

CIVIL AVIATION AUTHORITY OF THE PHILIPPINES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(In Philippine Peso)

1. GENERAL INFORMATION

1.1 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 March 4, 2008. Under its Transitory Provisions (Section 85, Chapter XII), Air Transportation Office (ATO), created under the provisions of RA 776 also known as the "Civil Aeronautics Act of the Philippines" was abolished and all its powers, duties and rights it was 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 Communication (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 (8) members, as follows:

- Secretary of the Department of Transportation and Communications (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 Interior and Local Government (DILG); and
- Secretary of the Department of Labor and Employment (DOLE).
- 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.

A Table of Organization (TO), which was developed in consultation with Civil Service Commission (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.

With the creation of the Civil Aviation Authority, a new Airport Clustering Scheme was adapted 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 Center	Location	No. of Satellite Airports
Area 5	Iloilo	6
Area 6	Mactan	6
Area 7	Tacloban	10
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 on 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 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 (6) 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.

1.2. 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 on July 2008 barely four (4) 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 US.

On 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.

On 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 (4) 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 (4) persons on board, Secretary Robredo and the two (2) 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 (2) 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. The indication from the results of the ICAO visit was positive raising optimism that the SSCs levied by the ICAO may be removed in the first quarter of 2013.

Staffing

In almost four years, 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. 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 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 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 the Office of President, precisely to define the appointing powers of the Director General 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 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 Civil Service Commission, 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 position(s)
Flight Operations Safety Inspector II – 6 position(s)
Flight Operations Safety Inspector I – 11 position(s)

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 the Significant Safety Concerns (SSCs) which the International Civil Aviation Organization (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. 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 corporation,

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 Civil Aviation Authority 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”.

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 and standards 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 Department Order (DO) Nos. 94-762 s. 1993 where the Cash Basis Method is being used. Also, income are classified and recognized in accordance with the Department of Transportation and Communications - Department Order (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 of 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 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 20 September 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 balance sheet 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 income and expenses.

3. CASH AND CASH EQUIVALENTS

This consists of:

	2012	2011
Cash in Bank-Local Currency, Time Deposit	2,330,418,966	2,339,932,461
Cash in Bank-Local Currency, Current Account	964,134,109	1,225,761,044
Cash in Bank-Local Currency, Savings Account	412,654,128	365,922,311
Cash in Bank-Foreign Currency Time Deposit	243,765,947	134,605,502
Cash in Bank-Foreign Currency, Savings Account	166,660,821	586,281,784
Cash-Collecting Officer	21,684,064	14,132,728
Petty Cash Fund	1,425,516	1,015,537
Payroll Fund	64,703	39,068
Cash-Disbursing Officer	56,200	
	4,140,864,454	4,667,690,435

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.

4. RECEIVABLES

This account consists of:

	2012	2011
Accounts Receivable, net	7,077,887,126	6,269,521,961
Less: Allowance for Doubtful Accounts	345,100,617	322,650,378
Net Accounts Receivables	6,732,786,509	5,946,871,583
Due from Regional Offices	3,712,202,783	245,259,662
Due from Nat'l Gov't Agencies	65,190,251	67,371,644
Due from LGU's	42,564,276	42,550,000
Receivables-Disallowances / Charges	29,131,615	29,387,546
Interest Receivable	4,974,144	8,116,290
Due from National Treasury	4,191,382	4,191,382
Due From GOCC's	262,619	261,945
Due from Officers and Employees	28,439	67,461
Due from Operating Units	-	280
Other Receivables	11,527,448	5,963,245
	10,602,859,466	6,350,041,038

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

- 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 10 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

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

6. PROPERTY, PLANT 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, 2012	7,249,125,672	2,283,597,240	1,490,158,944	845,401,427	11,868,283,283
Additions	299,134,668	85,038,015	150,028,323	-	534,201,006
Disposals	-	-	-	-	-
Adjustments	(5,959,053,574)	(884,838,277)	-	(262,602,884)	(7,106,494,735)
At December 31, 2012	1,589,206,766	1,483,796,978	1,640,187,267	582,798,543	5,295,989,554
Accumulated depreciation					
At January 1, 2012	1,048,411,921	807,086,533	820,870,169	-	2,676,368,623
Additions	42,907,928	39,377,439	94,658,955	-	176,944,322
Disposals	-	-	-	-	-
Adjustments	(161,181,618)	(35,930,443)	-	-	(197,112,061)
At December 31, 2012	930,138,231	810,533,529	915,529,124	-	2,656,200,884
Net carrying amount					
December 31, 2012	659,068,535	673,263,449	724,658,143	582,798,543	2,639,788,670
December 31, 2011					
Cost	7,249,125,672	2,283,597,240	1,490,158,944	845,401,427	11,868,283,283
Accumulated Depreciation/ Adjustment	1,048,411,921	807,086,533	820,870,169	-	2,676,368,623
Net carrying amount					
December 31, 2011	6,200,713,751	1,476,510,707	669,288,775	845,401,427	9,191,914,660

The considerable decrease in the Property Plant and Equipment (PPE) account was due to the reversal in the books of Area Center 1 of the market value of land, land improvements and building due to the absence of supporting documents and titles to the said properties.

Likewise, the INFRA projects completed and other properties purchased in 2012 include:

	Amount
Rehabilitation of Airfield Lighting System at Cotabato Airport	67,223,108
Information Technology Equipment and Software at FSIS	15,350,000
Installation of proposed CAAP Gym	10,103,500
Fabrication/Installation of CAAP Basketball Covered Court	8,417,992
Total	101,094,600

7. DEFERRED ASSETS

This consists of:

	2012	2011
Deferred Charges	129,348,174	214,767,893
Advances to Contractors	26,136,776	19,248,884
Deposits on Letter of Credit	18,332,140	18,332,140
Prepaid Insurance	670,513	466,510
Other Prepaid Expenses	43,992,306	41,691,793
	218,479,909	294,507,220

- a. *Deferred Charges* pertain 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 of the ICAO of the details of disbursements.
- b. *Advances to Contractors* pertain 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* consist of unused office supplies, accountable forms, fuel, oil, lubricants, drugs and medicines.

8. OTHER ASSETS

This account consists of:

	2012	2011
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	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	34,756,639	34,756,639
IT Equipment & Software	19,662,589	19,662,589
Const. in Progress-Other Public Infra	17,785,024	25,767,024
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	2,671,828	2,671,828
Other assets-Area Centers	1,175,781,959	1,104,078,605
	5,542,689,360	5,478,968,006

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

	2012	2011
Head Office	4,366,907,401	4,374,889,401
Area 1	313,011,066	313,011,066
Area 4	7,200	7,200
Area 5	95,633,138	91,323,223
Area 7	19,419,790	19,419,790
Area 8	52,935,391	52,935,391
Area 9	1,464,921	5,902,276
Area 10	693,310,453	621,479,659
	5,542,689,360	5,478,968,006

9. ACCOUNTS PAYABLE

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

	2012	2011
Head Office	77,666,573	582,919,216
Area 1	2,771,111	7,237,628
Area 2	18,783	634,638
Area 3	3,804,868	112,431
Area 4	8,660,232	11,549,213
Area 5	4,418,510	6,894,674
Area 6	218,631	2,934,702
Area 7	1,028,770	2,658,235
Area 8	-	-
Area 9	5,505,386	4,366,894
Area 10	26,750,102	24,004,982
	130,842,966	643,312,613

10. DUE TO OFFICERS AND EMPLOYEES

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

	2012	2011
Head Office	223,932,933	227,785,006
Area 1	6,952,653	-
Area 2	22,863,606	19,333,876
Area 3	16,704,031	15,239,393
Area 4	2,660,544	1,655,635
Area 5	377,432	379,962
Area 7	-	448,236
Area 9	99,741	886,676
Area 10	37,208,989	31,358,185
	310,799,929	297,086,969

11. DUE TO OTHER GOVERNMENT AGENCIES

This account consists of:

	2012	2011
Due to National Treasury	2,041,458,488	2,152,404,285
Due to National Government Agencies	70,665,396	62,041,006
Due to Other Government Agencies	54,782,660	43,728,976
	2,166,906,544	2,258,174,267

Due to National Treasury balance as of December 31, 2012 pertains to the dividends declaration which represents 50% of net income 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		
Total	2,081,505,492	1,294,317,851	1,499,055,991	1,623,127,240	356,369,468	
Less: Forex Gain	-	44,881,116	-	-	619,750	
Dividends Base	2,081,505,492	1,249,436,735	1,499,055,991	1,623,127,240	355,749,718	
Multiply by Dividend rate	50%	50%	50%	50%	50%	
Dividends Declared	1,040,752,746	624,718,368	749,527,995	811,563,620	177,874,859	3,404,437,588
Payments made			374,840,000	810,260,000	177,880,000	1,362,980,000
Total Dividends Due	1,040,752,746	624,718,368	374,687,995	1,303,620	(5,141)	2,041,457,588

a. *Due to Other National Government Agencies* pertain to the following:

	2012	2011
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	3,124,554
Unremitted funds for Anti-Hijacking and Terrorism Campaign as of 12/31/12	11,506,039	2,498,106
Area Center 10 (Davao) transactions	18,740	18,740
	70,665,396	62,041,006

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

	2012	2011
Due to BIR	31,276,363	28,343,757
Due to GSIS	19,555,337	13,198,928
Due to PAG-IBIG	2,680,561	1,485,022
Due to PHILHEALTH	1,254,747	685,618
Due to LGUs	15,652	15,651
	54,782,660	43,728,976

12. DUE TO CENTRAL OFFICE

This consists of fund transfers to Area Centers pertaining to their Corporate Operating Budget (COB) and INFRA projects, as follows:

	2012	2011
Area 1	425,550,137	600,000
Area 2	236,388,884	12,929,977
Area 3	181,503,542	1,676,000
Area 4	279,930,984	8,420,546
Area 5	568,911,693	84,848,282
Area 6	563,506,319	1,464,000
Area 7	191,070,148	17,956,188
Area 8	379,739,008	8,910,000
Area 9	582,796,439	24,948,496
Area 10	292,924,273	7,488,295
	3,702,321,427	169,241,784

13. TRUST LIABILITIES

The account consists of:

	2012	2011
Guaranty Deposits Payable	36,613,503	30,752,906
Performance/Bidders/Bail Bonds	15,416,559	14,048,321
	52,030,062	44,801,227

14. DEFERRED CREDITS

The account's balance of **P11,724,759** as of December 31, 2012 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 decrease in the account balance for the year was due to the reversal in the Area Center 1 books of accounts of the market value of land, land improvements and building due to the absence of supporting documents and titles to the said properties.

16. INCOME

This account consists of:

	2012	2011
Business Income	3,156,739,263	2,679,050,545
Service Income	1,369,692,422	1,214,250,034
Rent Income	69,753,837	69,222,124
Interest Income	67,824,685	80,908,191
Fines and Penalties	3,769,553	6,234,680
Miscellaneous Income	18,397,062	10,970,601
	4,686,176,822	4,060,636,175

- 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:

	2012	2011
Income from Communication Facilities	3,139,868,602	2,650,101,517
Other Business Income	16,518,149	26,261,161
Garbage Fees	352,512	307,333
Fines and Penalties - Business	-	2,380,534
	3,156,739,263	2,679,050,545

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

	2012	2011
Toll and Terminal Fees	909,714,380	821,147,012
Landing and Parking Fees	370,667,482	301,400,449
Other Service Income	47,237,147	47,569,027
Other Permits and Licenses	16,530,000	20,923,040
Clearance & Certification Fees	10,208,525	7,411,104
Franchising and Licensing Fees	7,274,921	6,995,580
Comprehensive Examination Fees	4,738,325	5,644,262
Medical, Dental & Laboratories Fees	2,466,400	2,615,020
Inspection Fees	798,741	544,540
Permit Fees	56,500	-
	1,369,692,422	1,214,250,034

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

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

- e. *Fines and Penalties* in the amount of P3,769,553 pertain to the charges for delinquent account due 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:

Miscellaneous Income	18,093,943
Miscellaneous Income-Service	303,119
	18,397,062

17. SALARIES AND WAGES

The account consists of the following:

	2012	2011
Salaries and Wages - Regular Pay	556,536,239	553,502,197
Salaries and Wages - Casual	116,519,478	93,241,167
Salaries and Wages - Contractual	17,214,633	12,200,311
	690,270,350	658,943,675

18. PERSONNEL BENEFITS CONTRIBUTION

The account consists of the following:

	2012	2011
Life and Retirement Insurance Contributions	72,325,346	74,284,603
PHILHEALTH Contributions	6,593,177	7,024,695
Pag-Ibig Contributions	3,765,335	5,412,942
ECC Contributions	3,092,758	4,522,091
	85,776,616	91,244,331

19. OTHER COMPENSATION

The account consists of the following:

	2012	2011
Overtime and Night Pay	111,392,083	87,796,098
Year End Bonus	60,928,244	54,974,893
Personnel Economic Relief Allowance	53,557,468	59,277,514
Other Bonuses and Allowances	20,983,094	15,891,922
Cash Gift	17,775,940	15,267,144
Hazard Pay	16,774,328	31,612,337
Clothing / Uniform Allowance	12,836,000	11,675,000

	2012	2011
Productivity Incentive Allowance	5,649,833	6,826,585
Representation Allowance (RA)	4,971,350	5,186,800
Transportation Allowance (TA)	4,689,780	4,596,703
Additional Compensation (ADCOM)	3,108,989	4,070,213
Honoraria	946,510	1,005,200
Subsistence, Laundry and Quarter Allowance	205,450	198,431
Longevity Pay	4,678	14,030
	313,823,747	298,392,870

20. OTHER PERSONNEL BENEFITS

The account consists of the following:

	2012	2011
Technical Incentive Allowance	133,161,423	82,840,824
Terminal Leave Benefits	105,132,954	97,343,694
Retirement Benefits - Civilian	24,440,405	194,441,505
	262,734,782	374,626,023

21. PROFESSIONAL SERVICES

The account consists of the following:

	2012	2011
General Services	130,433,450	92,697,287
Security Services	90,009,728	82,661,559
Janitorial Services	43,267,610	39,632,741
Consultancy Services	13,631,313	801,017
Auditing Services	7,325,560	4,135,450
Legal Services	27,874	1,715,042
Other Professional Services	135,615,886	69,923,237
	420,311,421	291,566,333

22. UTILITIES

The account consists of the following:

	2012	2011
Electricity Expenses	226,443,273	185,246,287
Water Expenses	14,005,289	14,339,987
	240,448,562	199,586,274

23. REPAIRS AND MAINTENANCE

The account consists of the following:

	2012	2011
Repairs & Maintenance - Runways / Taxiways	26,602,606	25,923,090
Repairs & Maintenance - Other Structures	24,611,795	38,287,243
Repairs & Maintenance - Other Machineries &Equipt.	24,163,717	37,612,484
Repairs & Maintenance - Airport Equipment	18,379,627	2,388,098
Repairs & Maintenance - Office Buildings	18,124,440	15,197,856
Repairs & Maintenance - Other Property Plant &Equipt.	9,380,507	3,219,723
Repairs & Maintenance - Office Equipment	6,083,220	3,005,259
Repairs & Maintenance - Land Improvements	5,545,896	8,971,946
Repairs & Maintenance - Motor Vehicles	4,589,363	4,193,507
Repairs & Maintenance - Firefighting Equipt. & Access.	857,720	2,465,206
Repairs & Maintenance - Communication Equipment	358,563	2,387,137
Repairs & Maintenance - Aircraft & Aircraft Ground Equipt.	12,350	5,476,063
	138,709,805	149,127,612

24. SUPPLIES AND MATERIALS

The account consists of the following:

	2012	2011
Gasoline, Oil and Lubricants	45,915,637	42,065,079
Office Supplies	28,351,310	26,248,932
Accountable Forms	6,883,983	5,757,116
Drugs and Medicines	77,070	3,034,924
Textbooks and Instructional Materials	-	1,226,608
Other Supplies and Materials	28,082,089	27,091,377
	109,310,089	105,424,036

25. COMMUNICATION

The account consists of the following:

	2012	2011
Cable, Satellite, Telegraph and Radio	44,086,963	44,800,774
Telephone - Landline	10,484,270	8,751,495
Internet	4,263,883	2,506,068
Telephone - Mobile	1,842,559	1,712,902
Postage and Deliveries	1,729,342	1,911,243
	62,407,017	59,682,482

26. TRAVELING

The account consists of the following:

	2012	2011
Traveling - Local	33,528,864	25,544,530
Traveling - Foreign	8,055,930	8,695,028
	41,584,794	34,239,558

27. INTELLIGENCE, EXTRAORDINARY AND MISCELLANEOUS EXPENSE

The account consists of the following:

	2012	2011
Miscellaneous Expenses	4,389,812	450,575
Extraordinary Expenses	91,706	393,073
	4,481,518	843,648

Out of P4,389,812 balance of Miscellaneous Expenses, P3,312,084 pertains to ICAO transactions.

28. PRINTING AND BINDING EXPENSES

The increase pertains to the cost of publication of various CAAP manuals in the Official Gazette.

29. GAIN (LOSS) ON FOREIGN EXCHANGE

The account balance of 125,487,953 pertains to the amount of loss in the conversion of foreign currencies in accordance with the par. 23 of PAS 21.

30. ADJUSTMENTS ON GOVERNMENT EQUITY

This account is composed of the following:

Reversal by Area Center 1 of PPE account due to lack of supporting documents	(P6,844,782,443)
Prior Years' adjustments pertaining to ATO transactions	513,277,700
	(P6,331,504,743)