

## 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 a 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 50 per cent 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***

#### **Sustaining Stature**

Dedication and persistence were the hallmarks of achievement that enabled CAAP to regain its stature as a credible Civil Aviation Authority (CAA) in the international civil aviation community. Amid the challenges that tested its resiliency and capacity as the regulator of civil aviation of the country, it demonstrated its tenacity by removing constrictive sanctions that hobbled the growth and development of Philippine civil aviation. The perceptible vibrancy experienced by the civil aviation sector as a result is palpable in the robust increase of its key indicators that herald positive outcomes.

Fairness, Integrity, Accountability and Transparency (FIAT) are the corporate values that define its interaction with both domestic and global stakeholders in discharging its mandate as the regulator of Philippine civil aviation “to provide safe and efficient air transport and regulatory services in the Philippines” (Chapter 1, Section 2. Declaration of Policy) as stipulated in its enabling law Republic Act No. 9497 for the welfare and benefit of air travelers. These values are instilled across the organization through institutional

strengthening exemplified by the reforms undertaken to ensure the responsiveness of CAAP to the needs of its constituencies.

Compliance to international aviation safety standards embodies its fidelity to its Vision of being a pre-eminent CAA in the world and a global brand of excellence in civil aviation and its commitment to its Mission of ensuring safe, secure and green Philippine skies. It is also one of the vital foundations of CAAP's Twin Pillars of Regulatory Framework.

Upholding the standing of the Philippines as a sovereign state in the community of nations is affirmed as a fundamental tenet of CAAP by adhering to its Principles of "Sovereignty indivisible with National Security" and "Reciprocity indivisible with Parity". It is also the confirmation of its role as administrator and guardian of the airspace of the country or the Philippine Flight Information Region (FIR).

Espousing its unwavering belief in the innate talents of the Filipino, CAAP is broadening its reach to attract young and fresh recruits to join the aviation sector. Its emphasis on evolving the next generation of Aviation Professionals who are products of globally-accredited training courses with skills and competence that are internationally recognized underlie its aspiration that "Yes, The Filipino Can". With the tremendous linkages that can be created by these opportunities for the country and the Filipino people, CAAP's Dream that "The Future is in the Sky" shall have been given full meaning.

To ensure that it remains on track in attaining its goals, CAAP has formulated a Strategic Roadmap to marshal the collective efforts of the organization through the accomplishment of the Programs for Sustainability of its Operating Units. Invigorated by the reforms designated to create synergy, CAAP is poised to sustain its momentum towards greater heights of excellence and achievement.

## **Strategy**

After regaining its stature from various safety concerns in 2013, CAAP faced the most challenging stage of development "Sustainability". The results of the series of meetings held by the Director General with the CAAP Management Team, which by his intent and guidance, has defined the CAAP Thrusts for 2015 consistent with the objectives of CAAP Flight Plan 2020.

### **Strengthening RA 9497**

CAAP is proposing amendments to its enabling law to enhance its capability and flexibility to discharge its regulatory mandate based on its twin pillars of aviation safety and good corporate governance. It also aims to capitalize on its fiscal autonomy to enable it to be responsive to the needs of its stakeholders and of the Philippine civil aviation as a whole. It also aims to enhance its legislative and judicial powers as mandated by law. It further pursues its institutional strengthening initiatives particularly the restructuring of its organization to make it attuned to the needs of its constituents in the civil aviation sector.

## **Enhancing regulatory compliance**

The strategic geographical location of the Philippines at the crossroads of the major sea lanes in Southeast Asia makes it an ideal hub of trade, commerce and tourism as well as a key transit point of migration. Its archipelagic topography has the unique value as a corridor of transportation and communication in promoting peace and tranquility as well as a platform of protection and defense in times of distress and conflict in the region. These circumstances definitively uphold the primacy of air travel as the most prolific mode of transport connectivity of the country.

The exigency of regulatory oversight on aviation has been apparent from its infantile years in the Philippines. Since the first office to regulate commercial and private aviation in the Philippines was created on November 20, 1931, the role of regulating civil aviation has evolved through grueling stages of change from the stresses of birth to the anxieties of maturity and to the challenges of sustainability. The irreversible surge of technology from the post-World War 2 period to the 21<sup>st</sup> century accentuates an indisputable relevance of its role as a catalyst of economic growth and national development of the country.

The remarkable rise in the volume of both passenger and cargo traffic and the increased density of flights in recent years buoyed by the inexorable developments in technology has revolutionized the role of aviation affirming the primacy of air connectivity. The consequent burgeoning in the number of airline companies particularly with the emergence of Low Cost Carriers (LCCs) has placed a stress on all aspects of aviation such as air traffic and navigation services as well as aerodromes. The demand for aviation professionals across the spectrum from pilots to ground crews has strained the supply of manpower to the limit. With this development comes the imperative of compliance to high aviation safety standards, one of the pillars of the regulatory framework, which CAAP exemplifies by its adherence to the Annexes and Standards and Recommended Civil Aviation Organization (ICAO), the sole regulator of global civil aviation.

The Corporate Values enunciated by CAAP which are Fairness, Integrity, Accountability and Transparency (FIAT) embody the essence of the other pillar which is defined by Good Corporate Governance. CAAP seeks the inclusiveness of its stakeholders to practice these tenets to effect a mutually engaging and beneficial outcome. It is equally unwavering in its intent and commitment to apply the same metrics on the performance of its personnel to ensure a rewarding and productive convergence of regulation and enforcement. Guided by its enabling law, Republic Act No. 9497 enacted on March 4, 2008, CAAP remains steadfast in discharging its covenant with the Filipino people as the regulator of Philippine civil Aviation.

The proposed amendments, as approved by the CAAP management, have been presented to its Board in its 41st Meeting held on April 23, 2015 and is now undergoing review by referendum among the members.

## **Focusing on education and training**

CAAP aims to pursue a pro-active program of recruitment of aviation professionals based on the ICAO prescription of "fresh, young and competent" recruits. To this end, CAAP has formed a Task Force on Education and Training which had created an

integrative course to produce a well-informed recruit with a broad orientation on civil aviation yet with the facility for specialization in any particular aspect of civil aviation. This course, called the "Civil Aviation Officer Candidate (CAOC) Scholarship Program, will qualify potential recruits based on a rigid validation process and a strict course regimen within an inclusive period of one year.

CAAP also seeks to recruit from a broad spectrum of professional sectors to open up Philippine civil aviation to other disciplines enriching its content and broadening its function creating a synergy with its technical segment. An Aviation Job Fair to be held in 2016 has been planned for this purpose.

### **Engaging the stakeholders**

Recognizing the need for an inclusive regulatory management, CAAP has launched its "Engaging the Stakeholders" Program seeking to initiate a sustained interaction with its stakeholders to include their issues and concerns in its rule-making process to evolve informed regulatory segments addressing these concerns in the Philippine Civil Aviation Regulation (PCAR). CAAP has five stakeholder groups namely, commercial airlines (AOCs), general aviation, maintenance organizations, aviation schools and the aerospace industries. CAAP has already held fora for the aviation schools, maintenance organizations and aerospace from November 2014 until April 2015. The fora for the general aviation and AOCs is targeted for the 1st semester of 2015.

### **Broadening the scope of MIS**

This key thrust of CAAP Flight Plan 2020 seeks to rationalize the purpose and use of its information management function for both technical and management decision-making purposes. It is being developed to be a platform for data sourcing and storage in various applications to support the regulatory management framework of CAAP and its engagement of its stakeholders through the use of social media. Information dissemination through the CAAP website is a focal activity in this effort.

### **Re-orienting aerodromes**

Pursuant to the Philippines Transport Strategic Study and Civil Aviation Master Plan in 1992, the need to revise the airport classification was determined in the "Study on the Strategy for the Improvement of National Airports in the Philippines" by the Japan International Cooperation Agency (JICA). The following reclassification of national airports is hereby adopted:

International Airports	: Airports with border control facility used for international flights.
Principal Airports	: Airport used for domestic scheduled flights (or domestic airports served by carriers certified under AO No. 121)
Principal Class I	: Airports used for Jet services (Jet aircraft including B737, A320, DC9 or greater, which has equal to or more than 100-seat capacity)
Principal Class II	: Airports used for the Prop services (Prop aircraft or jet aircraft smaller than those indicated in Class I which has equal to or more than 19-seat capacity)
Community Airport	: Airports used for General Aviation aircraft.

With this development, the Corporate Planning's Business Development Division identifies its mission for 2015 which is to forge a visionary, long-term strategy that will introduce new markets, identify business opportunities for operational and non-operational airports, and deliver air line capacity in line with demand.

We mean business. Our country's iconic and blooming economy ensure the flourishing business of our national airports. The Philippines boasts of a very luscious tourism haven and a fast growing financial market of its rich natural resources, local product manufacturing and services. In turn, aerodromes will be promoting jobs in freight and tourism for their respective locality.

### **Capitalizing ASAM & Building International Cooperation**

With the onset of the integration of the ASEAN Economic Community (AEC) in 2015, the imperatives of rationalization and harmonization are paramount in the agenda of ensuring its smooth and effective implementation among Member States (MSs) of ASEAN. Crucial to the success of this transformative development is the coordination and cooperation of the MSs to work as a collective body within the ambit of their respective national interests. Among the key sectors that will play a vital role in this remarkable phenomenon is transportation, particularly, air travel. The uptrend in passenger traffic and cargo volume, evidenced by thick flight densities across all air routes in the Southeast Asian region, underlie the tremendous potential for growth and expansion of the civil aviation sector among the ASEAN MSs.

Cognizant of this prospect, the European Union (EU) funded and launched the ASEAN Air transport Integration Project (AATIP), which started in December 2012 and will end in December 2016. With the European Union (EU) as the template for evolving the ASAM, the project aims to "facilitate the development of the institutional frameworks to strengthen institutional capacities within ASEAN with a view to support the achievement of a safe, secure, and sustainable ASAM based on high regulatory standards" consistent with the Annexes and Standards and Recommended Practices (SARPs) promulgated by the International Civil Aviation Organization (ICAO), the sole regulator of global civil Aviation.

CAAP is an active participant and contributor in this effort to enable the Philippines, as a sovereign MS of ASEAN, to reap the full benefits and explore the immense opportunities from this unfolding event. Through the iterative workshops in the four themes of this project – namely, Aviation Safety, Air Traffic Management, Economics and Market Laws and Communication, and Awareness–Raising–CAAP has acquired significant exposure into the rudiments of a Single Aviation Market.

In terms of market liberalization, it subscribes to the full 5<sup>th</sup> Freedom of the Air Right. In aviation safety, it supports the alignment of regulatory capability and common safety standards; the mutual recognition of certificates, approvals and licenses; and regulatory convergence and harmonization process. In air traffic management, it contributes in harmonization of airspace procedures; cross-border, air traffic flow management-enabling technologies/CNS systems and regional ATM initiatives; integration of aerodromes in the ATM network; and the establishment of the ASEAN Network Collaborative Framework. The sustained interaction and engagement of stakeholders in the civil aviation sector is the objective of the project's communication and awareness-raising theme.

With the operational and cost efficiencies that ASAM is expected to create, CAAP is optimistic that this development can provide value to the viability of its stakeholders, as well as sustainability to its regulatory management. Beyond the synergies in technology and procedures, CAAP aims to use ASAM as the platform to launch many successful careers in aviation by evolving its Next Generation of Aviation Professionals (NGAP), through global and regional education and training cooperation, as its ultimate contribution to international civil aviation.

### **Synergizing civil-military aviation**

This key thrust of CAAP Flight Plan 2020 emphasizes the need for the sharing of resources and facilities primarily in managing and defending the Philippine Flight Information Region (FIR) for civil and military aviation purposes and for national security concerns as well. It seeks to provide an avenue for coordination and cooperation between CAAP and the Armed Forces of the Philippines (AFP), the Philippine Air Force (PAF) in general, in the full aspect of aviation. It also affords a huge multiplier effect if the CAAP becomes an Affiliated Unit of the AFP with the latter providing adequate military training and orientation to CAAP personnel to enhance their readiness to respond to emergencies in its managed-airports and humanitarian assistance and disaster response (HADR).

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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 at 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 or loss.

### 3. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2014	2013
Cash in Bank-Local Currency, Time Deposit	4,242,218,583	3,017,760,312
Cash in Bank-Local Currency, Current Account	1,589,346,308	1,229,520,011
Cash in Bank-Local Currency, Savings Account	438,496,412	603,617,035
Cash in Bank-Foreign Currency Time Deposit	596,604,599	276,773,616
Cash in Bank-Foreign Currency, Savings Account	171,127,956	227,716,821
Cash-Collecting Officer	21,466,299	31,231,512
Cash-Disbursing Officer	51,718	1,001,519
Petty Cash Fund	1,107,051	1,430,320
Payroll Fund	243,887	691,580
	<b>7,060,662,813</b>	<b>5,389,742,726</b>

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

### 4. RECEIVABLES

This account consists of:

	2014	2013
Accounts Receivable	8,895,012,263	7,799,270,677
Less: Allowance for Doubtful Accounts	437,953,905	390,001,196
Net Accounts Receivable	8,457,058,358	7,409,269,481
Due from Regional Offices	76,652,094	81,528,360
Due from Nat'l Gov't Agencies	86,945,193	65,001,448
Due from LGUs	42,614,451	42,586,413
Receivables-Disallowances / Charges	30,116,704	29,674,819
Interest Receivable	6,215,536	5,111,500
Due from National Treasury	4,191,382	4,191,382
Due from GOCCs	261,067	261,067
Due from Officers and Employees	0	7,010
Other Receivables	13,857,737	11,663,604
	<b>8,717,912,522</b>	<b>7,649,295,084</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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## 5. INVENTORIES

It was agreed during the Accountants' Conference that Other Prepaid Expenses account will be used in recording inventories for CY 2014 and onwards in compliance with Philippine Accounting Standards (PAS) 2 – Inventories paragraph 6(a).

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## 6. 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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## 7. PROPERTY AND EQUIPMENT

This account consists of the following:

	Land and Land Improvements	Building and Other Structures	Furniture and Equipment	Construction in Progress	TOTAL
Cost:					
At January 1, 2014	1,963,603,350	1,619,086,583	1,668,582,795	496,187,678	5,747,460,406
Additions	205,815,891	158,499,892	478,997,801	290,957,998	1,134,271,582
Disposals/Reclassification	0	0	(1,096,370)	(207,846,126)	(208,942,496)
Adjustments	(50,915,736)	(6,411,257)	(18,347,257)	6,379,904	(69,294,346)
<b>At December 31, 2014</b>	<b>2,118,503,505</b>	<b>1,771,175,218</b>	<b>2,128,136,969</b>	<b>585,679,454</b>	<b>6,603,495,146</b>
Accumulated depreciation					
At January 1, 2014	907,339,224	858,518,438	1,014,262,531	0	2,780,120,193
Additions	31,655,868	47,800,190	274,154,654	0	353,610,712

	Land and Land Improvements	Building and Other Structures	Furniture and Equipment	Construction in Progress	TOTAL
Disposals/Reclassification	0	0	(970,614)	0	(970,614)
Adjustments	(4,629,627)	26,187,444	(31,601,473)	0	(10,043,656)
<b>At December 31, 2014</b>	<b>934,365,465</b>	<b>932,506,072</b>	<b>1,255,845,098</b>	<b>0</b>	<b>3,122,716,635</b>
<b>Net carrying amount</b>					
<b>December 31, 2014</b>	<b>1,184,138,040</b>	<b>838,669,146</b>	<b>872,291,871</b>	<b>585,679,454</b>	<b>3,480,778,511</b>
December 31, 2013					
Cost	1,963,603,350	1,619,086,583	1,668,582,795	496,187,678	5,747,460,406
Accumulated Depreciation/ Adjustment	907,339,224	858,518,438	1,014,262,531	0	2,780,120,193
<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>

The infrastructure projects completed in 2014 include:

	Amount
Development of Casiguran Airport	138,479,347
Concreting of apron and taxiway at Romblon Airport	31,644,966
Construction of 5,000 gals. reinforced concrete water tank and pump house at San Jose Airport	1,920,813
Construction of perimeter fence at General Santos Airport	35,801,000
	<b>207,846,126</b>

## 8. DEFERRED ASSETS

This consists of:

	2014	2013
Deferred Charges	<b>103,490,607</b>	141,724,010
Advances to Contractors	<b>163,628,900</b>	26,705,612
Deposit on Letters of Credit	<b>18,332,140</b>	18,332,140
Prepaid Insurance	<b>0</b>	17,895,662
Other Prepaid Expenses	<b>50,367,062</b>	49,698,122
	<b>335,818,709</b>	254,355,546

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* pertain 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.

## 9. OTHER ASSETS

This account consists of:

	2014	2013
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	199,791,999
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	34,587,532
IT Equipment & Software	11,680,589	11,680,589
Const. in Progress-Other Public Infra	131,414	131,414
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	2,667,278
Other assets-Area Centers	223,317,962	859,025,978
	<b>4,584,999,043</b>	<b>5,220,707,059</b>

The amount of P4,582,331,765 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:

	2014	2013
Head Office	4,361,681,081	4,361,681,081
Area 1	64,067,156	10,268,630
Area 3	5,371,326	5,371,326
Area 5	14,655	8,641
Area 6	87,742,906	87,189,295

	<b>2014</b>	2013
Area 9	<b>56,023,579</b>	52,935,391
Area 10	<b>2,911,198</b>	2,911,198
Area 11	<b>94,600</b>	693,310,453
Area 12	<b>7,092,542</b>	7,031,043
	<b>4,584,999,043</b>	5,220,707,058

## **10. ACCOUNTS PAYABLE**

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

	<b>2014</b>	2013
Head Office	<b>234,292,391</b>	96,696,812
Area 1	<b>4,957,016</b>	2,984,058
Area 2	<b>261,331</b>	110,549
Area 3	<b>1,151,917</b>	739,110
Area 4	<b>20,358,441</b>	8,669,322
Area 5	<b>6,148,418</b>	5,616,118
Area 6	<b>25,543,786</b>	874,164
Area 7	<b>2,338,479</b>	218,631
Area 8	<b>1,645,590</b>	978,436
Area 9	<b>825,470</b>	825,470
Area 10	<b>0</b>	0
Area 11	<b>44,505,847</b>	31,704,307
Area 12	<b>53,788</b>	0
	<b>342,082,474</b>	149,416,977

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

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

	<b>2014</b>	2013
Head Office	<b>181,609,172</b>	197,439,440
Area 1	<b>4,876,941</b>	4,096,014
Area 2	<b>1,096,378</b>	0
Area 3	<b>3,065,975</b>	3,673,322
Area 4	<b>15,352,111</b>	16,701,991
Area 5	<b>496,645</b>	996,306
Area 6	<b>386,658</b>	383,458
Area 7	<b>630</b>	630
Area 8	<b>83,611</b>	0
Area 9	<b>66,051,536</b>	0

	2014	2013
Area 10	303,000	303,999
Area 11	56,984,587	43,194,496
Area 12	23,621,199	0
	<b>353,928,443</b>	266,789,656

## 12. DUE TO OTHER GOVERNMENT AGENCIES

This account consists of:

	2014	2013
Due to National Treasury	2,041,457,588	2,041,457,588
Due to Other National Government Agencies	60,925,977	60,938,647
Due to Other Government Agencies	66,076,239	65,573,322
	<b>2,168,459,804</b>	2,167,969,557

- a. *Due to National Treasury* balance as of December 31, 2014 pertains to the dividends declaration which represents 50 per cent 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:

	2014	2013
Prior years' Air Transportation Office (ATO) transactions transferred to CAAP account	51,399,606	51,399,606
Funds received from DOT for asphalt paving of runway shoulder at Kalibo Airport	5,000,000	5,000,000
Funds from DOTC for the salaries of employees assigned at the Cotabato Airport under ARMM.	2,741,011	2,741,011

	2014	2013
Unremitted funds for Anti-Hijacking and Terrorism Campaign as of 12/31/14	1,751,615	1,751,615
Area Center transactions	33,745	46,415
	<b>60,925,977</b>	60,938,647

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

	2014	2013
Due to BIR	39,873,756	40,315,857
Due to GSIS	22,634,101	21,844,565
Due to Pag-IBIG	2,860,943	2,449,022
Due to PhilHealth	691,788	948,226
Due to LGUs	15,651	15,652
	<b>66,076,239</b>	65,573,322

### 13. DUE TO REGIONAL OFFICES

The account consists of P81.735 million worth of PPE 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.

### 14. TRUST LIABILITIES

The account consists of:

	2014	2013
Guaranty Deposits Payable	49,893,604	33,602,489
Performance/Bidders/Bail Bonds	24,701,907	18,762,670
	<b>74,595,511</b>	52,365,159

### 15. DEFERRED LIABILITIES

The account's balance of P98,954,244 as of December 31, 2014 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.

### 16. 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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## 17. 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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## 18. INCOME

This account consists of:

	2014	2013
Business Income	<b>3,473,176,157</b>	3,253,023,560
Service Income	<b>1,942,422,551</b>	1,603,075,037
Rent Income	<b>101,028,334</b>	86,264,020
Interest Income	<b>56,258,653</b>	52,563,075
Fines and Penalties	<b>8,423,365</b>	2,299,883
Miscellaneous Income	<b>156,633,457</b>	12,292,454
	<b>5,737,942,517</b>	5,009,518,029

- 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:

	2014	2013
Income from Communication Facilities	<b>3,428,323,590</b>	3,220,891,019
Other Business Income	<b>44,355,075</b>	31,687,373
Garbage Fees	<b>497,492</b>	445,168
	<b>3,473,176,157</b>	3,253,023,560

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

	2014	2013
Toll and Terminal Fees	<b>1,459,851,418</b>	1,140,786,660
Landing and Parking Fees	<b>361,487,169</b>	355,763,865
Other Service Income	<b>74,205,702</b>	61,706,031
Franchising and Licensing Fees	<b>24,921,053</b>	11,841,544
Clearance & Certification Fees	<b>11,362,048</b>	9,923,353
Comprehensive Examination Fees	<b>6,323,615</b>	5,775,566
Medical, Dental & Laboratories Fees	<b>3,261,150</b>	2,636,670
Inspection Fees	<b>944,396</b>	2,456,328
Permit Fees	<b>66,000</b>	545,020
Other Permits and Licenses	<b>0</b>	11,640,000
	<b>1,942,422,551</b>	1,603,075,037

- 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 per cent 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.

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## 19. SALARIES AND WAGES

The account consists of the following:

	2014	2013
Salaries and Wages - Regular Pay	715,008,718	730,077,114
Salaries and Wages - Casual	58,224,806	102,899,194
Salaries and Wages - Contractual	0	21,308,547
	<b>773,233,524</b>	<b>854,284,855</b>

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## 20. PERSONNEL BENEFITS CONTRIBUTION

The account consists of the following:

	2014	2013
Life and Retirement Insurance Contributions	85,825,009	92,410,586
PhilHealth Contributions	6,868,569	7,916,800
Pag-IBIG Contributions	2,557,749	3,075,924
ECC Contributions	2,284,725	2,841,735
	<b>97,536,052</b>	<b>106,245,045</b>

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## 21. OTHER COMPENSATION

The account consists of the following:

	2014	2013
Overtime and Night Pay	126,048,717	133,672,849
Year-End Bonus	61,353,523	67,513,505
Personnel Economic Relief Allowance	46,107,436	56,076,651
Hazard Pay	34,647,586	28,697,622
Other Bonuses and Allowances	25,523,334	26,920,096
Clothing / Uniform Allowance	11,944,800	13,160,626
Cash Gift	10,457,845	14,099,677

	2014	2013
Representation Allowance	7,664,125	7,749,675
Transportation Allowance	7,057,079	7,187,303
Productivity Incentive Allowance	4,928,481	5,317,500
Additional Compensation	2,251,909	1,017,959
Honoraria	587,400	665,219
Subsistence, Laundry and Quarter Allowance	187,550	174,400
Longevity Pay	60,000	0
	<b>338,819,785</b>	<b>362,253,082</b>

## 22. OTHER PERSONNEL BENEFITS

The account consists of the following:

	2014	2013
Technical Incentive Allowance	133,058,761	93,212,097
Terminal Leave Benefits	77,858,360	29,870,335
Retirement Benefits - Civilian	893,623	0
	<b>211,810,744</b>	<b>123,082,432</b>

## 23. PROFESSIONAL SERVICES

The account consists of the following:

	2014	2013
General Services	260,856,092	193,702,813
Security Services	169,970,788	121,259,812
Janitorial Services	96,087,834	60,882,326
Consultancy Services	82,219,417	58,646,019
Auditing Services	15,093,444	14,433,132
Legal Services	48,687	189,424
Other Professional Services	159,941,448	103,044,201
	<b>784,217,710</b>	<b>552,157,727</b>

## 24. UTILITIES

The account consists of the following:

	2014	2013
Electricity Expenses	295,077,603	259,037,705
Water Expenses	17,702,425	23,580,232
	<b>312,780,028</b>	<b>282,617,937</b>

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## 25. REPAIRS AND MAINTENANCE

The account consists of the following:

	2014	2013
Repairs & Maintenance - Other Structures	32,888,862	20,340,445
Repairs & Maintenance - Other Machineries & Equipment	31,286,482	39,794,591
Repairs & Maintenance - Office Buildings	29,736,562	14,029,695
Repairs & Maintenance - Runways/Taxiways	28,979,019	18,197,632
Repairs & Maintenance - Airport Equipment	17,958,414	11,537,362
Repairs & Maintenance - Motor Vehicles	11,540,045	4,335,880
Repairs & Maintenance - Firefighting Equipment & Accessories	7,898,133	947,734
Repairs & Maintenance - Land Improvements	7,293,205	7,003,968
Repairs & Maintenance - Other Property & Equipment	4,690,146	3,217,885
Repairs & Maintenance - Office Equipment	2,447,533	3,321,359
Repairs & Maintenance - Aircraft & Aircraft Ground Equipment	1,217,567	385,265
Repairs & Maintenance - Communication Equipment	109,349	682,754
	<b>176,045,317</b>	<b>123,794,570</b>

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## 26. SUPPLIES AND MATERIALS

The account consists of the following:

	2014	2013
Gasoline, Oil and Lubricants	41,269,667	46,891,994
Office Supplies	34,098,168	33,800,352
Accountable Forms	10,080,587	9,237,695
Drugs and Medicines	659,990	315,977
Other Supplies and Materials	53,800,066	37,328,629
	<b>139,908,478</b>	<b>127,574,647</b>

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## 27. COMMUNICATION

The account consists of the following:

	2014	2013
Cable, Satellite, Telegraph and Radio	41,887,281	43,433,118
Telephone - Landline	9,414,356	11,726,223
Internet	4,869,970	4,708,684
Telephone - Mobile	1,911,056	2,056,075

	<b>2014</b>	2013
Postage and Deliveries	<b>2,405,730</b>	1,919,181
	<b>60,488,393</b>	63,843,281

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## 28. TRAVELING

The account consists of the following:

	<b>2014</b>	2013
Traveling - Local	<b>52,048,155</b>	40,404,136
Traveling - Foreign	<b>7,345,138</b>	8,108,274
	<b>59,393,293</b>	48,512,410

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## 29. PRINTING AND BINDING

The balance of P696,870 pertains to the cost of printing of parking tickets and daily monitoring report for aircraft operations forms.

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## 30. INTELLIGENCE, EXTRAORDINARY AND MISCELLANEOUS EXPENSE

The account consists of the following:

	<b>2014</b>	2013
Miscellaneous Expenses	<b>40,575</b>	417,169
Extraordinary Expenses	<b>0</b>	95,684
	<b>40,575</b>	512,853

The significant decrease in the amount was due to the recording in calendar year 2014 of all ICAO transactions to the Consultancy Services account.

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## 31. GAIN (LOSS) ON FOREIGN EXCHANGE

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

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## 32. INCOME FROM GRANTS AND DONATIONS

This account pertains to the donation of three aircraft units from the Department of Education, Culture and Sports.