/95/01) to provide assistance to CAAP in implementing an extensive training program in the field of flight safety. The project is a five-year Trust Fund Agreement with ICAO. The corresponding expense accounts will be taken up upon submission by the ICAO of the details of disbursements.
- b. *Advances to Contractors* pertains to advances for mobilization funds of contractors.
- c. *Deposits on Letters of Credit* pertains to Letters of Credit opened to import various spare parts, equipment, and etc.
- d. *Other Prepaid Expenses* consists of unused office supplies, accountable forms, fuel, oil, lubricants, drugs and medicines.

## 10. OTHER ASSETS

This account consists of:

	2013	2012
Land Improvements	1,140,535,859	1,140,535,859
Land	1,119,585,100	1,119,585,100
Buildings	920,451,399	920,451,399
Office Equipment	266,406,325	266,406,325
Construction in Progress-Agency Assets	199,791,999	179,209,052
Due from Regional Offices	159,306,751	159,306,751
Communication Equipment	136,106,503	136,106,503
Due from National Government Agencies	109,619,420	109,619,420
Airport Equipment	99,385,690	99,385,690
Due from National Treasury	54,623,403	54,623,403
Other Current Assets	44,747,098	44,747,098
Advances to Officers and Employees	37,607,281	37,607,281
Cash in Bank-Local Currency, CA	34,587,532	34,756,639
IT Equipment & Software	11,680,589	19,662,589
Const. in Progress-Other Public Infra	131,414	17,785,024
Furniture & Fixtures	10,678,979	10,678,979
Deposits on Letters of Credit	9,741,461	9,741,461
Runways/Taxiways	4,027,000	4,027,000
Other assets-Unserviceable	2,667,278	2,671,828
Other assets-Area Centers	859,025,978	1,175,781,959
	<b>5,220,707,059</b>	<b>5,542,689,360</b>

The amount of P5,218,039,781 pertains to dormant, undocumented, non-moving and unidentified assets pending verification and the balance of P2,667,278 represents unserviceable assets awaiting final disposition which include Office Building, Office Equipment, Furniture and Fixtures, Firefighting Equipment and Accessories and Motor Vehicles. Amounts by location follow:

	<b>2013</b>	2012
Head Office	<b>4,361,681,081</b>	4,366,907,401
Area 1	<b>10,268,630</b>	313,011,066
Area 3	<b>5,371,326.42</b>	0
Area 5	<b>8,641</b>	7,200
Area 6	<b>87,189,295</b>	95,633,138
Area 8	<b>0</b>	19,419,790
Area 9	<b>52,935,391</b>	52,935,391
Area 10	<b>2,911,198</b>	1,464,921
Area 11	<b>693,310,453</b>	693,310,453
Area 12	<b>7,031,043</b>	0
	<b>5,220,707,059</b>	5,542,689,360

## **11. ACCOUNTS PAYABLE**

The account refers to unpaid obligations as of year-end, details follow:

	<b>2013</b>	2012
Head Office	<b>96,696,812</b>	77,666,573
Area 1	<b>2,984,058</b>	2,771,111
Area 2	<b>110,549</b>	0
Area 3	<b>739,110</b>	18,783
Area 4	<b>8,669,322</b>	3,804,868
Area 5	<b>5,616,118</b>	8,660,232
Area 6	<b>874,164</b>	4,418,510
Area 7	<b>218,631</b>	218,631
Area 8	<b>978,436</b>	1,028,770
Area 9	<b>825,470</b>	0
Area 10	<b>0</b>	5,505,386
Area 11	<b>31,704,307</b>	26,750,102
	<b>149,416,977</b>	130,842,966

## **12. DUE TO OFFICERS AND EMPLOYEES**

The account refers to the amount due to officers and employees of the agency.

	<b>2013</b>	2012
Head Office	<b>197,439,440</b>	223,932,933

	2013	2012
Area 1	4,096,014	6,952,653
Area 3	3,673,322	22,863,606
Area 4	16,701,991	16,704,031
Area 5	996,306	2,660,544
Area 6	383,458	377,432
Area 7	630	0
Area 10	303,999	99,741
Area 11	43,194,496	37,208,989
	<b>266,789,656</b>	<b>310,799,929</b>

### 13. DUE TO OTHER GOVERNMENT AGENCIES

This account consists of:

	2013	2012
Due to National Treasury	2,041,457,588	2,041,458,488
Due to Other National Government Agencies	60,938,647	70,665,396
Due to Other Government Agencies	65,573,322	54,782,660
	<b>2,167,969,557</b>	<b>2,166,906,544</b>

a. *Due to National Treasury* balance as of December 31, 2013 pertains to the dividends declaration which represents 50% of net profit from 2008 to 2012 pursuant to RA 7656, An Act Requiring Government-Owned and Controlled Corporations to Declare Dividends under Certain Conditions to the National Government and for Other Purposes. Dividend computation follows:

	2012	2011	2010	2009	2008	Total
Audited Net Income After Tax but Before Subsidy	1,933,567,300	1,402,510,776	1,417,031,242	1,240,033,215	354,809,523	
Add: Allowance for Doubtful Accts.	22,450,239	(108,192,925)	9,237,626	218,190,732	1,559,945	
Forex Loss	125,487,953		72,787,123	164,903,293		
<b>Total</b>	<b>2,081,505,492</b>	<b>1,294,317,851</b>	<b>1,499,055,991</b>	<b>1,623,127,240</b>	<b>356,369,468</b>	
Less: Forex Gain	0	44,881,116	0	0	619,750	
<b>Dividends Base</b>	<b>2,081,505,492</b>	<b>1,249,436,735</b>	<b>1,499,055,991</b>	<b>1,623,127,240</b>	<b>355,749,718</b>	
Multiply by Dividend rate	50%	50%	50%	50%	50%	
<b>Dividends Declared</b>	<b>1,040,752,746</b>	<b>624,718,368</b>	<b>749,527,995</b>	<b>811,563,620</b>	<b>177,874,859</b>	<b>3,404,437,588</b>
Payments made			374,840,000	810,260,000	177,880,000	1,362,980,000
<b>Total Dividends Due</b>	<b>1,040,752,746</b>	<b>624,718,368</b>	<b>374,687,995</b>	<b>1,303,620</b>	<b>(5,141)</b>	<b>2,041,457,588</b>

b. *Due to Other National Government Agencies* pertains to the following:

	2013	2012
Prior years' Air Transportation Office (ATO) transactions transferred to CAAP Account	<b>51,399,606</b>	51,399,606

	2013	2012
Funds received from DOT for asphalt paving of runway shoulder at Kalibo Airport	<b>5,000,000</b>	5,000,000
Funds from DOTC for the salaries of employees assigned at the Cotabato Airport under ARMM.	<b>2,741,011</b>	2,741,011
Unremitted funds for Anti-Hijacking and Terrorism Campaign as of 12/31/13	<b>1,751,615</b>	11,506,039
Area Center transactions	<b>46,415</b>	18,740
	<b>60,938,647</b>	70,665,396

*c. Due to Other Government Agencies* consists of the following:

	2013	2012
Due to BIR	<b>40,315,857</b>	31,276,363
Due to GSIS	<b>21,844,565</b>	19,555,337
Due to Pag-IBIG	<b>2,449,022</b>	2,680,561
Due to PhilHealth	<b>948,226</b>	1,254,747
Due to LGUs	<b>15,652</b>	15,652
	<b>65,573,322</b>	54,782,660

#### **14. DUE TO REGIONAL OFFICES**

The account consists of P81.735 million worth of PE in Area Center – 10 Laguindingan intended to be transferred to the newly created Area Center 12 – Butuan pending submission of the subsidiary ledgers from the former accountant. While the balance of P58,474 are collections of accounts receivable by the Area Center 6.

#### **15. TRUST LIABILITIES**

The account consists of:

	2013	2012
Guaranty Deposits Payable	<b>33,602,489</b>	36,613,503
Performance/Bidders/Bail Bonds	<b>18,762,670</b>	15,416,559
	<b>52,365,159</b>	52,030,062

#### **16. DEFERRED LIABILITIES**

The account's balance of **P95,557,410** as of December 31, 2013 pertains to the Head Office's credit memos representing payments received through fund transfers from Airlines abroad for air navigation charges. The account is subject to verification/identification of payees to possibly close the account.



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## 17. GOVERNMENT EQUITY

This account pertains to the amount invested by the National Government in the form of net assets transferred from ATO and funds transferred/appropriated for the capitalization of CAAP from the National Treasury including any outlay from the infrastructure program of the National Government (see Note 1).

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## 18. RETAINED EARNINGS

This account pertains to the accumulated earnings (losses) starting July 2008 onwards when CAAP was established and became operational as a Government Owned and Controlled Corporation with fiscal autonomy.

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## 19. INCOME

This account consists of:

	2013	2012
Business Income	3,253,023,560	3,156,739,263
Service Income	1,603,075,037	1,369,692,422
Rent Income	86,264,020	69,753,837
Interest Income	52,563,075	67,824,685
Fines and Penalties	2,299,883	3,769,553
Miscellaneous Income	12,292,453	18,397,062
	<b>5,009,518,029</b>	<b>4,686,176,822</b>

a. *Business Income* pertains to operational charges, telecommunications charges, and other fees and charges for the use of aeronautical and air navigation facilities, as follows:

	2013	2012
Income from Communication Facilities	3,220,891,019	3,139,868,602
Other Business Income	31,687,373	16,518,149
Garbage Fees	445,168	352,512
	<b>3,253,023,560</b>	<b>3,156,739,263</b>

b. *Service Income* pertains to fees and charges for licenses, permits, certificates, landing and take-off/ terminal and other services. This consists of:

	2013	2012
Toll and Terminal Fees	1,140,786,660	909,714,380
Landing and Parking Fees	355,763,865	370,667,482
Other Service Income	61,706,031	47,237,147
Other Permits and Licenses	11,640,000	16,530,000

	<b>2013</b>	2012
Clearance & Certification Fees	<b>9,923,353</b>	10,208,525
Franchising and Licensing Fees	<b>11,841,544</b>	7,274,921
Comprehensive Examination Fees	<b>5,775,566</b>	4,738,325
Medical, Dental & Laboratories Fees	<b>2,636,670</b>	2,466,400
Inspection Fees	<b>2,456,328</b>	798,741
Permit Fees	<b>545,020</b>	56,500
	<b>1,603,075,037</b>	1,369,692,422

c. *Rent Income* pertains to rental of land and floor areas within the vicinity of CAAP.

d. *Interest Income* pertains to interest earned for savings and current account for both peso and dollar deposits.

e. *Fines and Penalties* pertains to the charges for delinquent account at the interest rate of 1% compounded monthly from receipt of a demand letter.

f. *Miscellaneous Income* pertains to income not falling under any of the following specific income account as enumerated above. This consists of:

The account consists of the following:

	<b>2013</b>	2012
Miscellaneous Income	<b>10,346,107</b>	18,093,943
Miscellaneous Income-Service	<b>1,946,346</b>	303,119
	<b>12,292,453</b>	18,397,062

## **20. SALARIES AND WAGES**

The account consists of the following:

	<b>2013</b>	2012
Salaries and Wages - Regular Pay	<b>730,077,114</b>	556,536,239
Salaries and Wages - Casual	<b>102,899,194</b>	116,519,478
Salaries and Wages - Contractual	<b>21,308,547</b>	17,214,633
	<b>854,284,855</b>	690,270,350

## **21. PERSONNEL BENEFITS CONTRIBUTION**

The account consists of the following:

	<b>2013</b>	2012
Life and Retirement Insurance Contributions	<b>92,410,586</b>	72,325,346
PhilHealth Contributions	<b>7,916,800</b>	6,593,177
Pag-IBIG Contributions	<b>3,075,924</b>	3,765,335
ECC Contributions	<b>2,841,735</b>	3,092,758
	<b>106,245,045</b>	85,776,616

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## 22. OTHER COMPENSATION

The account consists of the following:

	2013	2012
Overtime and Night Pay	133,672,849	111,392,083
Year-End Bonus	67,513,505	60,928,244
Personnel Economic Relief Allowance	56,076,651	53,557,468
Other Bonuses and Allowances	26,920,096	20,983,094
Cash Gift	14,099,677	17,775,940
Hazard Pay	28,697,622	16,774,328
Clothing / Uniform Allowance	13,160,626	12,836,000
Productivity Incentive Allowance	5,317,500	5,649,833
Representation Allowance	7,749,675	4,971,350
Transportation Allowance	7,187,303	4,689,780
Additional Compensation	1,017,959	3,108,989
Honoraria	665,219	946,510
Subsistence, Laundry and Quarter Allowance	174,400	205,450
Longevity Pay	0	4,678
	<b>362,253,082</b>	<b>313,823,747</b>

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## 23. OTHER PERSONNEL BENEFITS

The account consists of the following:

	2013	2012
Technical Incentive Allowance	93,212,097	133,161,423
Terminal Leave Benefits	29,870,335	105,132,954
Retirement Benefits - Civilian	0	24,440,405
	<b>123,082,432</b>	<b>262,734,782</b>

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## 24. PROFESSIONAL SERVICES

The account consists of the following:

	2013	2012
General Services	193,702,813	130,433,450
Security Services	121,259,812	90,009,728
Janitorial Services	60,882,326	43,267,610
Consultancy Services	58,646,019	13,631,313
Auditing Services	14,433,132	7,325,560
Legal Services	189,424	27,874
Other Professional Services	103,044,201	135,615,886
	<b>552,157,727</b>	<b>420,311,421</b>

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**25. UTILITIES**

The account consists of the following:

	2013	2012
Electricity Expenses	259,037,705	226,443,273
Water Expenses	23,580,232	14,005,289
	<b>282,617,937</b>	<b>240,448,562</b>

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**26. REPAIRS AND MAINTENANCE**

The account consists of the following:

	2013	2012
Repairs & Maintenance - Other Machineries & Equipment	39,794,591	24,163,717
Repairs & Maintenance - Other Structures	20,340,445	24,611,795
Repairs & Maintenance - Runways / Taxiways	18,197,632	26,602,606
Repairs & Maintenance - Office Buildings	14,029,695	18,124,440
Repairs & Maintenance - Airport Equipment	11,537,362	18,379,627
Repairs & Maintenance - Land Improvements	7,003,968	5,545,896
Repairs & Maintenance - Motor Vehicles	4,335,880	4,589,363
Repairs & Maintenance - Office Equipment	3,321,359	6,083,220
Repairs & Maintenance - Other Property & Equipment	3,217,885	9,380,507
Repairs & Maintenance - Firefighting Equipment & Accessories	947,734	857,720
Repairs & Maintenance - Communication Equipment	682,754	358,563
Repairs & Maintenance - Aircraft & Aircraft Ground Equipment	385,265	12,350
	<b>123,794,570</b>	<b>138,709,805</b>

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**27. SUPPLIES AND MATERIALS**

The account consists of the following:

	2013	2012
Gasoline, Oil and Lubricants	46,891,994	45,915,637
Office Supplies	33,800,352	28,351,310
Accountable Forms	9,237,695	6,883,983
Drugs and Medicines	315,977	77,070
Other Supplies and Materials	37,328,629	28,082,089
	<b>127,574,647</b>	<b>109,310,089</b>

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## 28. COMMUNICATION

The account consists of the following:

	2013	2012
Cable, Satellite, Telegraph and Radio	43,433,118	44,086,963
Telephone - Landline	11,726,223	10,484,270
Internet	4,708,684	4,263,883
Telephone - Mobile	2,056,075	1,842,559
Postage and Deliveries	1,919,181	1,729,342
	<b>63,843,281</b>	<b>62,407,017</b>

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## 29. TRAVELING

The account consists of the following:

	2013	2012
Traveling - Local	40,404,136	33,528,864
Traveling - Foreign	8,108,274	8,055,930
	<b>48,512,410</b>	<b>41,584,794</b>

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## 30. PRINTING AND BINDING

The balance of P885,435 pertains to the cost of printing of parking tickets and daily monitoring report for aircraft operations forms. The significant decrease in this expense was attributed to the cost of publication of various manuals in the Official Gazette in CY 2012.

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## 31. INTELLIGENCE, EXTRAORDINARY AND MISCELLANEOUS EXPENSE

The account consists of the following:

	2013	2012
Miscellaneous Expenses	417,169	4,389,812
Extraordinary Expenses	95,684	91,706
	<b>512,853</b>	<b>4,481,518</b>

The significant decrease in the amount was due to the recording in calendar year 2013 of ICAO transactions to the Consultancy Services account in compliance to the calendar year 2012 COA recommendation.

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**32. GAIN (LOSS) ON FOREIGN EXCHANGE**

This account pertains to the amount of gain or loss in the conversion of foreign currencies in accordance with the par. 23 of PAS 21.