

CIVIL AVIATION AUTHORITY OF THE PHILIPPINES
NOTES TO FINANCIAL STATEMENTS
(In Philippine Peso)

1. GENERAL INFORMATION

Agency Profile

The policy of the State is 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 aviation system, the promotion, development and regulation of the technical, operational, safety and aviation security functions under the civil aviation authority.

To implement the said policy, Republic Act (RA) No. 9497, or the Civil Aviation Authority Act of 2008, was enacted creating the Civil Aviation Authority of the Philippines (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.

Under the Transitory Provisions of RA 9497, Section 85, Chapter XII, the Air Transportation Office (ATO) was abolished. All the powers, duties and rights vested by law and exercised by the ATO were transferred to CAAP. 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, likewise, transferred to the Authority. 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 the Authority.

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 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 of 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 (8) members, as follows:

- Secretary of the Department of Transportation and Communications (DOTC) who 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 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 (4) years, which may be extended for another non-extendible term of four (4) years and shall only be removed for cause in accordance with the rules and regulations prescribed by the Civil Service Commission.

The DG has two (2) Deputy Director Generals. 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 Deputy Director General.

Mr. Abner B. Bondoc was named as CAAP’s first-ever CFO. His appointment was signed by His Excellency, President Benigno S. Aquino III last March 18, 2011.

The Authority consists of the Authority Proper, Support Staff and Service Groups which include the following: (a) Special Corporate Staff Group, (b) Technical and Executive Staff Group, (c) Aviation Operations Service Group, (d) Aviation Administrative Service Group, (e) Area Aerodrome Group, (f) Aircraft Accident Investigation and Inquiry Board and (g) Flight Standards and Inspectorate Service.

With the creation of the Civil Aviation Authority of the Philippines, a new Airport Clustering Scheme was adopted grouping the airports nationwide into ten (10) Area Centers, to wit:

Area Center	Location	No. of Satellite Airports
Area 1	Laoag	12
Area 2	Plaridel	15
Area 3	Puerto Princesa	4
Area 4	Legaspi	7
Area 5	Iloilo	6
Area 6	Mactan	6
Area 7	Tacloban	10

Area Center	Location	No. of Satellite Airports
Area 8	Pagadian	9
Area 9	Cagayan de Oro	9
Area 10	Davao	7

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, 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 No. 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).

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 General Appropriations Act and other acts in force upon the approval of RA 9497, 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 (6) months from the effectivity of RA 9497, 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 therefrom, 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.

CAAP: An Evolving Vision

When retired Philippine Air Force Major General Ruben Ciron was appointed as the first Director General (DG) of CAAP (albeit on an acting capacity) in July 2008, he set out to define a new organization with a renewed character by setting its vision: *"to be a world class Civil Aviation Authority committed to excellence and national development."*

In March 2009, DG Ciron was replaced by Alfonso Cusi - then serving as the long-time General Manager of the Manila International Airport Authority (MIAA) and in-charge of the country's main gateway, NAIA.

In January 2011, former Air Force Colonel and retired commercial pilot Ramon S. Gutierrez was appointed as permanent DG of CAAP, to serve an initial four-year term. DG Gutierrez carved out CAAP's new vision under an umbrella of core values from which the Civil Aviation Authority of the Philippines stands for: Commitment, Accountability, Adaptability, and Professionalism. The vision is as follows: *"to see the Civil Aviation Authority of the Philippines become an institution providing good service to its clientele that is better than the best provider in Southeast Asian region."*

Staffing

In almost three-year period, CAAP's efforts to complete its manpower requirements as called for by the new organization has met some difficulty, mainly through a failure to implement a transitional "slotting" of personnel from ATO existing plantilla position to CAAP approved plantilla. The Civil Service Commission (CSC) approved a set of Qualification Standards last March 8, 2010, but these standards were generally not compliant to International Civil Aviation Organization (ICAO) Standards and Recommended Practices, 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 Department of Budget and Management (DBM) last 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 prerogative to remove or replace unfit, unqualified or otherwise erring ATO holdover employees.

To remedy this situation, the Authority made representations with no less than the Office of President, precisely to define the appointing powers of the Director General which was not dealt with in a precise manner under 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 requirement for qualified technical personnel, the current CAAP management team was able to find a solution, for example, 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 sixty-five (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. They were then granted appointments under co-terminus status with the appointing authority. The CSC promulgated on March 1, 2011 Resolution No. 11-00299, Re: Exemption from the Compulsory Retirement Age of 65.

Strategy

In its initial strategic planning session, the CAAP Management came up with a broad six-point corporate strategy whose objectives are the following: **S**tabilizing financials; **C**onfiguring organizational structure; **O**rganizing corporate behavior; **R**eengineering business processes; **E**stablishing a technology based information system; and **S**ynergizing all these strategies for success – or **S-C-O-R-E-S** for short.

Under these objectives were the following four (4) most important goals for 2011, which CAAP pursued for the calendar year:

1. Address the critical issues with international implications:
 - a. Designate a senior level executive officer to oversee on a full time basis the implementation of the Corrective Action Plan. Deputy Director General for Administration, John R. Andrews, was designated Head of the Committee to prepare for the FAA, ICAO and European Aviation Safety Agency (EASA) audits.

- b. Engage the services of an independent audit team to conduct an internal safety oversight audit/gap analysis to determine CAAP's degree of compliance in addressing the Significant Safety Concerns (SSC). With the assistance of the Philippine Airlines (PAL), the services of Tim Neel & Associates (TNA) – a US-based aviation consultancy firm with experience in FAA safety compliance – was commissioned by CAAP to assist in its preparations leading up to the FAA re-audit scheduled for the second half of 2012.
2. Establish an information technology (IT) infrastructure based system:
 - a. Determine the framework for management information system software that should include: archive and library; transactional level for day-to-day operations of key functional activities; and reports that deal with relationship in terms of variances and exceptions. CAAP's Bids and Awards Committee (BAC) has already finalized the preparations for bidding out the Authority's Philippine Aviation Safety System-Information & Communication Technology (PASS-ICT) Project.
 - b. Engage information technology experts to build a well designed information system that will serve as a basis for management's decision making process and will provide internet-based technology necessary for operating, planning and controlling CAAP's businesses. The Office of CFO and the MIS Office are now in the late stages of evaluation for proponents of the different components of CAAP's ICT projects.
 3. Have CAAP organization fully manned by qualified technical personnel in accordance with ICAO Standards:
 - a. CAAP is in an ongoing dialogue with the DBM and the CSC to have its Organizational Structure, Staffing Pattern (OSSP), Salary Structure and Qualification Standards revised and harmonized. After extensive discussions with DBM, the latter has already remanded the matter of the former's OSSP to the newly-created Governance Commission for GOCCs (GCG). From here, the GCG shall be conducting consultations with CAAP as the former drafts a Compensation Position and Classification System (CPCS) which shall apply to all officers and employees of the GOCCs whether under the Salary Standardization Law or exempt therefrom and shall consist of classes of positions grouped into such categories as the GCG may determine, subject to the approval of the President.
 4. Request the President to grant plenary powers to the Director General (DG), viz:
 - a. Expressly delegating to the DG the power to appoint all CAAP personnel for subsequent confirmation by the Board; and
 - b. Expressly delegating to the DG the power to discipline all CAAP personnel.

In addition to these efforts, foremost among the concerns of Management were the financial statements of CAAP that, for the last ten years since the ATO days, have always had adverse opinions from the Commission on Audit (COA). In view of such, for the year ending 2010, the current CAAP administration disclaimed the financial statements.

Aside from fixing the financial statements, one of the overarching Strategic Objectives of Stabilizing Financials is the call for a renewed effort to improve operational efficiency and increase CAAP's cash position. The Office of the CFO pursued this in its area of operation by way of: Reconciliation, Collection, Reorganization and Computerization which is still ongoing.

For 2011, the Authority also started holding public hearings under the aegis of the Committee on Fees and Charges with the end view of updating the terminal fee rates at different CAAP-administered airports. Terminal fee collection, on average, represent from 15-20% of annual CAAP revenues, and such increases will therefore not only boost the cash position of the Authority, but more importantly, become the source of funds for airport improvement projects.

Approved Maintenance Organizations (MROs)

Fifty-eight (58) facilities have been granted certificates by CAAP as Approved Maintenance Organizations, or in industry parlance 'MRO' (Maintenance, Repair and Overhaul) facilities. Major MRO facilities, include Lufthansa Technik Philippines, SIAEC and AAA Dornier Technology Inc. located in the NAIA complex and Clark International Airport.

Approved Training Organizations (ATOs)

Pilot Schools and Maintenance Schools abound in the country. CAAP currently regulates sixty (60) Pilot Schools and thirty six (36) Maintenance Schools. Majority of these schools operate in Metro Manila, within the NAIA complex, while others operate within the vicinity of the Mactan-Cebu International Airport, and still others are dispersed throughout Luzon and Mindanao.

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 generally accepted state accounting principles in the Philippines.

Income and expenses are recognized when earned/incurred and are 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 operations 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 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 accounted for at cost using the moving average inventory method. Regular purchases are coursed through the inventory account and issuances thereof are recorded as they take place except those purchased out of the cash advances of the Special Disbursing Officers which are charged directly to the appropriate expense accounts.
- 2.5 Petty Cash Fund (PCF) is maintained under the imprest system. Replenishments/liquidations are charged to the appropriate expense accounts.
- 2.6 For assets under construction, all related expenses incurred during the construction are capitalized and charged to Construction in Progress (CIP) account. Upon completion of the construction, the balance of the 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 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% 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 agency.
- 2.9 Accounts were classified to conform to the new Chart of Accounts prescribed under the New Government Accounting System, which was implemented effective June 18, 2002 under COA circular No. 2002-02.
- 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 are also translated at 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 comprehensive income.

3. CASH AND CASH EQUIVALENTS

This account consists of:

		2010
Cash-Collecting Officers	14,132,728	6,881,572
Petty Cash Fund	1,015,537	536,956
Payroll Fund	39,068	79,150
Cash in Bank-Local Currency, Current Account	1,225,761,044	317,908,935
Cash in Bank-Local Currency, Savings Account	365,922,311	415,868,197
Cash in Bank-Foreign Currency, Savings Account	586,281,784	193,488,368
Cash in Bank-Local Currency, Time Deposit	2,339,932,461	1,801,693,349
Cash in Bank-Foreign Currency, Time Deposit	134,605,502	1,641,088,653
	4,667,690,435	4,377,545,180

The account *Cash-Collecting Officers* represents undeposited collections.

4. RECEIVABLES

This account consists of:

	2011	2010
Accounts Receivable	?)	
Less: Allowance for Doubtful Accounts)	
)	
Due from Regional Offices		
Due from Nat'l Gov't Agencies	7	
Due from LGUs)	
Receivables-Disallowances / Charges)	
Interest Receivable	?)	
Due from National Treasury	?)	
Due From GOCCs)	
Due from Officers and Employees	-	
Due from Operating Units)	
Other Receivables		

Accounts Receivable pertain to amounts due from customers for operating services rendered by the Head Office and the Area Centers. Amount by location follow:

	2011	2010
Head Office	4,505,690,857	3,646,934,078
Area 1	42,825,496	44,171,941
Area 2	97,660,434	95,791,507

	2011	2010
Area 3	54,036,797	42,161,036
Area 4	83,950,079	68,485,338
Area 5	630,516,599	560,213,650
Area 6	213,287,509	176,828,869
Area 7	127,661,011	109,521,845
Area 8	179,447,286	159,669,489
Area 9	217,912,234	195,591,986
Area 10	116,533,659	113,620,013
	6,269,521,961	5,212,989,752

Due to the regrouping of airport terminals/changes in Area Center codes, some of the collections of some receivables were not properly identified as to which Area Center they belong. CAAP Management is exerting extra effort to reconcile the balances of accounts receivable collected by Central Office pertaining to Area Centers account and vice-versa and upon identification, these will be forwarded to the concerned Area Centers so that they could record it at their respective books.

Due from Regional Offices account represents unliquidated fund transfers from Head Office to Area Centers and Satellite Airports.

Due from LGUs account pertains to fund transfers from the CAAP–Head Office and some Area Centers to the Provincial Government for land acquisition and construction in progress.

Receivables-Disallowances/Charges account pertains to audit disallowances/charges which have become final and executory.

Due from National Treasury pertains to collections of bidders bond and remuneration fees that were deposited with the National Treasury. These will be requested from DBM for refund.

5. ADVANCES TO OFFICERS AND EMPLOYEES

This account pertains to the balances of unliquidated cash advances by special disbursing officers and cash advances for local and foreign travels, and intelligence funds.

6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accu. Dep'n.	Net Book Value
Land	2,675,582,495	-	2,675,582,495
Land Improvements	3,803,108,336	539,451,840	3,263,656,496
Runways/Taxiways	770,434,841	508,960,081	261,474,760
	7,249,125,672	1,048,411,921	6,200,713,751
Other Structures	1,169,288,849	681,136,569	488,152,280

	Cost	Accu. Dep'n.	Net Book Value
Building	1,110,135,046	123,600,075	986,534,971
Electrification, Power & Energy Structures	4,173,345	2,349,889	1,823,456
	2,283,597,240	807,086,533	1,476,510,707
Firefighting Equipment & Accessories	449,961,348	368,263,356	81,697,992
Communication Equipment	275,975,727	102,090,692	173,885,035
Aircrafts and Aircraft Ground Equipment	41,890,089	1,646,947	40,243,142
Other Machineries and Equipment	36,992,804	24,417,513	12,575,291
Airport Equipment	471,734,052	222,079,113	249,654,939
Motor Vehicles	49,688,327	44,896,469	4,791,858
IT Equipment and Software	111,640,425	43,328,631	68,311,794
Furniture and Fixtures	14,354,928	4,603,124	9,751,804
Office Equipment	33,356,390	8,363,286	24,993,104
Medical, Dental and Laboratory Equipment	4,280,250	1,006,701	3,273,549
Technical and Scientific Machinery and Equipment	109,326	19,679	89,647
Other Property, Plant & Equipment	175,278	154,658	20,620
	1,490,158,944	820,870,169	669,288,775
Const. in Progress -Other Public Infra	824,528,026	-	824,528,026
Const. in Progress - Agency Assets	20,873,401	-	20,873,401
	845,401,427		845,401,427
December 31, 2011	11,868,283,283	2,676,368,623	9,191,914,660
December 31, 2010	4,417,900,601	2,125,955,798	2,291,944,803

The considerable net increase in the Property, Plant and Equipment (PPE) account was due to the recording in the books of Area Center 1 of the market value of land, land improvements and building based on the appraisal report prepared by the third party appraiser, Intech Appraisal, Inc., in the amount of P6.844 billion. However, the entry was reversed in 2012 pending clarification of some issues in the appraisal reports.

Likewise, the INFRA projects completed and other properties purchased in 2011 include:

	Amount
Establishment of FSIS Facility at Surigao Del Norte	8,023,434
Rehabilitation of Simple Approach Lighting System at Zamboanga International Airport	11,484,336
Installation of Sample Approach Lighting System, Extension of Runway Edge Light and Technical Lights at Along International Airport	21,453,036
	40,960,806

7. DEFERRED ASSETS

This account consists of:

	2011	2010
Deferred Charges	214,767,893	98,503,033
Advances to Contractors	19,248,884	3,294,980
Deposits on Letters of Credit	18,332,140	18,332,140
Prepaid Insurance	466,510	137,376
Other Prepaid Expenses	41,691,793	43,006,829
	294,507,220	163,274,358

Deferred Charges pertain to the payments 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.

Advances to Contractors pertain to advances for mobilization funds of contractors.

Deposits on Letters of Credit pertain to Letters of Credit opened in relation to the importation of various spare parts, equipment, etc.

Other Prepaid Expenses consist of unused office supplies, accountable forms, fuel, oil, lubricants, drugs and medicines.

8. OTHER ASSETS

This account consists of:

	2011	2010
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	179,209,052	180,727,193
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	34,756,639	34,756,639
Construction in Progress - Other Public Infrastructure	25,767,024	25,767,024
IT Equipment & Software	19,662,589	19,662,589

	2011	2010
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	2,671,828	2,671,828
Other Assets - Area Centers	1,104,078,605	1,034,241,057
	5,478,968,006	5,410,648,599

This account includes the value of unserviceable assets awaiting final disposition. In addition, this includes dormant, undocumented, non-moving and unidentified assets previously reclassified to this account pending verification. Amounts by location follow:

	2011	2010
Head Office	4,374,889,402	4,376,407,542
Area 1	313,011,066	313,011,066
Area 4	7,200	7,200
Area 5	91,323,223	89,056,515
Area 7	19,419,790	19,419,790
Area 8	52,935,391	52,935,392
Area 9	5,902,276	1,826,884
Area 10	621,479,658	557,984,210
	5,478,968,006	5,410,648,599

9. ACCOUNTS PAYABLE

The account refers to unpaid obligations as at year-end. Amount by location follow:

	2011	2010
Head Office	582,919,216	80,705,738
Area 1	7,237,628	-
Area 2	634,638	426,114
Area 3	112,431	130,115
Area 4	11,549,213	11,411,997
Area 5	6,894,674	16,133,887
Area 6	2,934,702	4,287,860
Area 7	2,658,235	2,658,235
Area 9	4,366,894	1,630,452
Area 10	24,004,982	10,434,516
	643,312,613	127,818,914

10. DUE TO OFFICERS AND EMPLOYEES

The account refers to the amount due to officers and employees of the agency pertaining to salaries, wages, overtime and night differential, as follows:

	2011	2010
Head Office	227,785,006	196,722,204

Area 2	19,333,876	24,767,966
Area 3	15,239,393	21,755,748
Area 4	1,655,635	31,412,075
Area 5	379,962	2,263,228
Area 6	-	60,272,399
Area 7	448,236	1,146,813
Area 8	-	892,583
Area 9	886,676	2,764,503
Area 10	31,358,185	1,652,101
	297,086,969	343,649,620

11. DUE TO OTHER GOVERNMENT AGENCIES

This account consists of:

	2011	2010
Due to National Treasury	2,152,404,285	555,493,114
Due to National Government Agencies	62,041,006	59,159,357
Due to Other Government Agencies	43,728,976	48,512,624
	2,258,174,267	663,165,095

Due to National Treasury balance as of December 31, 2011 pertains to the dividends due to the National Government which represent 50% of net income from 2008 to 2010 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:

	2010	2009	2008	Total Dividends Due
Audited Net Income After Tax but Before Subsidy	1,417,031,242	1,240,033,215	354,809,523	
Add: Allowance for DA	430,843,302	421,605,677	203,414,945	
Forex Loss	72,787,123	164,903,293	-	
Total	1,920,661,667	1,826,542,185	558,224,468	
Less: Forex Gain	-	-	619,750	
Dividend Base	1,920,661,667	1,826,542,185	557,604,718	
Dividend rate	50%	50%	50%	
Dividends Due	960,330,833	913,271,093	278,802,359	2,152,404,285

Due to National Government Agencies pertains to the following:

	2011	2010
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	2011	2010
Reclassification from Due to Central Office-DOTC to Due to NGAs	51,399,607	51,399,607
Funds 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	3,124,554	2,741,010
Unremitted funds for Anti-Hijacking and Terrorism Campaign as of 12/31/12	2,498,106	-
Area Center 10 transactions	18,740	18,740
	62,041,006	59,159,357

Due to Other Government Agencies consists of the following:

	2011	2010
Due to Bureau of Internal Revenue	28,343,757	30,592,576
Due to Government Service Insurance System	13,198,928	15,058,265
Due to Pag-IBIG	1,485,022	1,423,477
Due to PhilHealth	685,618	1,422,655
Due to Local Government Units	15,651	15,651
	43,728,976	48,512,624

12. DUE TO CENTRAL OFFICE

This account consists of fund transfers to Area Centers subject to liquidation, as follows:

	2011	2010
Area 1	600,000	600,000
Area 2	12,929,977	6,987,053
Area 3	1,676,000	-
Area 4	8,420,546	(30)
Area 5	84,848,282	55,132,973
Area 6	1,464,000	-
Area 7	17,956,188	-
Area 8	8,910,000	-
Area 9	24,948,496	-
Area 10	7,488,295	-
	169,241,784	62,719,996

13. TRUST LIABILITIES

The account consists of:

	2011	2010
Guaranty Deposits Payable	30,752,906	30,743,248
Performance/Bidders Bonds	14,048,321	9,934,834
	44,801,227	40,678,082

14. DEFERRED CREDITS

The account's balance of P15.557 million as of December 31, 2011 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.

15. 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). The significant increase in the account balance for the year was due to the recording in the Area Center 1 books of accounts of the market value of land, land improvements and building based on the appraisal report prepared by the independent appraiser, the Intech Appraisal, Inc. (see Note 6).

16. INCOME

This account consists of:

	2011	2010
Business Income	2,679,050,545	2,499,328,007
Service Income	1,214,250,034	1,033,236,430
Interest Income	80,908,191	68,006,930
Rent Income	69,222,124	61,248,684
Fines and Penalties	6,234,680	551,897
Miscellaneous Income	10,970,601	16,301,420
	4,060,636,175	3,678,673,368

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

	2011	2010
Income from Communication Facilities	2,650,101,517	2,484,858,196
Other Business Income	26,261,161	14,197,785
Garbage Fees	307,333	272,026
Fines and Penalties - Business	2,380,534	-

2,679,050,545 2,499,328,007

Service Income pertains to fees and charges for licenses, permits, certificates, landing and take-off/ terminal and other services as follows:

	2011	2010
Toll and Terminal Fees	821,147,012	693,516,688
Landing and Parking Fees	301,400,449	267,453,003
Other Service Income	47,569,027	38,476,845
Other Permits and Licenses	20,923,040	15,435,500
Franchising and Licensing Fees	6,995,580	7,237,745
Clearance & Certification Fees	7,411,104	5,821,699
Comprehensive Examination Fees	5,644,262	2,596,022
Medical, Dental & Laboratories Fees	2,615,020	2,540,463
Inspection Fees	544,540	158,465
	1,214,250,034	1,033,236,430

17. SALARIES AND WAGES

The account consists of the following:

	2011	2010
Salaries and Wages - Regular Pay	553,502,197	517,985,416
Salaries and Wages - Casual	93,241,167	85,142,651
Salaries and Wages - Contractual	12,200,311	15,273,863
	658,943,675	618,401,930

18. PERSONNEL BENEFITS CONTRIBUTION

The account consists of the following:

	2011	2010
Life and Retirement Insurance Contributions	74,284,603	69,040,239
PhilHealth Contributions	7,024,695	6,166,043
ECC Contributions	4,522,091	4,581,856
Pag-IBIG Contributions	5,412,942	4,204,252
	91,244,331	83,992,390

19. OTHER COMPENSATION

The account consists of the following:

	2011	2010
Overtime and Night Pay	87,796,098	76,614,382
Personnel Economic Relief Allowance	59,277,514	51,774,291
Year End Bonus	54,974,893	58,770,682
Hazard Pay	31,612,337	5,327,955
Other Bonuses and Allowances	15,891,922	23,239,287
Cash Gift	15,267,144	15,242,204
Clothing / Uniform Allowance	11,675,000	12,234,278
Productivity Incentive Allowance	6,826,585	7,455,255
Representation Allowance	5,186,800	2,291,884
Transportation Allowance	4,596,703	1,967,528
Additional Compensation	4,070,213	15,265,356
Honoraria	1,005,200	2,947,402
Subsistence, Laundry and Quarter Allowance	198,431	351,014
Longevity Pay	14,030	28,700
	298,392,870	273,510,218

20. OTHER PERSONNEL BENEFITS

The account consists of the following:

	2011	2010
Retirement Benefits - Civilian	194,441,505	1,386,934
Terminal Leave Benefits	97,343,694	77,201,947
Technical Incentive Allowance	82,840,824	98,102,760
Health Workers Benefits	-	10,200
	374,626,023	176,701,841

21. PROFESSIONAL SERVICES

The account consists of the following:

	2011	2010
General Services	92,697,287	103,207,136
Security Services	82,661,559	78,680,450
Janitorial Services	39,632,741	34,259,292
Auditing Services	4,135,450	4,150,383
Legal Services	1,715,042	1,216,883
Consultancy Services	801,017	16,285,812
Other Professional Services	69,923,237	13,687,395
	291,566,333	251,487,351

22. UTILITIES

The account consists of the following:

	2011	2010
Electricity	185,246,287	173,637,591
Water	14,339,987	13,668,916
	199,586,274	187,306,507

23. REPAIRS AND MAINTENANCE

The account consists of the following:

	2011	2010
Repairs & Maintenance - Other Structures	38,287,243	21,188,445
Repairs & Maintenance - Other Machineries & Equipt.	37,612,484	22,912,857
Repairs & Maintenance - Runways / Taxiways	25,923,090	22,667,563
Repairs & Maintenance - Office Buildings	15,197,856	11,692,200
Repairs & Maintenance - Land Improvements	8,971,946	2,771,043
Repairs & Maintenance - Aircraft & Aircraft Ground Equipt.	5,476,063	790
Repairs & Maintenance - Motor Vehicles	4,193,507	4,428,426
Repairs & Maintenance - Office Equipment	3,005,259	1,864,924
Repairs & Maintenance - Firefighting Equipt. & Access.	2,465,206	13,567,928
Repairs & Maintenance - Airport Equipment	2,388,098	6,054,058
Repairs & Maintenance - Communication Equipment	2,387,137	2,918,994
Repairs & Maintenance – Other Property and Equipment	3,219,722	3,880,059
	149,127,612	113,947,287

24. SUPPLIES AND MATERIALS

The account consists of the following:

	2011	2010
Gasoline, Oil and Lubricants	42,065,079	43,574,835
Office Supplies	26,248,932	22,526,254
Accountable Forms	5,757,116	5,536,286
Drugs & Medicines	3,034,924	33,266
Textbooks and Instructional Materials	1,226,608	635
Other Supplies and Materials	27,091,377	25,088,930
	105,424,036	96,760,206

25. COMMUNICATION

The account consists of the following:

	2011	2010
Cable, Satellite, Telegraph and Radio	44,800,774	41,776,410
Telephone – Landline	8,751,495	9,354,095
Internet	2,506,068	1,465,574
Postage and Deliveries	1,911,243	1,342,470
Telephone - Mobile	1,712,902	1,539,812
	59,682,482	55,478,361

26. TRAVELLING

The account consists of the following:

	2011	2010
Travelling - Local	25,544,530	22,014,838
Travelling - Foreign	8,695,028	3,653,186
	34,239,558	25,668,024

27. SUBSCRIPTION

This account substantially pertains to CAAP's subscription for the Aeronautical Information Service (AIS) database automation projects amounting to P2.193 million.

28. PRIOR PERIOD ADJUSTMENTS

The balance of the account as of December 31, 2011 substantially pertains to the unbooked dividends pertaining to CY 2008 – 2010 of P2.152 billion (see Note 11) and adjustments on the liquidation transactions on local and foreign travel in the total amount of P278 million.