

Sustaining the Growth Path

2012 ANNUAL REPORT



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Our Cover

Sustaining the Growth Path

The design cover for the 2012 PPA Annual Report revolves around the theme of “growth”.

To express visually the theme of “growth”, geometric forms have been combined with selected “action shots” and colored horizontal lines to give an illusion or image of “rushing” to the end of the page. This effect is meant to simulate movement or dynamic energy which represents the commitment of PPA to sustainable growth.

The square is used as the major motif within the entire report. This geometric form with its four balanced sides symbolizes stability and reliability. At the same time, the square with its two triangles joined together at the center to form a peak conveys excellence and teamwork necessary to sustain growth.



Vision

By 2030, PPA shall have provided globally competitive port services in the Philippines characterized by increased productivity, efficiency, connectivity, comfort, safety, security and environmental sustainability.

Mission

1. Provide reliable and responsive services in ports, sustain development of communities and the environment, and be a model corporate agency of the government.
2. Establish mutually beneficial, equitable and fair relationship with partners and service providers.
3. Provide meaningful and gainful employment while creating a nurturing environment that promotes continuous learning and improvement.
4. Establish world class port operation that is globally competitive, adding value to the country's image and reputation.

Mandate

Establish, develop, regulate, manage and operate a national port system in support of trade and development.

Corporate Values

Excellence. Professionalism, Efficiency

Creativity. Innovation, Adaptability

Customer Satisfaction. Customer Focus

Responsible Citizenship. Sustainability, Accountability, Risk Management

Ethics. Integrity within moral bounds

Sincerity. Commitment to fulfill mandate

Teamwork. Synergy of working together. Esprit d' corps



Message of the General Manager

“Working harder than before, we are proud to note that we have surpassed our targets in many other areas despite internal and external constraints.”



I am pleased to report that the Philippine Ports Authority (PPA) performed in unison with the country's strong and upbeat economic performance in 2012. The momentum of activities at the country's ports is clearly evident in the brisk cargo traffic handled nationwide which reached 193.78 million metric tons (MMTs) or an impressive growth of 8.69 percent; improved container volume of 5.21 million twenty-foot equivalent units (TEUs) or a registered increase of 5.68 percent and sustained and positive passenger volume and shipcalls of 50 million and 346 thousand, respectively. Growth in traffic in particular came from foreign cargo which surged by 13.25 percent. Contributing to the

significant increase in foreign cargo traffic are the Port Management Offices (PMOs) of Surigao, Puerto Princesa and San Fernando where our baseports handled large volume of mineral exports, validating the favorable performance of our Port District Offices (PDOs) as a whole.

Helped by a robust economy, PPA earned Gross Revenues of Php9.298 billion, a marked rise of 9.08 percent over the previous year and 6.53 percent above target. We posted a Net Income After Tax of Php3.158 billion, a hefty difference of Php2.008 billion or 174.63 percent growth over the figure posted in 2011, largely and historically generated by MICT and South Harbor. The two privately run ports which are under management contract with us are continuing proofs of the success of our privatization thrust aimed at improved efficiency, increased productivity and calibrated best practices in port operations.

With a buoyant economy aided by a strong peso, our expenditures in maintaining and operating a system of nationwide ports considerably eased, with Total Expenses in 2012 of Php5.079 billion down by Php1.525 billion or 23.09 percent primarily due to the effect of the Gain on Revaluation of Outstanding Balance of our Foreign Loans.

At this juncture, let me highlight the Government's thrust on good governance along the following key result areas (KRAs): (1) transparent, accountable and participatory governance; (2) poverty reduction and empowerment of the poor and vulnerable; (3) rapid, inclusive and sustained economic growth; (4) just and lasting peace and the rule of law; and, (5) integrity of the environment and climate change adaptation and mitigation.


Bearing these in mind, your Management keenly exerted efforts to faithfully comply with our commitments agreed upon with the Governance Commission for GOCCs or GCG corresponding to pre-identified goods or services, e.g., Port Development, Port Services, Revenue Generation, Support to Port Operations, and General Administration and Support. Thus, in 2012, we are pleased to report major accomplishments in our programs with the following performance indicators and measures: increase in berth capacity in seven (7) ports with the completion of a total berth length of 194.3 meters; increase in storage/operational area in fourteen (14) ports with the completion of 17,319 square meters of back-up area; completion of fifteen (15) feasibility studies and twenty-two (22) detailed engineering projects; and, increase in passenger capacity in thirteen (13) ports with the construction and improvement of Passenger Terminal Buildings (PTBs) providing additional seating capacity of six hundred fifty-nine (659). These physical capacity building programs are components of the completed forty-one (41) locally-funded infrastructure projects contained in the approved PPA Medium-Term Public Investment Program (MTPIP).

The same year also witnessed the completion of ninety (90) maintenance and repair projects in various ports nationwide; implementation of dredging projects which covered ten (10) port areas/channels under the 2012 Revised Harbor Maintenance Program with total dredged volume of 1.48 million cubic meters; completion of two (2) studies in support of the Public-Private Partnership (PPP) program of the government; availability of cargo handling services in at least one hundred nine (109) ports out of one hundred twenty-seven

(127) ports with regular cargo traffic; provision of services in existing PTBs in about eighty-eight (88) ports serving passengers; continuous implementation of the special projects, namely: ISO Quality Management System (QMS) and Port Safety, Health and Environment Management System (PSHEMS) certifications in selected ports and processes, in conformity with best practices in port operations; operation and maintenance of Vessel Traffic Management System (VTMS) in three (3) ports; and provision of security equipment in forty-two (42) sites as part of compliance to International Ship and Port Facility Security (ISPS) Code.

Working harder than before, we are proud to note that we have surpassed our targets in many other areas despite internal and external constraints. The strong and viable partnership between Management and employees will serve as our anchor that will pull us through any and all challenges.

The expectation to perform well and exceed our previous performance will give us the necessary impetus to drive PPA's long-term growth and continuing success. Towards this end, we remain assured that our Board of Directors and stakeholders shall continue to be responsive to and supportive of our various undertakings within the ambit of transparency, good governance and accountability.



JUAN C. STA. ANA
General Manager



Port of South Harbor



Port of Surigao

SHIPPING AND TRADE Performance

“**The momentum of activities** at the ports has not diminished as evident in the robust growth in domestic and foreign components of conventional and containerized cargoes, the moderate increase in domestic conventional cargo and the steady and sustained passenger volume despite the stiff competition posed by budget domestic airline carriers.”





Port of Lipata



Port of Surigao



Private Port of ONRI, Curimaao



CARGO

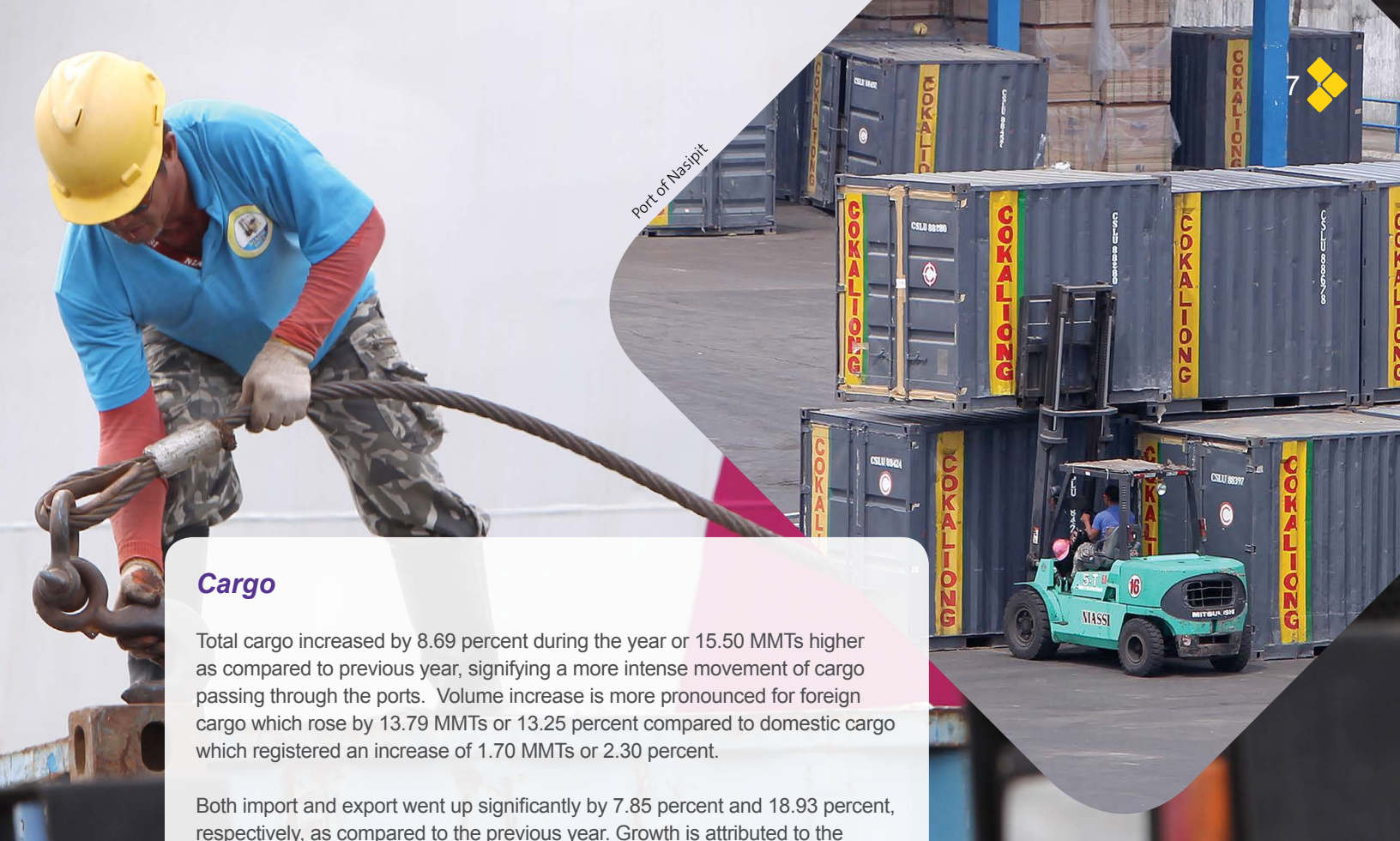
TRADE PERFORMANCE

The country's strong economic growth of 6.6 percent in 2012 is reflected in the brisk total cargo volume handled at the ports nationwide which rose by 8.69 percent or an equivalent volume of 193.78 million metric tons (MMTs). The momentum of activities at the ports has not diminished as evident in the robust growth in domestic and foreign components of conventional and containerized cargoes, the moderate increase in domestic conventional cargo and the steady and sustained passenger volume despite the stiff competition posed by budget domestic airline carriers.

Overall, trade performance is shown in the following table:

Table 1: CY 2012 Cargo Throughput, Container, Passenger & Shipcalls

| | 2012 | 2011 | Inc/(Dec) | |
|----------------------------|--------------------|--------------------|-------------------|--------------|
| | | | Volume | % |
| Cargo | 193,775,320 | 178,278,562 | 15,496,758 | 8.69% |
| Domestic | 75,876,305 | 74,171,940 | 1,704,365 | 2.30% |
| Foreign | 117,899,015 | 104,106,622 | 13,792,393 | 13.25% |
| Import | 57,540,469 | 53,354,108 | 4,186,361 | 7.85% |
| Export | 60,358,546 | 50,752,514 | 9,606,032 | 18.93% |
| Container (in TEUs) | 5,212,579 | 4,932,492 | 280,087 | 5.68% |
| Domestic | 2,065,435 | 1,923,666 | 141,769 | 7.37% |
| Foreign | 3,147,144 | 3,008,826 | 138,318 | 4.60% |
| Import | 1,591,246 | 1,502,878 | 88,368 | 5.88% |
| Export | 1,555,898 | 1,505,948 | 49,950 | 3.32% |
| Passenger | 49,998,292 | 49,485,001 | 513,291 | 1.04% |
| Disembarked | 25,441,132 | 25,217,885 | 223,247 | 0.89% |
| Embarked | 24,557,160 | 24,267,116 | 290,044 | 1.20% |
| Shipcalls | 345,828 | 341,455 | 4,373 | 1.28% |
| Domestic | 335,230 | 330,577 | 4,653 | 1.41% |
| Foreign | 10,598 | 10,878 | (280) | -2.57% |



Cargo

Total cargo increased by 8.69 percent during the year or 15.50 MMTs higher as compared to previous year, signifying a more intense movement of cargo passing through the ports. Volume increase is more pronounced for foreign cargo which rose by 13.79 MMTs or 13.25 percent compared to domestic cargo which registered an increase of 1.70 MMTs or 2.30 percent.

Both import and export went up significantly by 7.85 percent and 18.93 percent, respectively, as compared to the previous year. Growth is attributed to the high importation of chemicals (sulfuric acid) and coal and exportation of nickel silicate ore at the private ports. The upward trend is expected to continue as the government thrust is presently leaning towards boosting mineral exploration and production co-ventures with local and foreign investors.

Container (in TEUs)

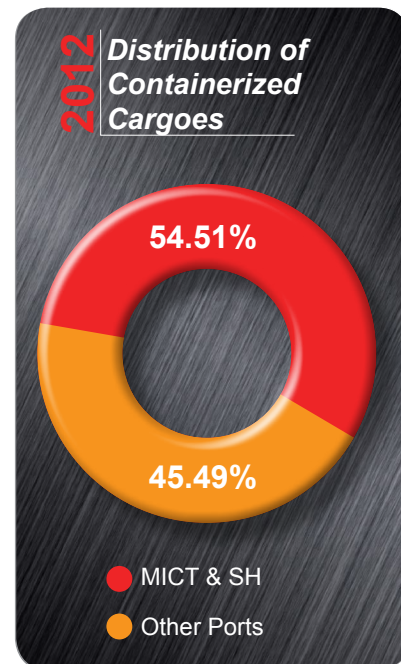
Container traffic continued its strong showing during the year as it reached a total of 5.21 million twenty-foot equivalent units (TEUs), a notable 5.68 percent improvement from last year's 4.93 million TEUs. MICT and South Harbor continued to hold on to their historical dominance of container traffic volume with the rest of the country's ports sharing less than half of the total volume.

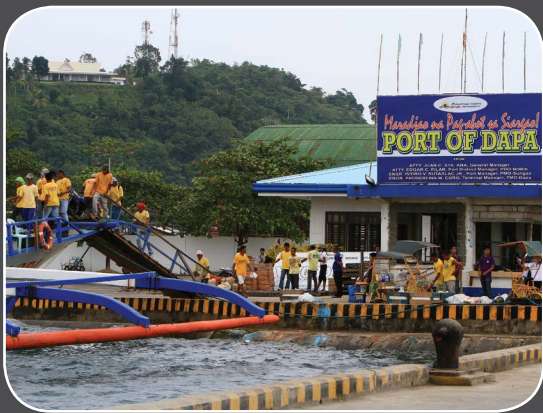
Passengers

During the year, total number of passengers availing of water transportation slightly increased by 1.04 percent or 0.51 million as compared to 2011. Total passenger traffic recorded in 2012 reached almost 50 million.

Shipcalls

The country's ports serviced 345,828 vessels in 2012, an increase of 1.28 percent compared to 2011. Domestic shipcalls rose by 1.41 percent while foreign calls went down by 2.57 percent. The decline in foreign vessels could be due to a lot of factors such as increasing sizes of vessels deployed for economies of scale.





Port of Dapa



Port of Surigao

PORT SERVICES

“Partnerships between the private sector and the government have long served their purpose of providing reliable and responsive services to the public. PPA, as a matter of policy, has continuously delegated the provision of cargo handling services to private firms to allow streamlined cargo handling operation in the country.”





Port of Lipata



Port of Dapa



Port of Dapa



Photos taken at the Private Port of Omnico Natural Resources, Inc. (ONRI), Currimao.

CLEARANCE TO DEVELOP PRIVATE PORTS/SPECIAL PERMIT TO OPERATE

Private port facilities with dedicated bulk handling facilities continue to complement PPA's operations. In 2012, PPA has approved the Clearance to Develop private port facilities of the following eleven (11) private corporations nationwide, mostly from applicants involved in mining exploration and development:

| COMPANY | LOCATION |
|--|---|
| 1. Alphaland Dev't., Inc./ Alphaland Corp. | Aseana Business Park, Manila Bay, Reclamation Area, Parañaque |
| 2. CONAL Holdings Corp. | Brgy. Kamanga, Maasim, Sarangani Province |
| 3. CTP Construction & Mining Corp. | Brgy. Adlay, Carrascal, Surigao |
| 4. LnL Archipelago Minerals, Inc. | Brgy. Bolitoc, Sta. Cruz, Zambales |
| 5. Marcventures Mining & Dev't. Corp. | Brgy. Bon-ot, Carrascal, Surigao del Sur |
| 6. Pryce Gases, Inc. | Brgy. Tiblong, San Fabian, Pangasinan |
| 7. Santa Clara Spring Corp. | Brgy. Jubasan, Allen, Northern Samar |
| 8. Uni Dragon Mining & Dev't. Corp. | Brgy. Bagumbayan, Parache, Camarines Norte |
| 9. Benguet Corp. Nickel Mines, Inc. | Brgy. Binabalian, Candelaria, Zambales |
| 10. Macroasia Corp. | Brgy. Mambalot, Brooke's Point, Palawan |
| 11. Soiltech Agricultural Products Corp. | Brgy. Catbangan, San Fernando City, La Union |



Likewise, two (2) companies were given special permit to operate, namely: Global Mining Exchange, Inc. and Shangil Mining & Trading Corp. located in Brgy. Cata, Infanta, Pangasinan and Brgy. Bolitoc, Sta. Cruz, Zambales, respectively.

LEASE CONTRACTS

The lease applications of the following five (5) companies were approved in 2012:

| COMPANY | LOCATION |
|--|---|
| 1. State Investment Trust, Inc. | Baloganon Port, Masinloc, Zambales |
| 2. Starlite Marine & Industrial Services Corporation | PMO Tagbilaran |
| 3. ATI-Batangas | Phase II, Port of Batangas |
| 4. ATI-Batangas | Main PTB, & Open Space, Phase 1, Port of Batangas |
| 5. AG&P Company | Phase II, Port of Batangas |

CARGO HANDLING SERVICE CONTRACTS & PERMITS

Partnerships between the private sector and the government have long served their purpose of providing reliable and responsive services to the public. PPA, as a matter of policy, has continuously delegated the provision of cargo handling services to private firms to allow streamlined cargo handling operation in the country.

Cargo handling services are already available in one hundred nine (109) ports out of the one hundred twenty-seven (127) ports that have regular cargo traffic. In 2012, PPA issued twelve (12) cargo handling permits/contracts/Memorandum of Agreement (MOA) to various firms/local government unit (LGU) having durations varying from one (1) year to five (5) years. The lone three-year MOA was signed with LGU Mamburao to operate the Port of Tayamaan at Mamburao, Occidental Mindoro.

| COMPANY | LOCATION |
|---|--|
| 1-YEAR | |
| 1. Balbagon Arrastre, Stevedoring & Portage Services | Port of Benoni, Mahinog, Camiguin |
| 3-YEARS | |
| 2. Amlan LGU Community Cooperative | Port of Tandayag, Amlan, Negros Oriental |
| 3. FTM Brokerage & Port Services, Inc. | Port of Gian, Gian, Sarangani Province |
| 4. Damuyas Handling Specialist, Inc. | Port of Cajidiocan, Romblon |
| 5. Safe Harbor Arrastre Stevedoring Co. | Port of San Juan, Batangas |
| 3-YEAR MOA | |
| 6. LGU Mamburao | Port of Tayamaan, Mamburao, Occidental Mindoro |
| 5-YEARS | |
| 7. Daruanak Port Services Corp. | Port of Pasacao, Camarines Sur |
| 8. Samareños Integrated Cargo Handling Services, Inc. | Port of Maguino-o, Calbayog City |
| 9. Misamis Occidental (Plaridel) Integrated Arrastre & Stevedoring Services, Inc. | Port of Plaridel, Misamis Occidental |
| 10. Sittie Janezah Arrastre & Stevedoring Services | Port of Cotabato, Cotabato City |
| SPECIAL ONE-TIME PERMIT | |
| 11. South East Stevedoring Company | Port of Lianga, Surigao del Sur |
| 12. Super Terminal, Inc. | Port of Ormoc, Leyte |

CERTIFICATE OF REGISTRATION/PERMIT TO OPERATE (COR/PTO)

In 2012, the Authority issued thirty-seven (37) COR/PTO to various corporations of which ten (10) are in PDO Manila/Northern Luzon, nine (9) in PDO Southern Luzon, nine (9) in Visayas, three (3) in Northern Mindanao and six (6) in Southern Mindanao.

| PRIVATE PORT OPERATOR/OWNER | LOCATION |
|---|--|
| 1. Asian Shipping Corp. | Vitas Industrial Complex, N.H., Tondo, Manila |
| 2. Chevron Philippines, Inc. | Pandacan, Manila |
| 3. GNPowder Mariveles Coal Plant Ltd. Co./PMR Group Retirement Plan, Inc. | GMCP Complex, Brgy. Alas-asin, Mariveles, Bataan |
| 4. Herma Industrial Complex | Brgy. Baseco, Mariveles, Bataan |
| 5. Islands Integrated Offshore Services, Inc. | Pasig River, Cristobal, Paco, Manila |
| 6. Marala Vitas Central Terminal Corp. | Vitas, Tondo, Manila |
| 7. Oilink International Corp. | Lucanin Pt., Mariveles, Bataan |
| 8. Int'l Global Mining Exchange | Brgy. Cato, Infanta, Pangasinan |
| 9. Petron Corp. | Brgy. Rosario, Cavite |
| 10. PNOG Alternative Fuels Corp. | Batangas Dos, Mariveles, Bataan |
| 11. Batangas Bay Terminal, Inc. | Bauan, Batangas |
| 12. Citinickle Mines & Dev't. Corp. | Brgy. San Isidro, Narra, Palawan |
| 13. EEI Corp. | Brgy. Sta. Maria, Bauan, Batangas |
| 14. Filminera Resources Corp. | Brgy. Puro, Aroroy, Masbate |
| 15. NFH Corp. | Sitio Camagui, Caranan, Pasacao, Camarines Sur |
| 16. Petron Corp. | Brgy. Maunlad, Puerto Princesa |
| 17. Rio Tuba Nickel Mining Corp. | Rio Tuba, Bataraza, Palawan |
| 18. SEM-Calaca Power Corp. | Brgy. San Rafael, Calaca, Batangas |
| 19. Uni Dragon Mining & Dev't. Corp./Phil Bao Tong Mining Corp. | Bagumbayan, Paracale, Camarines Norte |
| 20. Algimar Port Management & Allied Services, Inc. | Brgy. Tugbo-Pinamurbahan, Mobo, Masbate |
| 21. Balamban Concrete Aggregates & Construction Co., Inc. | Bagacay, Talibon, Bohol |
| 22. Central Azucarera de Bais | Brgy. Luka, Tanjay, Negros Oriental |
| 23. Maayo Shipping, Inc. | Poblacion, Sibulan, Negros Oriental |
| 24. Orica Nitrate Philippines, Inc. | Brgy. Buntis, Bacong, Negros Oriental |
| 25. Petron Corp. | Brgy. Linao, Ormoc City |
| 26. Philippine Phosphate Fertilizer Corp. | Isabel, Leyte |
| 27. Pryce Gases, Inc. | Sitio Wangag, Brgy. Damulaan, Albuera, Leyte |
| 28. Semirara Mining Corp. | Semirara Island, Caluya, Antique |
| 29. Carlos A. Gothong Lines, Inc. | Brgy. Talisay, Nasipit, Agusan del Norte |
| 30. Pilipinas Shell Petroleum Corp. | Tomas Cabili, Tominobo, Iligan City |
| 31. Siddharta Holdings Co., Inc. | Sitio Baloy, Brgy. Tabon, Cagayan de Oro |
| 32. Craft Haven International Services | Km. 15 Panacan, Davao City |
| 33. Dipolog Coconut Oil Mill, Inc. | Lower Irasan, Pres. M. A. Roxas, Zamboanga del Norte |
| 34. Hijo Resources Corp. | Madaum, Tagum City, Davao del Norte |
| 35. Insular Oil Corp. | Km. 10, Sasa, Davao City |
| 36. Petron Corp. | Brgy. Bawing, Gen. Santos |
| 37. Tagum Agricultural Dev't. Corp. | Panabo, Davao del Norte |



PASSENGER TERMINAL BUILDINGS (PTBs)

PPA's continuing efforts in the provision of services in PTBs in eighty-eight (88) different ports serving passengers in 2012 despite the tepid growth in passenger volume highlight its commitment to enhance inter-island passenger mobility amidst stiff competition posed by budget airline carriers.

As of 2012, there are already eighty-four (84) ports with completed PTBs while four (4) ports have ongoing PTB construction.

In September 2012 and congruent with its privatization policy, the PPA Board of Directors approved the Terms of Reference (TOR) for the procurement of PTB Operators for existing PTBs. PPA likewise issued on October 2012 Administrative Order (AO) No. 005-2012 on the *Guidelines in the Selection of Passenger Terminal Building (PTB) Operator of Existing PPA-Owned PTBs*. The implementation of this order is sought to be reflected in the ensuing years' plans and programs of the Authority.

HARBOR PILOTS

For 2012, PPA issued appointments for two (2) chief pilots and three (3) regular pilots at various pilotage districts.



Port of Lipata



Port of Nasipit



Port of Orion



Port of Dingalan



Port of Currimao

PHYSICAL INFRASTRUCTURE **Development and Maintenance**

“PPA invested a total of **Php3.463 billion** for one hundred eighteen (118) locally-funded projects nationwide.”





Port of Dinalan



Port of Lipata

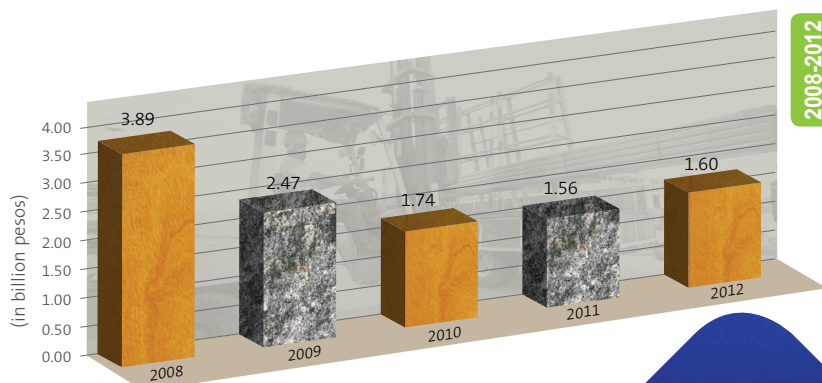


Port of Surigao



Completed and Ongoing Locally-Funded Projects (LFPs)

The year 2012 saw the completion of forty-one (41) LFPs amounting to Php1.599 billion. PPA invested a total of Php3.463 billion for one hundred eighteen (118) LFPs nationwide: forty-five (45) projects for Luzon ports, thirty-two (32) projects for Visayas ports and forty-one (41) projects for Mindanao ports. As of yearend, projects worth Php1.863 billion are on various stages with twenty-one (21) ongoing, three (3) suspended and fifty-three (53) under various stages of procurement.



2008-2012
Value of Completed
Locally-Funded Projects

Port of Surigao



Port of Davao



Port of Butuan





Port of Surigao

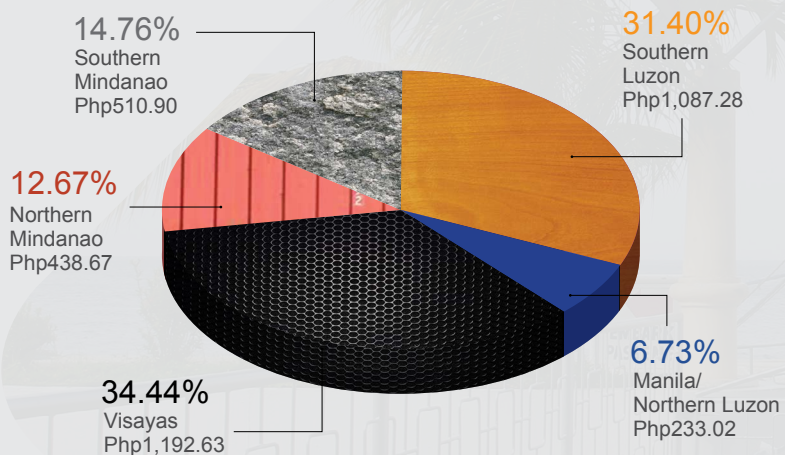


Port of Nasipit



PDO Visayas captured the lion's share of the total capital investment with Php 1.193 billion or 34.44 percent. This is followed closely by PDO Southern Luzon (Php1.087 billion or 31.40 percent); PDO Southern Mindanao (Php510.90 million or 14.76 percent); PDO Northern Mindanao (Php438.67 million or 12.67 percent) and PDO Manila/Northern Luzon (Php233.02 million or 6.73 percent).

2012 Distribution and Amount of Locally-Funded Projects (LFPs) by Port District Office (PDO) (in million)



Among the big Capital Expenditure (CapEx) Program infrastructure projects completed within the year are the Tacloban Port Improvement/ Rehabilitation, which is worth Php394.49 million, and the Ozamiz Port Expansion Project (Php149.94 million). Other big projects that are ongoing as of yearend are the Matnog Port Expansion Project (Php185.81 million), the Puerto Princesa Port Expansion Project (Php290.49 million), the Iloilo Commercial Port Complex Construction of Back-up Area (Php181.41 million), and the Zamboanga Port Construction of RC Wharf and Roro Ramps with Breasting Dolphins (Php227.30 million).

Dredging Operations

To maintain water depths at safe and acceptable levels in port harbors and tributary areas through the removal of silts, PPA earmarked in 2012 some Php560.35 million for the maintenance dredging of various ports nationwide. The amount covered the removal of 1.33 million cubic meters of silts from six (6) ports as well as 150.44 thousand cubic meters under CY 2011 carry-over projects from four (4) ports implemented through a private dredging contractor.



Pres. Aquino inaugurates berth 6 of MICT



Ports and Shipping Conference

The amount earmarked also includes expenses in the maintenance of basins and navigational channels, cost of minor repairs of dredging equipment, spare parts, and other related overhead costs. Shown below are the areas covered under 2012 Dredging Program:

| Areas Covered by CY 2012 Dredging |
|---|
| MICT Entrance Channel, Phase I |
| P-16/Marine Slipway, North Harbor, Phase II |
| Pasig River (Mouth to Del Pan Bridge), Phase I |
| Pier 15 (Berths, South Side) |
| Iloilo River Wharf, Phase III |
| Jordan, Guimaras |
| North Harbor Pier 16/Marine Slipway (carry-over from 2011 Dredging Program) |
| South Harbor Piers 3 & 5 (carry-over from 2011 Dredging Program) |
| Iloilo River Wharf, Phase II (carry-over from 2011 Dredging Program) |
| Fort San Pedro, Iloilo (carry-over from 2011 Dredging Program) |

Hydrographic and Topographic Surveys

Forty-six (46) hydrographic and topographic surveys were undertaken and completed in 2012. Nineteen (19) of these surveys were programmed during the start of the calendar year and twenty-seven (27) were unprogrammed and undertaken to support port planning, project development and identification of areas for port zone delineation.

In general, these surveys support the need for mapping and documentation of features which are of significance to navigation, commercial shipping and other related marine research and protection of the environment. More specifically, PPA regularly programs hydrographic surveys to generate important data on navigational hazards such as submerged rocks, sandbags and shipwrecks, but also temperature, salinity and the flow of currents, topography and nature of the seabed.

Repair and Maintenance Program (R&M)

PPA allocated Php1.433 billion for its R&M program for CY 2012 to bring or restore to normal or serviceable condition its existing port facilities which include related land improvements as well as buildings and structures thereon. Of this amount, Php570.27 million or 39.80 percent was set aside for repair projects, Php109.16 million or 7.62 percent for maintenance projects, Php692.80 million or 48.35 percent for carry-over projects, Php2.50 million or 0.17 percent for Head Office Engineering/Administrative (E/A) Funds and Php58.11 million or 4.06 percent for other unprogrammed projects.

Of the one hundred seventy-one (171) R&M projects pursued during the year, ninety (90) were completed, forty-five (45) are ongoing and thirty-six (36) are under pre-procurement stage as of yearend.

PDO Southern Luzon received the biggest allotment of the R&M Budget at Php528.06 million with fifty-four (54) projects, followed by PDO Northern Mindanao (Php280.31 million, 30 projects), PDO Southern Mindanao (Php243.58 million, 29 projects), PDO Visayas (Php227.96 million, 36 projects), and PDO Manila/Northern Luzon (Php92.33 million, 22 projects).



Port of San Fernando

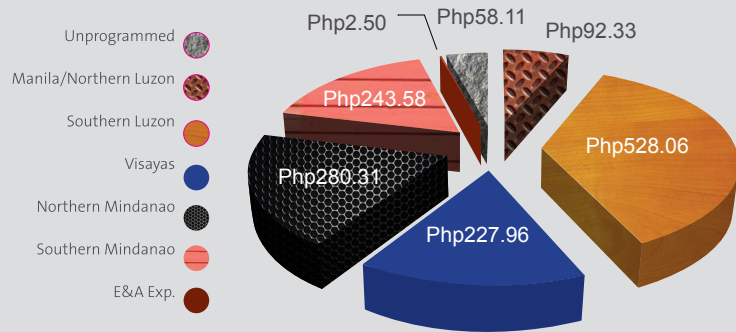


Port of Nasipit



Port of Surigao

2012 Repair & Maintenance Budget (in million)



Consultancy Services for Engineering-Related Studies

Consultancy services for the formulation of master plans and feasibility studies (MP/FS) undertaken in 2012 include those for priority ports in Northeast and Northwest of Bicol Region and the Visayas with costs of Php14.71 million and Php17.28 million, respectively; and the proposed bulk terminal project at the Northwest portion of South Harbor at a cost of Php14.11 million.

Consultancy services for MP/FS complement in-house pre-investment studies and are usually undertaken to determine the long-term directions in the development of the selected ports and to evaluate the technical soundness, operational and economic feasibility and financial viability of any proposed short-term port improvements and/or expansion.

Likewise, consultancy services for the conduct of soil investigation for identified priority ports under Package II in Luzon, Visayas and Mindanao totalling Php16.49 million were nearing completion as of yearend while Notice of Award had been issued in December 2012 for the Package III study costing Php16.84 million.

Soil investigation studies are essentially undertaken to provide the needed information for foundation design analysis and for the evaluation of alternative types of structures. The scope of work generally covers the drilling and testing of soil samples.



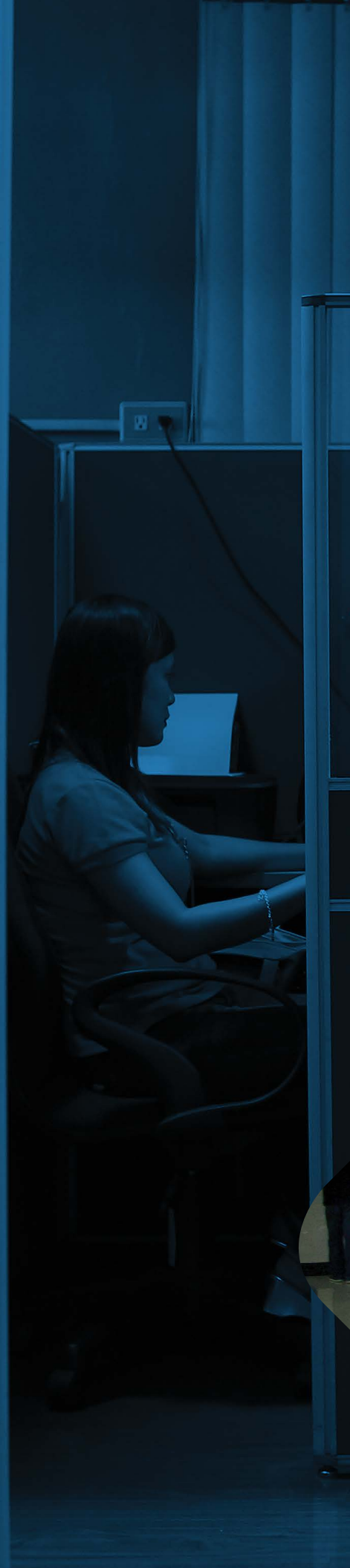
Port of Limay



Port of Surigao

FINANCIAL Performance

“Consistent with the country’s development thrusts and the dynamics of a robust economic growth in 2012, the PPA has managed to remain consistent in its capability to post growth in terms of revenue.”





Port of Lipata

Port of Kalamansig

Port of Surigao

REVENUE

Consistent with the country's development thrusts and the dynamics of a robust economic growth in 2012, the PPA has managed to remain consistent in its capability to post growth in terms of revenue. During the year, the Authority generated aggregate revenue amounting to Php9.298 billion which is above last year's revenue by Php773.95 million or an increase equivalent to 9.08 percent. Of the total revenue, revenue from port operations of the Authority amounted to Php9.124 billion, higher by Php764.46 million or 9.14 percent as compared to Php8.360 billion in 2011.

In terms of revenue by source, ICTSI Fees posted the largest share in revenue contribution equal to Php3.095 billion or 33.83 percent. Similarly, Wharfage Fees, the second largest revenue source, also made a significant contribution to PPA coffers with Php1.770 billion (19.35 percent), followed by Vessel Charges at Php1.402 billion (15.33 percent). Contributions of other revenue sources are as follows: ATI Fees at a little over Php1 billion (10.98 percent); Arrastre and Stevedoring at Php657.61 million (7.19 percent); Pilotage/Storage Fees at Php426.64 million (4.66 percent); MNHPI Fee at Php180.72 million (1.98 percent); VTMS and Terminal Fees at Php164.80 million (1.81 percent); and, Other Income at Php446.67 million (4.88 percent).

Port of Limay



Port of Dapa



Port of Butuan



COMPARATIVE INCOME STATEMENT

For The Year Ended December 31, 2012

(With Comparative Figures for the Year Ended December 31, 2011)

(in million pesos)

| | 2012 | | Inc/(Dec) | | 2011 | Inc/(Dec) | |
|----------------------|----------|----------|------------|----------|----------|------------|----------|
| | Actual | Target | Amount | % | | Amount | % |
| Gross Revenue | 9,297.86 | 8,728.25 | 569.61 | 6.53 | 8,523.91 | 773.95 | 9.08 |
| Port Revenue | 9,124.36 | 8,607.05 | 517.31 | 6.01 | 8,359.90 | 764.46 | 9.14 |
| FMI | 150.12 | 121.20 | 28.92 | 23.86 | 138.29 | 11.83 | 8.55 |
| Other General Income | 23.38 | 0.00 | 23.38 | 0.00 | 25.73 | (2.35) | (9.13) |
| Expenses | 5,079.28 | 7,600.33 | (2,521.05) | (33.17) | 6,603.84 | (1,524.56) | (23.09) |
| Operating | 5,849.36 | 7,126.78 | (1,277.42) | (17.92) | 5,651.33 | 198.03 | 3.50 |
| Non-Operating | (770.08) | 473.55 | (1,243.63) | (262.62) | 952.51 | (1,722.59) | (180.85) |
| Net Income | 4,218.58 | 1,127.92 | 3,090.66 | 274.01 | 1,920.07 | 2,298.51 | 119.71 |
| Income Tax | 1,060.56 | 190.02 | 870.54 | 458.13 | 770.14 | 290.42 | 37.71 |
| Net Income After Tax | 3,158.02 | 937.91 | 2,220.11 | 236.71 | 1,149.93 | 2,008.09 | 174.63 |

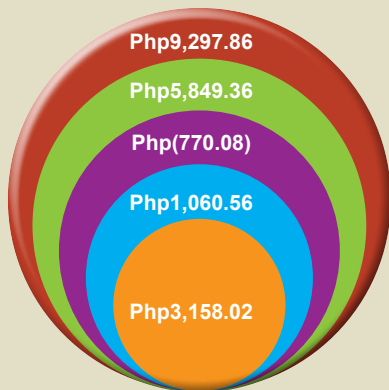
Gross Revenue by PDO

In 2012, the fiscal performance in terms of revenue generation of the five (5) Port District Offices (PDOs) remained very satisfactory with their combined revenues amounting to Php9.139 billion, up by 9.29 percent (Php777.11 million) from the Php8.362 billion revenue recorded in 2011.

All PDOs performed well with the exception of PDO Visayas which digressed unfavorably at negative 9.6 percent as a result of decreased volume of traffic which may have been due to the effect of Typhoon Pablo that hit the Central Visayas. PDO Southern Luzon posted the highest percentage growth of 19.28 percent followed by PDO Manila/Northern Luzon at 10.65 percent, Northern Mindanao at 6.65 percent and Southern Mindanao with 2.8 percent.

Overall, the improved revenue performance was made possible by the strong growth of privatized terminal operations and the increased volume of foreign cargoes at PMOs San Fernando, Puerto Princesa and Surigao.

2012 Income & Expenses (in million)



- Gross Income
- Operating Expenses
- Non-Operating Expenses
- Income Tax
- Net Income

Port Revenue by PDO, CY 2012

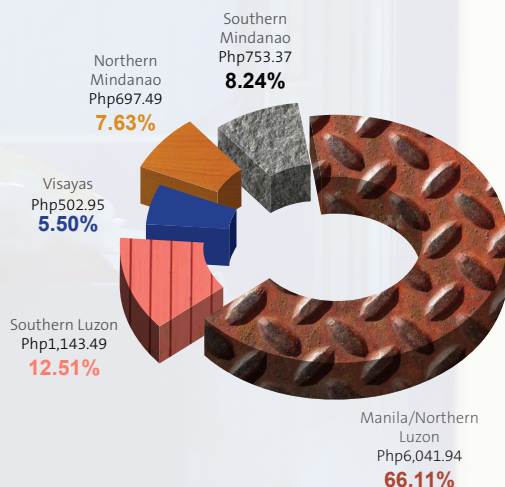
(in million pesos)

| PDO | 2012 | 2011 | Deviation |
|-----------------------|-----------------|-----------------|--------------|
| Manila/Northern Luzon | 6,041.94 | 5,460.22 | 10.65% |
| Southern Luzon | 1,143.49 | 958.69 | 19.28% |
| Visayas | 502.95 | 556.38 | (9.60%) |
| Northern Mindanao | 697.49 | 653.98 | 6.65% |
| Southern Mindanao | 753.37 | 732.85 | 2.80% |
| TOTAL | 9,139.23 | 8,362.12 | 9.29% |

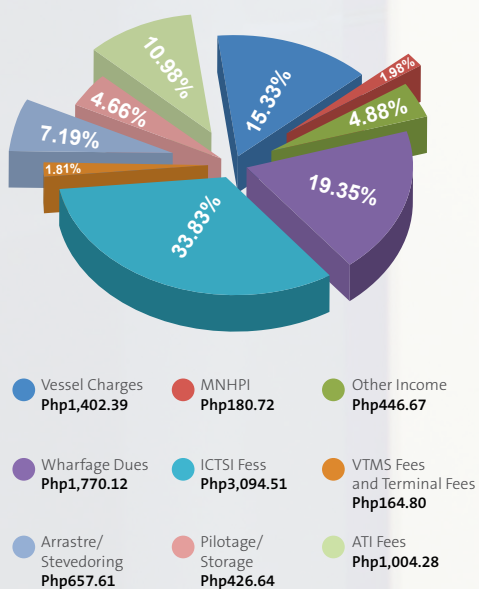
Revenue by Source or Tariff Item

PPA traditionally derives its port revenues from Wharfage, Dockage, Port Dues, Usage Fees, Storage Fees, Pilotage, Terminal Fees, Rental, share in Arrastre/Stevedoring, Management Fees, and other ancillary services. Illustrated on the next page is the distribution of revenue by source:

2012 Port Revenue by PDO (in million)



2012 Distribution of Revenue by Source (in million)



COMPARATIVE PORT REVENUE BY SOURCE 2012 vs. 2011 (in million pesos)

| Account | 2012 | % of Total | 2011 | Increase/ (Decrease) |
|----------------------|-----------------|-------------|-----------------|----------------------|
| Port Dues | 409.49 | 4.48% | 388.70 | 5.35% |
| Dockage | 682.94 | 7.47% | 637.35 | 7.15% |
| Usage Fees | 309.75 | 3.39% | 301.43 | 2.76% |
| Lay-up Fees | 0.21 | 0.002% | 1.88 | (88.83%) |
| Wharfage Dues | 1,770.12 | 19.35% | 1,711.52 | 3.42% |
| Storage | 392.26 | 4.28% | 302.56 | 29.65% |
| Arrastre/Stevedoring | 657.61 | 7.19% | 580.84 | 13.22% |
| Other Income | 446.67 | 4.88% | 387.17 | 15.37% |
| Pilotage | 34.38 | 0.38% | 32.22 | 6.70% |
| ICTSI Fees | 3,094.51 | 33.83% | 2,828.78 | 9.39% |
| ATI Fees | 1,004.28 | 10.98% | 885.82 | 13.37% |
| MNHPI | 180.72 | 1.98% | 173.36 | 4.25% |
| VTMS Fees | 16.96 | 0.19% | 16.32 | 3.92% |
| Terminal Fees | 147.84 | 1.62% | 137.68 | 7.38% |
| TOTAL | 9,147.74 | 100% | 8,385.63 | 9.09% |

Fund Management Income (FMI)

FMI consists of earnings from interests on bank deposits as well as investment in Treasury Bonds. The decline in investments for the year 2012 was caused by increased operational spending which resulted in lesser funds available for short-term investments. As such, FMI increased by 8.55 percent or Php11.83 million from last year's figure of Php138.29 million.

EXPENDITURES

For the year under review, the Authority incurred Total Expenses of Php5.079 billion covering both Operating and Non-operating Expenses. Expenditures for operating activities amounted to Php5.849 billion. Non-operating Expenses showing a negative figure of Php770.08 million included among others the effect of the Net Gain on Revaluation of Outstanding Balance of Foreign Loans of Php1.185 billion. In accordance with Philippine Accounting Standards (PAS) 21, balances of foreign currency-denominated accounts (i.e., foreign loans and dollar deposits) are revalued at yearend to reflect their actual values at reporting date. The difference is recognized as either profit or loss. The net effect of gains and losses as a result of foreign exchange fluctuations during the year compared to last year is as follows:

| | 2012 | 2011 |
|---|-----------------|---------------|
| (Gain)Loss on Revaluation of Outstanding Balances of Foreign Loans | (1,186.24) | 407.64 |
| (Gain)Loss on Revaluation of Balance of Foreign Currency Deposit Accounts | 1.70 | (0.04) |
| Add: Financial Expenses | 400.01 | 544.78 |
| Loss on Sale of Disposed Assets | 14.44 | 0.14 |
| TOTAL NON-OPERATING EXPENSE | (770.08) | 952.51 |

Compared against Total Expenses in 2011 of Php6.604 billion, this year's expenditures are down by Php1.525 billion or 23.09 percent primarily due to the effect of the Gain on Revaluation of Outstanding Balance of Foreign Loans of Php1.186 billion.

NET INCOME

For the year ended December 31, 2012, PPA posted a Net Income Before Income Tax of Php4.219 billion and realized a resulting Net Income of Php3.158 billion after deducting the Income Tax liability amounting to Php1.061 billion. This is Php2.008 billion higher than last year's Net Income After Tax of Php1.150 billion equivalent to a percentage growth of 174.63 percent.

COLLECTION EFFICIENCY

In 2012, effective Accounts Receivable management and improved collection efforts enabled the Authority to collect a sum of Php739.47 million corresponding to 90.69 percent Collection Efficiency Ratio (CER) of the Php815.38 million total Prior Years' (PY) Accounts Receivable leaving an ending balance of Php75.91 million.

For 2012, PPA targeted a 100 percent CER of Php8.176 billion of Current Year's (CY) Receivables from the Php9.081 billion Operating Revenue but realized Php8.124 billion, falling short of target by Php52.59 million with a resultant CER of 99.36 percent.

DIVIDEND REMITTANCES TO THE NATIONAL GOVERNMENT

PPA remits 50 percent of its Net Income After Tax to the National Government in accordance with the provision of Republic Act No.7656. In faithful compliance with this obligation, PPA turned over Php1.001 billion as cash dividend for CY 2012, making the Authority the 7th largest contributor out of the thirty-eight (38) Government-Owned and Controlled Corporations (GOCCs). The amount that PPA remitted to the National Treasury was higher by Php183.97 million or 22.52 percent compared to the Php817.03 million handed over during the previous year.

As a state-controlled corporation, PPA throughout its existence has delivered well on its contributions to the nation's development and economic thrusts through its dividend remittances, in addition to the amount of taxes that the Authority is paying, which shore up state funds and contribute in no small measure to the government's fiscal targets. In the last five years, PPA has remitted an annual average of Php873.92 million in cash dividends as seen on the accompanying table.

PHILIPPINE PORTS AUTHORITY

Schedule of Dividend Remittances to the National Government from 2008-2012

(in pesos)

| YEAR | Amount Remitted to the National Government |
|--|--|
| 2012 | 1,000,993,292.11 |
| 2011 | 817,025,907.47 |
| 2010 | 1,028,653,905.00 |
| 2009 | 623,740,263.44 |
| 2008 | 899,204,108.00 |
| TOTAL | 4,369,617,476.02 |
| Five-year Annual Average, 2008-2012 | 873,923,495.20 |

The Authority's dividend declarations are based on financial report audited and examined by the Commission on Audit (COA).



Port of Nasipit



Port of San Fernando

SUSTAINABILITY, ENVIRONMENT AND **People**

“**The strong and viable partnership** between management and employees will serve as our anchor that will pull us through any and all challenges.”





Port of Curimao



Port of Suigao



Port of Limay



Port of Limay



Port of Cotabato

Port Safety, Security and Environmental Protection

Implementation of the International Ship and Port Facility Security (ISPS) Code

PPA continues to undertake measures to enhance its port security and safety policies in adherence to the ISPS Code. To beef up security at the ports, PPA has installed forty-two (42) sets of baggage x-ray machine and walk-through detectors in forty-two (42) sites.

The ISPS Code has been an essential part of the Authority's general security policies designed to establish an international framework involving governments, port authorities, and shipping and port industries to detect security threats and undertake preventive measures against security incidents affecting ships or port facilities used in international trade.

In compliance with the requirements of the ISPS Code for the safety of passengers, the Authority programmed the procurement of additional x-ray machines/walk-through detectors for other ports in 2012, even for those engaged in domestic trade but are serving passengers.

Vessel Traffic Management System (VTMS)

The VTMS Control Center is a state-of-the-art vessel monitoring facility managed and operated by PPA on a 24/7 basis. The operation of VTMS focuses on giving round-the-clock assistance as well as relaying information to pertinent government agencies on cases of vessel distress, accidents, piracy and other incidents, for appropriate action.

PPA is committed to addressing maintenance-related issues of existing VTMS installations in Batangas, Manila and Bataan.

Management Information System (MIS) Computerization

With the lapse of the one (1) year warranty period for the MIS Computerization Project, otherwise known as the PROMPT (Providing Reliable Operations and Management of Ports thru Technology) on June 12, 2012, the resolution of the implementation issues, in addition to the management and maintenance of the computerized system, was assumed by the Authority's in-house staff.

During the year, continued capacity building measures were made to ensure the 100 percent utilization of all the application systems. These measures were in the form of re-orientation and re-training of all end-users, formal and on-the-job trainings (OJTs), video guides, Help Desk maintenance and site visits. Among the major systems developed under the completed MIS Computerization Project, the Port Operations Management System (POMS) and Accounting and Financial Management System (AFMS) were being closely monitored since these are being implemented on-line in twenty-two (22) major ports and are batch-processed in three hundred sixty (360) other terminals. Full compliance with existing Bureau of Internal Revenue (BIR) regulations was also completed in 2012 for the issuance of permit to use Computerized Accounting System (CAS).

Quality Management System (QMS)

In line with Executive Order (EO) No. 605 directing the institutionalization of the structure, mechanisms and standards to implement a Government Quality Management Program, a Quality Policy was crafted by the Authority in order to constantly provide and improve the quality of port services delivery particularly on the processes involved in Vessel Entrance/Clearance (VEC). QMS was first launched and implemented in the Port Management Office (PMO) of Batangas in 2011.

In 2012, ISO QMS-VEC certification was received by the Ports of Cagayan de Oro and Davao after full compliance with the certification requirements. Hardcopy of the Certificate was already received by the Port of Cagayan de Oro while that of Davao is still pending. Meantime, a Stage One (1)





Certification Audit of the Port of General Santos was performed by the TUV Rheiland, Phils on December 18, 2012. The audit identified eight (8) Opportunities for Improvement (OFI) which are needed to be dealt with to advance to the second stage of the Certification Audit. Efforts are also undertaken by the Authority as part of its commitment to have the Ports of Ozamiz and Zamboanga ISO-QMS certified in 2013.

As of yearend, the status of completion of requirements for certification of the ports was ninety-five (95) percent for General Santos, eighty (80) percent for Ozamis and eighty-five (85) percent for Zamboanga. Preparations are ongoing for the Stage Two (2) Certification Audit for the Port of General Santos.

Port Safety Health Environment Management System (PSHEMS)

This is a tripartite project of the Association of Southeast Asian Nations (ASEAN), ASEAN Ports Association (APA) and German Technical Cooperation (GTC), with the Ports of Iloilo and Cagayan de Oro as participating ports. PSHEMS is a port management system designed to ensure safety in port operations, protection of human life and property, health of port workers, and the protection of the environment.



Port of Tandag



Port of Lipata



Upon its birth, the PSHEM Code was developed as a standard against which ports can assess and evaluate their performance with reference to quality management, health and safety of port workers and the protection of the environment. The Code also specifies the requisites for an effective PSHEMS to permit an organization to develop and implement policies and objectives that take into account legal requirements and information about hazards associated with its activities, which have or can have a significant risk to health, safety and environment.

During the year, the Partnerships in Environmental Management for the Seas of East Asia (PEMSEA) conducted an Audit of PSHEMS at International Container Port Complex (ICPC), Port of Iloilo. Identified in the audit were thirty-three (33) non-conformities under the responsibility of PMO Iloilo/Port Operator. To address the identified non-conformities, duly accomplished Corrective and Preventive Action Request (CPAR) Forms were submitted to PEMSEA and these were found sufficient for PSHEMS Recognition of the Port of Iloilo.

On the other hand, PMO Cagayan de Oro has already submitted its PSHEMS Procedures and Policy Manuals which are yet to undergo review and evaluation. It is expected that PMO Cagayan de Oro will receive PSHEMS accreditation in 2013.

The systems developed/being developed for Iloilo and Cagayan de Oro will be implemented at these ports, audited by the PPA Internal Control Department and subjected to external audit by the PEMSEA. These will culminate in the issuance of Certificate of Recognition by PEMSEA on the PSHEMS at the ports of Iloilo and Cagayan de Oro. The Certificate of Recognition attests that the system conforms to the PSHEM Code, which integrates the key elements of other recognized international standards, such as ISO 9001 (QMS), ISO 14001 (Environmental Management Systems) and OHSAS 18001 (Occupational Health and Safety Management Systems).

Privatization Initiatives

1. Davao – The conduct of the Feasibility Study and Implementation Plan for the Proposed Public-Private Partnership (PPP) in the Management, Operations and Development of the Port of Davao (Sasa), Davao City is 100 percent. The Final Report, together with other deliverables, was submitted by the Contractor to PPA on July 12, 2012 and forwarded to Department of Transportation and Communications (DOTC) on July 16, 2012 for endorsement to NEDA-ICC. PPA is awaiting DOTC action before it proceeds to conducting other aspects of work on the Project.
2. Manila Bulk Terminal – The Draft Final Report was submitted by the Consultant at the end of October 2012. The latter was requested by the PPA to prepare other iterations and consider a reduced reclaimed area and reduced oil storage tank capacity to improve the financial viability of the project. Final acceptance by the PPA of the Final Report and presentation to the PPA Board of Directors may take place in 2013.
3. South Harbor Expanded Port Zone (SHEPZ) - A copy of the revised TOR for the SHEPZ, duly approved by the Board, was furnished the DOTC. The SHEPZ study was aimed at designing a comprehensive, conceptual, development master plan and best used strategy for the area covered by the study.

There is a concurrent inter-agency program called the Manila Heritage and Urban Renewal Project involving DOTC, Department of Finance (DOF), Department of Trade and Industry (DTI), LGU Manila & PPP Center covering the same commercial area of SHEPZ. An inter-agency undertaking through a MOA is being considered by the PPP Center.

4. Existing Passenger Terminal Buildings – see discussion on 'Port Services, Passenger Terminal Buildings (PTBs)', page 13.

Maintaining Corporate Stature

Community Support Program thru Gender and Development (GAD) Focal Points

As a responsible corporate citizen, PPA implements through its GAD Focal Points socially directed initiatives both for its people and the marginal segment of port communities nationwide.

In 2012, PPA, through its GAD Focal Points directed its efforts in addressing gender-related issues such as:

- Inadequate support services to address issues on personnel well-being,
- Lack of unity and appreciation of GAD values, issues and concerns,
- Low level of women's participation in gender-related programs and training,
- Lack of Disaggregated Data,
- Lack of standard gender-sensitive amenities in PTBs per Engineering Standards,
- Low level of awareness on facilities and amenities available for women, children and disadvantaged groups,
- Lack of awareness of port workers on gender issues and concerns, and
- Lack of sex-disaggregated data for clients.

To address these issues, PPA GAD Focal Points in 2012 had

- Continuously maintained and improved GAD Centers in various PPA offices nationwide (e.g., library, GAD corners, photo gallery);
- Maintained and improved Child Care Centers;
- Provided assistance and counselling to women employees regarding domestic violence, sexual harassment and gender biases;
- Conducted information advocacy programs for employees with emphasis on Health and Wellness through leaflets, lectures and seminars;
- Participated in various activities related to Women's Month Celebration i.e., mainstreamed to field units/ regional offices;
- Participated in GAD-related training programs such as Women's Congress, Gender Mainstreaming, Civil Service Commission (CSC)-GAD Laws and Issuances, etc.;
- Conducted other training program in coordination with Regional Health Offices, Philippine Red Cross (PRC), and invited guest speakers to discuss Women Issues and Concerns;
- Established Sex-Disaggregated database development program for employees in PDO Southern Mindanao;
- Constructed and maintained gender-sensitive PTBs in ports nationwide (e.g., provision of family room, breastfeeding areas, and male/female toilets);
- Repaired and maintained Halfway Houses and provided other amenities (e.g. fans, mattresses, cabinets, etc.);
- Produced informative materials;
- Conducted networking with local and foreign agencies to establish best practices on port facilities and amenities with focus on GAD;
- Conducted Gender Sensitivity Training (GST) including Violence Against Women (VAW), Committee on the Discrimination Against Women (CEDAW) for port workers and their families, and other related seminars; and
- Conducted data gathering and surveys in selected ports nationwide for port workers and passengers only.

PPA earmarked some Php9.32 million for GAD activities and projects that were expected to contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion and fulfillment of women's human rights and practice of gender-responsive governance. This amount does not include funds spent for the maintenance of half-way houses in various ports and the gender-friendly facilities in all PTBs nationwide.

KIDDIE CORNER

GAD

Human Resource Development Program

In 2012, the Human Resource Department has successfully undertaken, in cooperation with various sponsoring institutions a total of two hundred ninety-one (291) courses which produced 1,901 graduates from both PPA and staff of private port operators. The courses conducted focused on various subjects ranging from management, operations, equipment and maintenance, among others.

Internal Audit Program

PPA's internal audit program for 2012 covered the following areas:

Baseline Assessment in the areas of *Administrative System*

1. Records and communication services
2. Repairs and maintenance of office equipment
3. Management of motor vehicles
4. Building maintenance
5. Procurement services
6. Property management
8. Office supplies management
9. Janitorial and housekeeping services

Cargo Handling Compliance Report

10. PMO Cagayan de Oro
11. PMO North Harbor
12. PMO Puerto Princesa
13. PMO Ilollo
14. PMO Tagbilaran
15. PMO Ozamis

Internal Audit on Quality Management Systems (QMS) ISO 9001:2008 (VEC)

1. PMO Cagayan de Oro (certification audit)
2. PMO Davao (certification audit)
3. PMO Batangas (surveillance audit)
4. PMO Gen. Santos (certification audit)

Participation in External Audit on QMS-VEC

1. PMO Batangas (surveillance audit)
2. PMO Cagayan de Oro (stage 1 & 2)
3. PMO Davao (stage 1)
4. PMO General Santos (stage 2)



Empowered PPA Female Managers





Conduct of internal audit in conformity with PSHE-MS standards on PMOs undergoing recognition process

PMO Iloilo

Internal audit of ATI-Batangas per ICD Report No. 03-2012

Conducted Constructors Performance Evaluation System (CPES) Rating on the following R/M Projects:

1. Repair of Water System, Cagayan de Oro
2. Repair of Breakwater, Culasi, Roxas
3. Repair of Ramp, Pavement, Gate & Port Lighting, Tubigon
4. Repair Pier Approach, Brooke's Point
5. Repair Improvement of Slope Protection Structure along RoRo Ramp, Cauayan, Masbate
6. Repair of Old Wharf, Davao
7. Repair of Causeway, Port of Banago City
8. Negros Occidental
9. Repair/Renovation of Passenger Terminal Building (PTB), Port of Zamboanga
10. Repair of damaged curbs, pavement and replacement of Cylindrical Rubber Dock Fenders, Port of Zamboanga
11. Repair of Berthing Area at Port of San Isidro, Northern Samar
12. Repair of damaged RC curbs and curtain wall and Replacement of dilapidated Mooring and Fendering System along berths 2, 3, 4 & 5 of Puerto Princesa

Conducted CPES Rating on the following CapEx Projects:

1. Pier Expansion, Port of Ambulog
2. Port Improvement, Tacloban
3. RC Landing & Rehab of Existing Bulkhead, Gian, Sarangani
4. Paving of Back-up Area, Dapitan
5. Construction of two (2) RoRo Ramps, Masbate
6. Port Improvement/Rehabilitation, Tacloban
7. Port Expansion, Coron
8. Port Expansion, Ozamis
9. Port Expansion, Puerto Princesa
10. Construction of PTB, Port of Masbate
11. Construction of PTB, Port of Legaspi
12. Improvement of Back-up Area, Davao
13. Proposed Improvement of Container Yard
14. Port of Fort San Pedro, Iloilo
15. Port Development, Sual Port, Sual Pangasinan
16. Proposed Coron Port Expansion Project, Palawan
17. Proposed Pier Expansion and PTB, Port of Magino-o, Calbayog City
18. Port Improvement/Rehabilitation Project, Port of Tacloban
19. Construction of RC Landing Pier, RoRo Ramp & Rehabilitation of existing Bulkhead Gian Port, Sarangani
20. Construction of PTB, Port of Masbate
21. Improvement of Back-up Area, Port of Davao
22. Proposed emergency repair of dilapidated one hundred fifty (150) panels reinforced concrete deck in scattered location of the apron between berths 1- 4, Port of Davao
23. Construction of PTB and RC Wharf, Port of Legaspi
24. Port Expansion Project, Port of Puerto Princesa
25. Port Expansion Project, Port of Sual



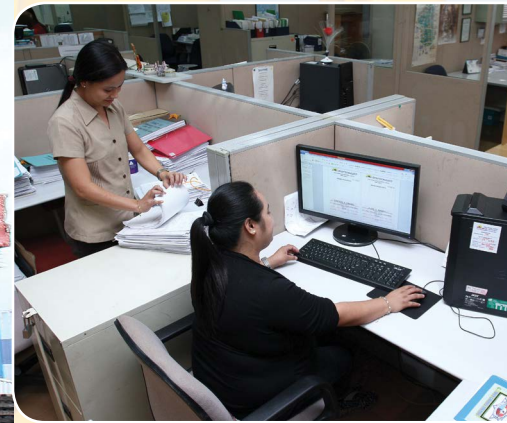
Performance/Contract Compliance Audit of Cargo Handling Operators

1. Asian Terminal, Inc., Batangas, (ATIB) Phase I
2. Oroport Cargo Handling Services, Inc.
3. Manila North Harbor Port, Inc., (MNHPI)
4. Prudential Custom Brokerage Services, Inc., (PCBSI-Puerto Princesa)
5. Iloilo Integrated Arrastre Services Corporation, (ILIASCO)
6. Tagbilaran Maritime Services, Inc., (TMSI)
7. Prudential Custom Brokerage Services, Inc., (PCBSI-Iloilo)
8. Visayan Vets Port Services, (VISVETS)
9. Integrated Port Services of Ozamis, (IPSO)

Special Audit on the Contract Compliance of Golden Dragon International Terminal, Inc.



Port of Butuan



Port of Limay



Port of San Fernando



Maintaining Global Ties

In 2012, PPA officials and staff attended twenty-two (22) international meetings, conferences, workshops and conventions in eleven (11) countries (Vietnam, Thailand, Indonesia, Cambodia, Brunei Darussalam, Malaysia, South Korea, Myanmar, Hongkong, Germany and Switzerland) to enhance global ties, keep abreast with current technological trends as well as improve capacity building in various areas of port operations and shipping.

1. 9th ASEAN-Japan Port Technology Group Meeting and International Seminar on Port EDI held in Hanoi, Vietnam on February 14 – 15, 2012
2. 35th APEC Transportation Working Group (TPTWG35) Meeting in Bangkok, Thailand on February 20 – 24, 2012
3. 2nd BIMP-EAGA Special Meeting of Sea Linkages Working Group in Jakarta, Indonesia on March 01 - 02, 2012
4. 8th Meeting of the Coordinating Committee on Services (CCS) and its Related Meetings in Siem Reap, Cambodia on March 12 – 17, 2012.
5. 3rd ASEAN Senior Transport Officials Meeting (33rd STOM) in Bandung, Indonesia on May 22 – 24, 2012.
6. 5th Regional Project Progress Planning and Review Meeting and the Training on Port Waste Management in ASEAN Ports in Bangkok, Thailand on May 22 – 24, 2012.
7. BIMP-EAGA Transport, Infrastructure and ICT Development (TIICTD) Cluster Meeting in Bandar Seri Begawan, Brunei Darussalam on June 11 – 14, 2012.
8. Second Workshop on Planning and Conduct of Drill Exercise Programme in Sandakan, Sabah, Malaysia on July 2 – 5, 2012.



Port of Cotabato



Port of Surigao



9. 70th Meeting of the Coordinating Committee (70th CCS) on Services and its Relating Working Group Meetings in Bangkok, Thailand on July 4 – 7, 2012.
10. International Conference on Sustainable Coastal and Ocean Development of the East Asian Seas (EAS) Congress 2012 in Changwon City, Republic of Korea on July 9 – 13, 2012.
11. BIMP-EAGA Special Meeting for the Transport, ICT Infrastructure and Infrastructure Connectivity Cluster in Sabah, Malaysia on July 17, 2012.
12. 33rd ASEAN Ports Association (APA) Working Committee Meeting at Furama Resort, Da Nang City, Vietnam on August 24 - 26, 2012.
13. 7th BIMP-EAGA Transport Ministers Meeting held in Kuching, Sarawak, Malaysia on September 25 – 26, 2012.
14. 71st Meeting of the Coordination (71st CCS) on Services and its Relating Working Group Meetings in Kuala Lumpur, Malaysia on September 25 – 28, 2012.
15. 24th ASEAN Maritime Transport Working Group (MTWG) Meeting in Yangon, Myanmar on October 17 – 19, 2012.
16. High-Level Meeting on the Final Review of the 2nd Asian and Pacific Decade of Disabled Persons (2003-2012) and the Declaration of the Incheon Strategy for the New Decade Incheon, Korea on October 29 to November 02, 2012.
17. ASEAN Ports Association (APA) HRD Seminar entitled “Container Terminal Management and Operation”, in Cambodia on November 05 – 07, 2012.
18. APSN Workshop on Green Shipping and Supply Chains and 5th meeting of the APSN Council in Hongkong, China on November 05 – 07, 2012.
19. 6th Regional meeting and Management Training in Germany on November 05 - 16, 2012.
20. 38th ASEAN Ports Association (APA) main Meeting at Dusit Hotel, Bangkok, Thailand on November 19 – 23, 2012.
21. 34th ASEAN Senior Transport Officials Meeting (STOM) on November 26 – 28, 2012 and the 18th ASEAN Transport Meeting (ATM) on November 29 – 30, 2012 held at the Grand Hyatt Hotel, Nusa Dua Bali, Indonesia.
22. AD HOC Expert Meeting on Assessing Port Performance in Geneva, Switzerland on December 12, 2012.



Ports and Shipping Conference

2012 PPA

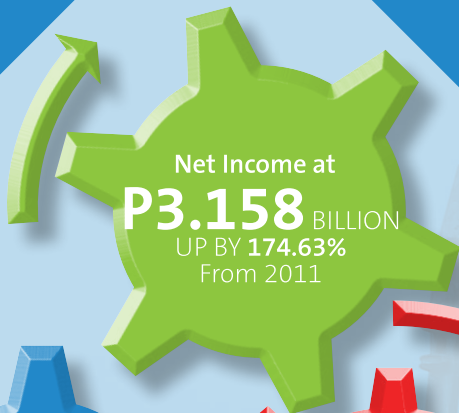
Performance at a Glance

PHYSICAL INFRASTRUCTURE DEVELOPMENT AND MAINTENANCE



41 LOCALLY
FUNDED
PROJECTS COMPLETED
VALUED at **P1.599** BILLION
in 2012

90 R&M
PROJECTS
PROJECTS COMPLETED VALUED
at **P877.187** MILLION
in 2012



FINANCIAL PERFORMANCE

SHIPPING AND TRADE PERFORMANCE



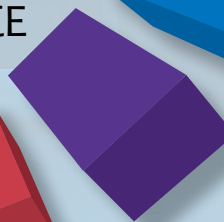
Passenger Traffic at
P49.998 MILLION
UP BY **1.04%**
From 2011



Container Traffic
5.213
MILLION TEUs
UP BY **5.68%**
FROM 2011



Ship Traffic or Vessel Calls
345,828
UP BY **1.28%**
FROM 2011



Cargo Throughput
193.775
MILLION MMTs
UP BY **8.69%**
FROM 2011





DIVIDEND REMITTANCES

Dividends Remitted:
P1,000,993,292.11 in 2012
 versus
P817,025,907.47 in 2011

Remitted to the National
 Government Cash Dividend of
P1.001 BILLION
 UP BY **P183.967** MILLION or
22.52% from 2011

FINANCIAL RATIOS

Current Ratio

measures the ability of the Authority to meet current obligations. Resultant ratio must be >1.

1.93:1 in 2012
 versus
1.19:1 in 2011

This year's ratio increased to 1.93 from last year's 1.19; meaning PPA has P1.93 current assets to cover every P1.00 current obligation.

Return on Assets (ROA)

indicates the degree of profits realized in relation to the amounts invested in assets. Resultant percentage must be >7%

12.57% in 2012
 versus
10.28% in 2011

This year's ROA increased to 12.57% from last year's 10.28% due to increase in net operating income with a slight decrease in average operating fixed assets.

Port Operating Ratio

measures the effectiveness of management in terms of keeping down costs in relation to revenue. Resultant ratio must be <70-75%

63.94% in 2012
 versus
67.39% in 2011

This year's port operating ratio decreased to 63.94% from last year's 67.39%.

Debt to Equity Ratio

in compliance with PD 857, total indebtedness of the PPA in principal amount on local and foreign currency shall not at any time exceed the net worth of the PPA at the relevant time. Resultant ratio must be <1.

0.15:1 in 2012
 versus
0.19:1 in 2011

This year's ratio of 0.15:1 is safely within the required limit.



Completed Locally Funded Projects

Head Office & Field Office-Implemented (CY 2012, In pesos)

| Port Location | Implementing Office | Project Description | Date Started | Completion Target | Project Cost/Contract Amount |
|--|---------------------|--|--------------|-------------------|------------------------------|
| PDO MANILA/NORTHERN LUZON | | | | | |
| PMO Limay | | | | | |
| 1 Dingalan, Aurora | FO | Construction of Security Fence, Gate, Guardhouse & concrete paving | Mar 7 2012 | Aug 1 2012 | 15,999,475.21 |
| 2 Lamao, Bataan | FO | Construction of Seawall & Breakwater | Aug 9 2011 | Feb 4 2012 | 21,957,229.97 |
| PMO North Harbor | | | | | |
| 3 North Harbor | FO | Improvement of access road & rehabilitation of street lighting leading to Isla Puting Bato | Nov 29 2011 | Jan 27 2012 | 14,744,095.55 |
| PMO San Fernando | | | | | |
| 4 Curima, Ilocos Norte | FO | Provision of water supply system at PTB | May 21 2012 | Jun 20 2012 | 746,678.95 |
| 5 Sual, Pangasinan | HO | Port Development Project (RoRo Ramp on-fill & Rock Causeway) | Feb 12 2010 | Nov 27 2012 | 82,074,965.68 |
| 6 Valanga, Batanes | FO | Construction of Wharf | Nov 28 2011 | May 19 2012 | 25,660,219.33 |
| Sub-Total PDO Manila/Northern Luzon | | | | | 161,182,664.69 |
| PDO SOUTHERN LUZON | | | | | |
| PMO Batangas | | | | | |
| 7 Ambulong, Romblon | FO | Improvement Project; RC Pier Extension | Jul 14 2011 | Jan 15 2012 | 27,095,631.14 |
| PMO Calapan | | | | | |
| 8 Roxas, Oriental Mindoro | FO | Expansion of PTB, concreting of Back-up Area, extension of Perimeter | | | |
| PMO Legazpi | | | | | |
| 9 Cataingan, Masbate | FO | Construction of Back-up Area | Dec 1 2011 | May 28 2012 | 19,708,936.88 |
| 10 Masbate, Masbate City | FO | Construction of additional Two (2) Roro ramps | Nov 18 2011 | May 15 2012 | 19,175,685.42 |
| 11 Masbate, Masbate City | FO | Construction of PTB | Dec 7 2011 | Sept 16 2012 | 29,689,351.88 |
| 12 San Andres, Catanduanes | FO | Construction of Back-up Area | Jul 12 2011 | Feb 24 2012 | 29,249,016.10 |
| 13 Virac, Catanduanes | FO | Construction of PTB/TMO | Sept 15 2011 | Mar 12 2012 | 13,591,683.35 |
| PMO Puerto Princesa | | | | | |
| 14 Balabac, Palawan | HO | Port Improvement Project (R.C. Pier Extension, Back-up Area & Upgrading of Pavement at Existing Rock Causeway) | Apr 18 2011 | May 21 2012 | 36,490,828.81 |
| 15 Brooke's Point, Palawan | FO | Construction of Cargo/Transit Shed (12m x 20m), Concrete Pavement (30.11m x 42.78m), Drainage System (43m) | Apr 2 2012 | June 30 2012 | 9,999,142.66 |
| Sub-Total PDO Southern Luzon | | | | | 214,365,733.54 |
| PDO VISAYAS | | | | | |
| PMO Dumaguete | | | | | |
| 16 Dumaguete | HO | Paving of Back-up Area/Construction of Pavement/Jul 13 2011 | Mar 19 2012 | 53,967,253.71 | |
| 17 Dumaguete, Negros Oriental | FO | Construction of Security Fence & other necessary accessories for the new PTB | Feb 10 2012 | Aug 5 2012 | 3,401,736.57 |
| PMO Iloilo | | | | | |
| 18 Fort San Pedro | HO | Improvement of Container Yard | Dec 19 2011 | Oct 23 2012 | 32,064,287.33 |
| 19 Iloilo, Iloilo City | HO | Paving of Container Marshalling Yard and Back-up Area | Jul 6 2011 | Jun 29 2012 | 75,518,278.68 |
| PMO Pulupandan | | | | | |
| 20 Danao, Escalante, Negros Occ. | FO | Construction of 2-storey PTB & TMO Building (20m x 10m) | Nov 24 2011 | Sept 21 2012 | 10,986,128.76 |
| PMO Tacloban | | | | | |
| 21 Borongan, Eastern Samar | FO | Improvement of Port (RC Deck/Roro Ramp/ Mooring Bollard) | Aug 11 2011 | Mar 14 2012 | 15,565,907.86 |
| 22 Carigara, Leyte | FO | Port Improvement (RC Deck/Roro Ramp/Mooring Bollard) | Aug 11 2011 | Mar 28 2012 | 15,174,731.23 |
| 23 Paninirongan, Northern Samar | FO | Improvement of Paninirongan Port | Aug 8 2011 | Jan 4 2012 | 14,911,271.44 |
| 24 Tacloban, Tacloban City | HO | Improvement/Rehabilitation, Drainage System, Port Lighting System | Jun 28 2011 | Aug 30 2012 | 394,487,507.85 |
| Sub-Total PDO Visayas | | | | | 616,077,103.43 |
| PDO NORTHERN MINDANAO | | | | | |
| PMO Cagayan de Oro | | | | | |
| 25 Balingao, Misamis Oriental | FO | Port Improvement (Roro Ramp and Causeway) | Dec 21 2011 | Oct 24 2012 | 18,626,447.75 |
| 26 Benoni, Mahinog, Camiguin | FO | Reclamation of Back-up and Rehabilitation of Bulkhead | Dec 23 2011 | Aug 19 2012 | 17,131,344.75 |
| 27 Benoni, Mahinog, Camiguin | FO | Relocation of Informal Settlers occupying expansion area of the port | | Feb 2012 | 8,000,000.00 |
| 28 Cagayan de Oro, CDO | HO | Paving of Back-up Area (Construction of Pavement) | Jul 7 2011 | Jun 30 2012 | 70,235,382.29 |
| 29 Guinsiliban, Camiguin | FO | Port Development (Extension of RC Pier 12x9m) | Dec 28 2011 | June 30 2012 | 8,987,962.10 |
| PMO Nasipit | | | | | |
| 30 Nasipit, Agusan del Norte | HO | Paving of Back-up Area (Construction of Pavement) | | | |
| PMO Ozamis | | | | | |
| 31 Ozamis, Ozamis City | HO | Port Expansion Project (Back-up Area, Port Lighting System)/Sept 24 2009 | Mar 20 2012 | 149,935,560.21 | |
| PMO Surigao | | | | | |
| 32 Lipata, Surigao del Norte | FO | Removal of curb, gutter, island & other obstruction & concreting of pavement | Dec 23 2011 | Mar 22 2012 | 8,768,963.08 |
| 33 Sta. Monica, Surigao del Norte | FO | Improvement of port facilities/concrete causeway | Oct 25 2011 | Dec 9 2012 | 17,512,980.43 |
| 34 Surigao, Surigao City | HO | Paving of Back-up Area (Construction of Pavement) | Jul 6 2011 | Mar 31 2012 | 40,793,160.82 |
| Sub-Total PDO Northern Mindanao | | | | | 363,614,770.67 |
| PDO SOUTHERN MINDANAO | | | | | |
| PMO Dapitan | | | | | |
| 35 Dapitan, Zambo. del Norte | HO | Passenger Terminal & Operations Building-Construction of two-storey building with Roof Deck | Feb 7 2011 | Mar 17 2012 | 66,411,499.23 |
| 36 Dapitan, Zambo. del Norte | HO | Paving of Back-up Area (Construction of Pavement) | Jun 28 2011 | Aug 6 2012 | 21,770,000.29 |
| 37 Dapitan, Zamboanga del Norte | FO | Provision of Generator Set Shed and relocation of existing 150KVA Gen Set | Jan 16 2012 | Jul 7 2012 | 5,320,217.77 |
| PMO Davao | | | | | |
| 38 Davao, Davao City | HO | Improvement of Back-up Area (Construction of Pavement, Construction of RTG Lines, Port Lighting System) | Oct 4 2011 | Nov 10 2012 | 53,312,990.74 |
| 39 Pantukan, Compostela Valley | FO | Port Development (Construction of RoRo Ramp & Rock Causeway) | Dec 4 2009 | Apr 8 2012 | 32,354,152.14 |
| PMO General Santos | | | | | |
| 40 Glan, Sarangani Province | FO | Construction of RC landing Pier, RORO Ramp & rehabilitation of existing bulkhead | Jul 13 2010 | Aug 30 2012 | 28,624,883.06 |
| PMO Zamboanga | | | | | |
| 41 Zamboanga, Zamboanga City | HO | Paving of Back-up Area (Construction of Pavement) | Jun 28 2011 | Feb 10 2012 | 36,216,157.80 |
| Sub-Total PDO Southern Mindanao | | | | | 244,009,901.0 |
| Grand Total | | | | | 1,599,250,173.36 |

Ongoing Locally Funded Projects

Head Office & Field Office-Implemented (Status as of December 2012, In pesos)

41

| | Port Location | Implementing Office | Project Description | Date Started | Completion Target | Project Cost/ Contract Amount |
|-------------------------------------|--|---------------------|--|--------------|-------------------|-------------------------------|
| PDO MANILA/NORTHERN LUZON | | | | | | |
| 1 | PMO Limay | | | | | |
| 1 | Lamiao, Batangas | FO | Upgrading of power supply system into Three (3) Phase | Nov 30 2011 | Jan 15 2013 | 19,985,747.10 |
| 2 | Lamiao, Batangas | FO | Concrete Paving of Back-up Area with Drainage System & | | | |
| PMO North Harbor | | | | | | |
| 3 | El Codo Canal, Pasig River, South Harbor, Manila | | | | | |
| 4 | North Harbor | FO | Construction of Landing Ramp and Security Fence | | | |
| 5 | Pier 18, North Harbor, Manila | FO | Construction of Port Operations Bldg. (Conversion of former Manila Forwarders occupied area into Port Operations Office 268 sq.m., 2 storey) | | | |
| 6 | Slip 0, North Harbor, Manila | FO | Widening of Pier 18 Approach | | | |
| | | | Pay Parking Development (Construction of Security Fence, Gates & Lighting; Leveling, compaction and gravel fill) | | | |
| PMO San Fernando | | | | | | |
| 7 | Basco, Batanes | HO | Pier Extension & Evacuation of Berthing Area | Oct 4 2011 | Feb 13 2013 | 51,855,287.41 |
| 8 | Basco, Batanes | FO | Reclamation of back-up area & construction of PPA office & passenger shed | | | |
| 9 | Currimao/Aparri/Masinloc/Sn Fernando | FO | Supply & installation of lighting arrester & surge suppression | | | |
| Sub-Total PDO Manila/Northern Luzon | | | | | | 71,841,034.51 |
| PDO SOUTHERN LUZON | | | | | | |
| PMO Batangas | | | | | | |
| 10 | Batangas, Batangas | FO | Construction of Bridge/Ramp connecting Phase I to Phase II | | | |
| 11 | Bauan, Batangas | FO | Expansion of Back-up Area | | | |
| 12 | Unisan, Quezon | FO | Port Development (Construction of Rock Causeway 100m x 6m) | | | |
| PMO Calapan | | | | | | |
| 13 | Abra de Ilog, Occidental Mindoro | FO | Construction of New Comfort Room | | | |
| 14 | Calapan, Oriental Mindoro | FO | Construction of New Comfort Room | | | |
| 15 | Roxas, Oriental Mindoro | FO | Construction of RORO Ramp No. 4 and RC Platform | | | |
| 16 | Roxas, Oriental Mindoro | FO | Relocation of Ticketing Office inside the Port Area (60 sq.m.) | | | |
| PMO Legazpi | | | | | | |
| 17 | Bulan, Sorsogon | FO | Expansion of Back-up Area | | | |
| 18 | Garchitorena, Camarines Sur | FO | Port Development (Rock Causeway) | Apr 17 2012 | Oct 13 2012 | 13,864,099.88 |
| 19 | Legazpi, Legazpi City | HO | Passenger Terminal Bldg., R.C. Platform and Electrical Works | Aug 25 2011 | Oct 24 2012 | 55,194,866.16 |
| 20 | Legazpi, Legazpi City | HO | Construction of RC Wharf | Feb 23 2012 | Oct 19 2012 | 83,082,521.27 |
| 21 | Lucena, Quezon | HO | Construction of Marshalling Yard & Paving of Existing Back-up Area | Oct 15 2012 | Aug 10 2013 | 32,950,100.57 |
| 22 | Masbate, Masbate City | HO | Construction of RC Wharf | | | |
| 23 | Matnog, Sorsogon | HO | Port Expansion Project (Back-up Area, R.C. Deck on Piles & 2 Roro Ramps, Port Lighting System) | Mar 6 2012 | May 29 2013 | 185,814,612.05 |
| 24 | Pio Duran, Albay | HO | Construction of Back-up Area, RC Platform and Roro Ramp | Oct 17 2012 | Oct 11 2013 | 64,308,979.74 |
| 25 | Tabaco, Albay | HO | Construction of Back-up Area | Oct 11 2012 | Oct 5 2013 | 51,924,221.76 |
| 26 | Tabaco, Albay | FO | Extension of existing PTB | | | |
| PMO Puerto Princesa | | | | | | |
| 27 | Balabac, Palawan | FO | Construction of Fence at Reclaimed Area (Concrete Fence 59.61m) | | | |
| 28 | Brooke's Point, Palawan | FO | Improvement/Expansion of TMO Building (181.24 sq.m.) | | | |
| 29 | Coron, Palawan | HO | Port Expansion Project | Nov 21 2011 | Feb 6 2013 | 95,289,000.00 |
| 30 | Puerto Princesa, Palawan | HO | Port Expansion Project (Back-up Area, Wharf Extension, Port Lighting System) | Feb 7 2012 | Jul 30 2013 | 290,488,787.90 |
| Sub-Total PDO Southern Luzon | | | | | | 872,917,189.33 |
| PDO VISAYAS | | | | | | |
| PMO Dumaguete | | | | | | |
| 31 | Dumaguete | HO | Rehabilitation of RC Pier 1 | Oct 8 2012 | Dec 1 2013 | 74,159,767.60 |
| 32 | Siguilor, Siguilor | FO | Widening of Causeway | | | |
| PMO Iloilo | | | | | | |
| 33 | Culasi, Roxas City, Capiz | FO | Upgrading of existing back-up | Dec 7 2012 | Jul 30 2013 | 13,606,180.27 |
| 34 | Culasi, Roxas City, Capiz | FO | Construction of Passenger Terminal Bldg. | Dec 7 2012 | May 21 2013 | 4,960,731.80 |
| 35 | Dumangas, Iloilo City | HO | Construction of Back-up Area with Roro Ramp on Fill and Upgrading of Existing Back-up Area | Oct 17 2012 | Oct 11 2013 | 62,380,254.11 |
| 36 | Dumangas, Iloilo City | FO | Construction of Passenger Terminal Bldg. | | Dec 7 2012 | Sept 23 2013 |
| 37 | ICPC, Iloilo City | HO | Construction of Back-up Area, installation of ICBP, Port Lighting System | Sept 21 2012 | Mar 14 2014 | 181,413,532.54 |
| 38 | Iloilo River Wharf, Iloilo City | HO | Construction of Berthing Facilities, RC Platform and Roro Ramp | Sept 21 2012 | Mar 14 2014 | |
| 39 | Iloilo River Wharf, Iloilo City | FO | Construction of Passenger Terminal Bldg. | Dec 7 2012 | Nov 2 2013 | |
| 40 | Lipata, Antique | HO | Construction of Back-up Area (Reclamation & Port Lighting System) | Feb 2 2012 | Jan 26 2013 | 41,607,251.00 |
| 41 | San Jose de Buenavista, Antique | FO | Provision of RORO Port & Platform | | | |
| PMO Ormoc | | | | | | |
| 42 | Ormoc, Leyte | HO | Construction of Back-up Area and Roro Ramp on Fill | Oct 22 2012 | Dec 15 2013 | 89,835,912.49 |
| PMO Pulupandan | | | | | | |
| 43 | Danao, Negros Occ. | FO | Installation of Shore Power | | | |
| 44 | San Carlos, Negros Occidental | FO | Construction of Covered Pathwalk | | | |
| 45 | San Carlos, Negros Occidental | FO | Installation of Shore Power | Dec 14 2012 | June 22 2013 | |
| PMO Tacloban | | | | | | |
| 46 | Guadalupe, Maasin City | HO | Port Development Project (Causeway, R.C. Trestle, Roro Ramp & Breasting Dolphin, Port Lighting System) | | | |
| 47 | Maguino-o, Calbayog City | HO | Pier Extension and PTB | Jan 13 2012 | Nov 16 2012 | 38,590,675.72 |
| 48 | Ormoc, Leyte | FO | Provision of Shore Power | | | |
| 49 | San Jose, Northern Samar | FO | Improvement Project | | | |
| 50 | Tacloban, Leyte | FO | Provision of Powerhouse and 219KVA Generator Set | | | |
| PMO Tagbilaran | | | | | | |
| 51 | Jagna, Bohol | FO | Expansion of existing PTB | | | |
| 52 | Tagbilaran, Bohol | FO | Concrete Paving of Reclaimed Area (67.67m x 116.17m) | | | |
| 53 | Tubigon, Bohol | HO | Construction of PTB & Back-up Area | Oct 29 2012 | Oct 23 2013 | 69,998,850.11 |
| Sub-Total PDO Visayas | | | | | | 576,553,155.64 |
| PDO NORTHERN MINDANAO | | | | | | |
| PMO Cagayan de Oro | | | | | | |
| 54 | Balingoan, Misamis Oriental | FO | Rehabilitation of RC Pier | | | |
| 55 | Cagayan de Oro, CDO | HO | Construction of 1-Storey Passenger Terminal Bldg. | | | |
| PMO Iligan | | | | | | |
| 56 | Iligan, Lanao del Norte | FO | Relocation of Informal Settlers | | | |
| 57 | Iligan, Lanao del Norte | FO | Construction of Multi-Purpose/Seminar Hall at PMO Admin | | | |
| 58 | Iligan, Lanao del Norte | FO | Construction of Well Wishes Shed and Parking Area | | | |
| 59 | Iligan, Lanao del Norte | FO | Construction of PTB | Nov 16 2012 | Nov 9 2013 | 27,164,418.88 |
| PMO Ozamis | | | | | | |
| 60 | Ozamis, Misamis Occidental | FO | Construction of PTB | Sept 10 2012 | Sept 10 2013 | 24,840,484.40 |
| 61 | Jimenez, Misamis Occidental | FO | Installation of one (1) unit Breasting Dolphin | | | |
| PMO Surigao | | | | | | |
| 62 | Consolacion, Dapa, Sur del Norte | FO | Completion of Barangay Port | | | |
| 63 | Del Carmen, Surigao del Norte | FO | Construction of PTB | | | |
| 64 | Dona Helene, Surigao del Norte | FO | Construction of Roro Ramp/RC Wharf: Construction of Roro Port (Phase 1) | Oct 25 2011 | Jul 27 2013 | 23,052,605.10 |
| 65 | Lawigan, Bislig, Surigao del Sur | FO | Remove, Haul and Transport reinforced concrete piles from Lawigan to Aras-Asan | | | |
| 66 | Lipata, Surigao del Norte | FO | Extension of existing PTB | | | |
| 67 | Surigao, Surigao del Norte | FO | Extraction/Provision of additional Breasting Dolphin at Berth 8 | | | |
| 68 | Surigao, Surigao del Norte | FO | Construction of CHB Perimeter Fence Covered Walkway, Gate & Lightings along Borromeo St. | | | |
| 69 | Surigao, Surigao del Norte | FO | Construction of PICO Amenity Building (20m x 32m) | | | |
| 70 | Surigao, Surigao del Norte | FO | Construction of Cargo Shed | | | |
| 71 | Surigao, Surigao del Norte | FO | Provision of 300KVA Standby Generator Set & GenSet shed | | | |
| Sub-Total PDO Northern Mindanao | | | | | | 75,057,508.38 |
| PDO SOUTHERN MINDANAO | | | | | | |
| PMO Dapitan | | | | | | |
| 72 | Dapitan, Zamboanga del Norte | FO | Construction of 9x11m Roro Ramp | | | |
| 73 | Sindangan, Zamboanga del Norte | FO | Port Improvement Project (Construction of 300 sq.m. PTB and Dredging 4,200 cu.m.) | Mar 15 2012 | Oct 1 2012 | 10,496,546.00 |
| PMO General Santos | | | | | | |
| 74 | General Santos, Makar Wharf | FO | Expansion of Port Operations Building; Renovation/Extension of PPA Admin Bldg. | | | |
| PMO Zamboanga | | | | | | |
| 75 | Basilan, Isabela, Basilan | FO | Port Improvement (Widening of Existing RC Wharf) | | | |
| 76 | Zamboanga, Zamboanga City | HO | Construction of RC Wharf & two (2) Roro Ramps with Breasting Dolphins | Nov 29 2012 | May 22 2014 | 227,295,459.30 |
| 77 | Zamboanga, Zamboanga del Sur | FO | Construction of Travelers Hub | Mar 20 2012 | Feb 25 2013 | 29,099,322.66 |
| Sub-Total PDO Southern Mindanao | | | | | | 266,891,327.96 |
| Grand Total | | | | | | 1,863,260,215.82 |

Cargo Throughput (in M.T.)

By Port District/Port Management Office
At Berth/Anchorage

| PDO/PMO | GRAND TOTAL | 2012 | | GRAND TOTAL | 2011 | |
|-------------------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|
| | | DOMESTIC | FOREIGN | | DOMESTIC | FOREIGN |
| PDO MNL/NORTHERN LUZON | 75,058,855 | 26,614,393 | 48,444,462 | 72,195,832 | 27,845,162 | 44,350,670 |
| Manila - N. Harbor | 19,174,424 | 14,482,959 | 4,691,465 | 18,442,473 | 14,655,176 | 3,787,297 |
| Manila - S. Harbor | 11,130,626 | 4,232,355 | 6,898,271 | 12,612,780 | 5,925,811 | 6,686,969 |
| - M.I.C.T. | 19,966,465 | 1,074,172 | 18,892,293 | 18,689,936 | 888,315 | 17,801,621 |
| Limay | 16,357,770 | 6,475,226 | 9,882,544 | 15,801,733 | 6,052,213 | 9,749,520 |
| San Fernando | 8,429,570 | 349,681 | 8,079,889 | 6,648,910 | 323,647 | 6,325,263 |
| PDO SOUTHERN LUZON | 33,279,401 | 11,804,836 | 21,474,565 | 29,728,136 | 10,803,256 | 18,924,880 |
| Batangas | 20,617,904 | 7,934,868 | 12,683,036 | 20,519,191 | 7,558,895 | 12,960,296 |
| Calapan | 374,512 | 374,512 | 0 | 289,598 | 289,598 | 0 |
| Legazpi | 2,192,479 | 1,597,718 | 594,761 | 2,058,595 | 1,402,121 | 656,474 |
| Puerto Princesa | 10,094,506 | 1,897,738 | 8,196,768 | 6,860,752 | 1,552,642 | 5,308,110 |
| PDO VISAYAS | 24,272,034 | 17,541,943 | 6,730,091 | 23,433,735 | 17,106,386 | 6,327,349 |
| Dumaguete | 1,926,469 | 1,727,325 | 199,144 | 1,964,840 | 1,753,493 | 211,347 |
| Iloilo | 7,325,590 | 3,516,945 | 3,808,645 | 6,541,872 | 3,668,945 | 2,872,927 |
| Ormoc | 3,591,715 | 2,084,606 | 1,507,109 | 4,145,577 | 2,241,223 | 1,904,354 |
| Pulupandan | 7,072,056 | 6,563,102 | 508,954 | 6,993,168 | 6,215,753 | 777,415 |
| Tacloban | 1,641,839 | 1,393,971 | 247,868 | 1,507,906 | 1,223,061 | 284,845 |
| Tagbilaran | 2,714,365 | 2,255,994 | 458,371 | 2,280,372 | 2,003,911 | 276,461 |
| PDO NORTHERN MINDANAO | 43,537,668 | 10,888,813 | 32,648,855 | 36,045,076 | 9,895,717 | 26,149,359 |
| Cagayan de Oro | 7,273,904 | 6,171,957 | 1,101,947 | 6,222,124 | 5,287,080 | 935,044 |
| Iligan | 2,321,241 | 1,616,359 | 704,882 | 2,176,167 | 1,345,700 | 830,467 |
| Nasipit | 4,038,073 | 1,428,038 | 2,610,035 | 3,270,189 | 1,606,000 | 1,664,189 |
| Ozamiz | 1,025,384 | 974,938 | 50,446 | 987,653 | 965,278 | 22,375 |
| Surigao | 28,879,066 | 697,521 | 28,181,545 | 23,388,943 | 691,659 | 22,697,284 |
| PDO SOUTHERN MINDANAO | 17,627,362 | 9,026,320 | 8,601,042 | 16,875,783 | 8,521,419 | 8,354,364 |
| Cotabato | 37,912 | 37,912 | 0 | 55,226 | 55,226 | 0 |
| Dapitan | 914,445 | 566,207 | 348,238 | 728,854 | 483,671 | 245,183 |
| Davao | 11,056,551 | 4,104,645 | 6,951,906 | 10,936,491 | 3,951,438 | 6,985,053 |
| General Santos | 2,878,896 | 1,718,774 | 1,160,122 | 2,780,031 | 1,746,079 | 1,033,952 |
| Zamboanga | 2,739,558 | 2,598,782 | 140,776 | 2,375,181 | 2,285,005 | 90,176 |
| TOTAL | 193,775,320 | 75,876,305 | 117,899,015 | 178,278,562 | 74,171,940 | 104,106,622 |

Passenger Traffic

By Port District/Port Management Office
At Berth/Anchorage

| PDO/PMO | GRAND TOTAL | 2012 | | GRAND TOTAL | 2011 | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | DISEMBARKED | EMBARKED | | DISEMBARKED | EMBARKED |
| PDO MNL/NORTHERN LUZON | 928,753 | 475,264 | 453,489 | 1,546,243 | 812,187 | 734,056 |
| Manila - N. Harbor | 766,942 | 398,911 | 368,031 | 728,662 | 377,771 | 350,891 |
| Manila - S. Harbor | 161,500 | 76,192 | 85,308 | 816,839 | 434,010 | 382,829 |
| - M.I.C.T. | 0 | 0 | 0 | 0 | 0 | 0 |
| Limay | 311 | 161 | 150 | 742 | 406 | 336 |
| San Fernando | 0 | 0 | 0 | 0 | 0 | 0 |
| PDO SOUTHERN LUZON | 15,811,090 | 8,101,671 | 7,709,419 | 15,270,060 | 7,747,232 | 7,522,828 |
| Batangas | 6,257,483 | 3,188,285 | 3,069,198 | 5,890,430 | 3,023,113 | 2,867,317 |
| Calapan | 5,306,954 | 2,740,075 | 2,566,879 | 5,265,534 | 2,676,756 | 2,588,778 |
| Legazpi | 3,935,436 | 2,014,412 | 1,921,024 | 3,788,435 | 1,881,407 | 1,907,028 |
| Puerto Princesa | 311,217 | 158,899 | 152,318 | 325,661 | 165,956 | 159,705 |
| PDO VISAYAS | 18,190,699 | 9,229,828 | 8,960,871 | 17,599,181 | 8,972,269 | 8,626,912 |
| Dumaguete | 3,267,568 | 1,689,787 | 1,577,781 | 3,195,340 | 1,649,289 | 1,546,051 |
| Iloilo | 2,633,123 | 1,291,038 | 1,342,085 | 2,411,903 | 1,185,559 | 1,226,344 |
| Ormoc | 2,243,015 | 1,150,145 | 1,092,870 | 2,182,947 | 1,102,650 | 1,080,297 |
| Pulupandan | 3,416,893 | 1,766,084 | 1,650,809 | 3,324,062 | 1,742,102 | 1,581,960 |
| Tacloban | 2,569,837 | 1,248,202 | 1,321,635 | 2,537,256 | 1,266,196 | 1,271,060 |
| Tagbilaran | 4,060,263 | 2,084,572 | 1,975,691 | 3,947,673 | 2,026,473 | 1,921,200 |
| PDO NORTHERN MINDANAO | 9,390,586 | 4,811,721 | 4,578,865 | 9,523,641 | 4,899,830 | 4,623,811 |
| Cagayan de Oro | 2,151,056 | 1,111,062 | 1,039,994 | 2,019,665 | 1,022,386 | 997,279 |
| Iligan | 2,548,708 | 1,255,821 | 1,292,887 | 2,699,065 | 1,411,957 | 1,287,108 |
| Nasipit | 220,485 | 116,002 | 104,483 | 340,570 | 178,769 | 161,801 |
| Ozamiz | 3,038,903 | 1,581,704 | 1,457,199 | 3,121,880 | 1,573,078 | 1,548,802 |
| Surigao | 1,431,434 | 747,132 | 684,302 | 1,342,461 | 713,640 | 628,821 |
| PDO SOUTHERN MINDANAO | 5,677,164 | 2,822,648 | 2,854,516 | 5,545,876 | 2,786,367 | 2,759,509 |
| Cotabato | 0 | 0 | 0 | 0 | 0 | 0 |
| Dapitan | 620,512 | 317,365 | 303,147 | 640,529 | 328,541 | 311,988 |
| Davao | 1,273,040 | 622,222 | 650,818 | 1,042,289 | 535,203 | 507,086 |
| General Santos | 55,584 | 28,526 | 27,058 | 120,728 | 59,938 | 60,790 |
| Zamboanga | 3,728,028 | 1,854,535 | 1,873,493 | 3,742,330 | 1,862,685 | 1,879,645 |
| TOTAL | 49,998,292 | 25,441,132 | 24,557,160 | 49,485,001 | 25,217,885 | 24,267,116 |



Number of Shipcalls

By Port District/Port Management Office
At Berth/Anchorage

| PDO/PMO | GRAND TOTAL | 2012 | | GRAND TOTAL | 2011 | |
|-------------------------------|----------------|----------------|---------------|----------------|----------------|---------------|
| | | DOMESTIC | FOREIGN | | DOMESTIC | FOREIGN |
| PDO MNL/NORTHERN LUZON | 20,828 | 15,543 | 5,285 | 22,369 | 16,839 | 5,530 |
| Manila - N. Harbor | 5,329 | 4,755 | 574 | 5,284 | 4,704 | 580 |
| Manila - S. Harbor | 5,671 | 3,750 | 1,921 | 7,496 | 5,399 | 2,097 |
| - M.I.C.T. | 1,862 | 92 | 1,770 | 1,941 | 94 | 1,847 |
| Limay | 7,050 | 6,491 | 559 | 6,812 | 6,253 | 559 |
| San Fernando | 916 | 455 | 461 | 836 | 389 | 447 |
| PDO SOUTHERN LUZON | 89,731 | 88,200 | 1,531 | 90,908 | 89,428 | 1,480 |
| Batangas | 39,893 | 38,871 | 1,022 | 40,428 | 39,437 | 991 |
| Calapan | 20,709 | 20,708 | 1 | 21,502 | 21,502 | 0 |
| Legazpi | 22,239 | 22,151 | 88 | 21,963 | 21,857 | 106 |
| Puerto Princesa | 6,890 | 6,470 | 420 | 7,015 | 6,632 | 383 |
| PDO VISAYAS | 133,331 | 132,748 | 583 | 132,941 | 132,333 | 608 |
| Dumaguete | 39,228 | 39,207 | 21 | 37,194 | 37,155 | 39 |
| Iloilo | 22,758 | 22,575 | 183 | 22,736 | 22,576 | 160 |
| Ormoc | 12,411 | 12,235 | 176 | 11,828 | 11,638 | 190 |
| Pulupandan | 24,282 | 24,198 | 84 | 26,663 | 26,550 | 113 |
| Tacloban | 11,639 | 11,566 | 73 | 11,577 | 11,491 | 86 |
| Tagbilaran | 23,013 | 22,967 | 46 | 22,943 | 22,923 | 20 |
| PDO NORTHERN MINDANAO | 55,299 | 54,343 | 956 | 55,550 | 54,653 | 897 |
| Cagayan de Oro | 15,119 | 14,880 | 239 | 15,705 | 15,446 | 259 |
| Iligan | 15,296 | 15,211 | 85 | 14,733 | 14,619 | 114 |
| Nasipit | 865 | 807 | 58 | 1,075 | 1,041 | 34 |
| Ozamiz | 14,860 | 14,847 | 13 | 14,538 | 14,531 | 7 |
| Surigao | 9,159 | 8,598 | 561 | 9,499 | 9,016 | 483 |
| PDO SOUTHERN MINDANAO | 46,639 | 44,396 | 2,243 | 39,687 | 37,324 | 2,363 |
| Cotabato | 196 | 196 | 0 | 245 | 245 | 0 |
| Dapitan | 2,904 | 2,858 | 46 | 2,938 | 2,902 | 36 |
| Davao | 28,206 | 26,425 | 1,781 | 20,989 | 19,081 | 1,908 |
| General Santos | 1,241 | 938 | 303 | 1,383 | 1,079 | 304 |
| Zamboanga | 14,092 | 13,979 | 113 | 14,132 | 14,017 | 115 |
| TOTAL | 345,828 | 335,230 | 10,598 | 341,455 | 330,577 | 10,878 |

No. of Containers Handled (in T.E.U.)

By Port District/Port Management Office
At Berth/Anchorage

| PDO/PMO | GRAND TOTAL | 2012 | | GRAND TOTAL | 2011 | |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | DOMESTIC | FOREIGN | | DOMESTIC | FOREIGN |
| PDO MNL/NORTHERN LUZON | 3,710,692 | 1,062,582 | 2,648,110 | 3,465,155 | 983,294 | 2,481,861 |
| Manila - N. Harbor | 865,726 | 865,726 | 0 | 771,603 | 771,603 | 0 |
| Manila - S. Harbor | 1,014,500 | 99,979 | 914,521 | 976,843 | 123,489 | 853,354 |
| - M.I.C.T. | 1,826,625 | 93,728 | 1,732,897 | 1,713,288 | 85,526 | 1,627,762 |
| Limay | 3,841 | 3,149 | 692 | 3,421 | 2,676 | 745 |
| San Fernando | 0 | 0 | 0 | 0 | 0 | 0 |
| PDO SOUTHERN LUZON | 59,106 | 52,288 | 6,818 | 49,487 | 44,548 | 4,939 |
| Batangas | 14,882 | 8,064 | 6,818 | 14,389 | 9,450 | 4,939 |
| Calapan | 0 | 0 | 0 | 0 | 0 | 0 |
| Legazpi | 249 | 249 | 0 | 0 | 0 | 0 |
| Puerto Princesa | 43,975 | 43,975 | 0 | 35,098 | 35,098 | 0 |
| PDO VISAYAS | 293,013 | 293,013 | 0 | 261,520 | 261,520 | 0 |
| Dumaguete | 28,144 | 28,144 | 0 | 21,800 | 21,800 | 0 |
| Iloilo | 109,676 | 109,676 | 0 | 101,360 | 101,360 | 0 |
| Ormoc | 5,843 | 5,843 | 0 | 7,006 | 7,006 | 0 |
| Pulupandan | 104,691 | 104,691 | 0 | 94,392 | 94,392 | 0 |
| Tacloban | 24,079 | 24,079 | 0 | 21,714 | 21,714 | 0 |
| Tagbilaran | 20,580 | 20,580 | 0 | 15,248 | 15,248 | 0 |
| PDO NORTHERN MINDANAO | 268,012 | 268,012 | 0 | 254,763 | 254,691 | 72 |
| Cagayan de Oro | 185,050 | 185,050 | 0 | 167,010 | 166,938 | 72 |
| Iligan | 15,660 | 15,660 | 0 | 17,163 | 17,163 | 0 |
| Nasipit | 32,930 | 32,930 | 0 | 36,941 | 36,941 | 0 |
| Ozamiz | 31,513 | 31,513 | 0 | 31,516 | 31,516 | 0 |
| Surigao | 2,859 | 2,859 | 0 | 2,133 | 2,133 | 0 |
| PDO SOUTHERN MINDANAO | 881,756 | 389,540 | 492,216 | 901,567 | 379,613 | 521,954 |
| Cotabato | 0 | 0 | 0 | 0 | 0 | 0 |
| Dapitan | 9,209 | 9,209 | 0 | 7,260 | 7,260 | 0 |
| Davao | 634,459 | 202,283 | 432,176 | 671,643 | 206,300 | 465,343 |
| General Santos | 156,294 | 96,254 | 60,040 | 151,277 | 94,735 | 56,542 |
| Zamboanga | 81,794 | 81,794 | 0 | 71,387 | 71,318 | 69 |
| TOTAL | 5,212,579 | 2,065,435 | 3,147,144 | 4,932,492 | 1,923,666 | 3,008,826 |



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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Philippine Ports Authority
Bonifacio Drive
Port Area, Manila

Report on the Financial Statements

We have audited the accompanying financial statements of the Philippine Ports Authority (PPA), which comprise the statement of financial position as at December 31, 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In forming our audit opinion, we consider the following audit observations:

1. The existence, validity and accuracy of the year-end balances of Property, Plant and Equipment (PPE) accounts with aggregated balances of P95.569 billion were not ascertained due to the presence of unreconciled variances between books and inventory reports, cost of major repairs and equipment not capitalized, unrecorded cost of assets and inclusion of unserviceable assets, all totaling P595.425 million.
2. The validity and accuracy of the Receivables account balances of four PMOs with year-end balance of P24.496 million (gross) were doubtful mainly due to inappropriate reclassification of the long-outstanding A/R of P107.472 million and debtors' unsettled A/R, the collection of which remain doubtful totaling P114.755 million or 86.95% of the account balance of P131.97 million. Also, allowance for doubtful accounts totaling P1.274 million pertaining to two PMOs was understated by P0.55 million.
3. The balance of the Accounts Payable (A/P) account of P1.341 billion of the four identified Offices was found doubtful due to the presence of dormant and abnormal accounts, as well as undocumented and invalid claims aggregating P28.308 million.
4. The validity and accuracy of the Revaluation Capital account amounting to P66.44 billion could not be ascertained due to non-adherence to PAS 16 in relation to the transfer/reclassification of same account to Retained Earnings account when an asset was derecognized (retired or disposed of) and erroneous debit of the account instead of the particular PPE account in the reclassification of Construction in Progress account in the amount of P197.98 million.

Qualified Opinion

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Philippine Ports Authority as at December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with state accounting principles generally accepted in the Philippines.

Emphasis of Matter

We draw attention to Note 47 of the financial statements which describes the uncertainty related to the outcome of the various lawsuits involving the PPA.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information on taxes, duties and license fees in Note 46 of the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. We applied necessary auditing procedures and found the same fairly stated.

COMMISSION ON AUDIT

CORAZON V. ESPAÑO
Supervising Auditor

May 31, 2013

PHILIPPINE PORTS AUTHORITY

Statement of Financial Position

December 31, 2012

(With Comparative Figures as of December 31, 2011)

(In Philippine Peso)

| | Notes | 2012 | 2011 |
|--|-------|-----------------|-----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash on Hand and in Banks | 5 | 4,522,342,775 | 4,098,112,655 |
| Receivables | 6 | 1,243,891,780 | 1,001,613,107 |
| Inventories | 7 | 43,379,432 | 39,361,773 |
| Prepayments | 8 | 671,160,850 | 611,032,690 |
| Other Current Assets | 9 | 126,743,082 | 132,304,392 |
| Total Current Assets | | 6,607,517,919 | 5,882,424,617 |
| Non-Current Assets | | | |
| Property and Equipment | 10 | 95,569,305,458 | 96,366,623,823 |
| Investments in Securities | 11 | 551,742,509 | 1,059,361,868 |
| Notes Sinking Fund | 12 | 1,437,361,680 | 1,121,536,951 |
| Other Non-Current Assets | 13 | 337,459,602 | 351,676,327 |
| Total Non-Current Assets | | 97,895,869,249 | 98,899,198,969 |
| | | 104,503,387,168 | 104,781,623,586 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Accounts Payable | 14 | 1,748,402,515 | 2,975,291,612 |
| Payables to Other Government Agencies | 15 | 692,170,164 | 589,045,901 |
| Current Portion of Foreign Loans Payable | 16 | 475,553,984 | 846,463,438 |
| Other Current Liabilities | 17 | 511,975,623 | 534,764,421 |
| Total Current Liabilities | | 3,428,102,286 | 4,945,565,372 |
| Non-Current Liabilities | | | |
| Loans Payable - Foreign | 18 | 6,197,227,222 | 7,859,022,444 |
| Loans Payable - Domestic | 19 | 875,000,000 | 1,000,000,000 |
| Corporate Notes | 20 | 2,000,000,000 | 2,000,000,000 |
| Retirement Payable | 21 | 430,115,053 | 482,294,498 |
| Deferred Credits | 22 | 398,891,481 | 360,323,003 |
| Total Non-Current Liabilities | | 9,901,233,756 | 11,701,639,945 |
| Total Liabilities | | 13,329,336,042 | 16,647,205,317 |
| Equity | | 91,174,051,126 | 88,134,418,269 |
| | | 104,503,387,168 | 104,781,623,586 |

See accompanying Notes to Financial Statements.

Statement of Comprehensive Income

For the Year Ended December 31, 2012

(With Comparative Figures for the Year Ended December 31, 2011)

(In Philippine Peso)

| | Notes | 2012 | 2011 |
|--|-------|----------------------|----------------------|
| REVENUES | | | |
| Wharfage Dues | 27 | 2,175,641,108 | 2,097,142,504 |
| Share in Arrastre/Stevedoring Income | 28 | 4,360,242,672 | 3,905,717,619 |
| Dockage Fees | 29 | 781,159,543 | 736,178,651 |
| Port Dues | 30 | 482,633,505 | 467,333,635 |
| Storage Charges | 31 | 392,259,532 | 302,558,515 |
| Port Usage Fees | 32 | 309,746,690 | 301,426,854 |
| Terminal Fees | 33 | 147,838,098 | 137,683,775 |
| Vessel Traffic Management Service Fees | 34 | 16,955,507 | 16,315,538 |
| Pilotage | 35 | 34,376,400 | 32,222,596 |
| Lay-Up Fees | 36 | 210,795 | 1,882,666 |
| Other Income | 37 | 423,297,087 | 361,439,002 |
| | | 9,124,360,937 | 8,359,901,355 |
| OPERATING EXPENSES | | | |
| Personal Services | 38 | 1,285,046,020 | 1,442,563,971 |
| Maintenance and Other Operating Expenses | 39 | 4,564,317,612 | 4,208,764,548 |
| | | 5,849,363,632 | 5,651,328,519 |
| PROFIT FROM OPERATIONS | | 3,274,997,305 | 2,708,572,836 |
| OTHER INCOME(EXPENSES) | | | |
| Fund Management Income | 40 | 150,121,548 | 138,285,471 |
| Other General Income | 41 | 23,375,372 | 25,727,022 |
| Foreign Exchange Gain(Loss) on Revaluation | 42 | 1,184,536,982 | (407,595,204) |
| Financial Expenses | 43 | (400,012,843) | (544,780,290) |
| Loss on Sale of Disposed Assets | | (14,441,745) | (135,458) |
| | | 943,579,314 | (788,498,459) |
| NET INCOME BEFORE INCOME TAX | | 4,218,576,619 | 1,920,074,377 |
| INCOME TAX EXPENSE | 44 | 1,060,556,199 | 770,139,564 |
| NET PROFIT | | 3,158,020,420 | 1,149,934,813 |

See accompanying Notes to Financial Statements.

PHILIPPINE PORTS AUTHORITY

Statement of Changes in Equity

For the Year Ended December 31, 2012

(With Comparative Figures for the Year Ended December 31, 2011)

(In Philippine Peso)

| | Notes | 2012 | 2011 |
|--|-------|-----------------------|----------------|
| CAPITAL CONTRIBUTION | 23 | 4,312,337,376 | 4,312,337,376 |
| DONATED SURPLUS | 24 | | |
| Balance at Beginning of Year | | 892,838,614 | 845,423,631 |
| Donations Received by PMO General Santos from Holcim | | - | 47,227,028 |
| Donations received by PMO Iloilo from DOTC | | - | 187,955 |
| Balance at End of Year | | 892,838,614 | 892,838,614 |
| APPRAISAL SURPLUS | 25 | | |
| Balance at Beginning of Year | | 66,559,868,425 | 57,634,892,497 |
| Adjustments in Assets Appraised Values | | (115,798,639) | 8,924,975,928 |
| Balance at End of Year | | 66,444,069,786 | 66,559,868,425 |
| RETAINED EARNINGS | 26 | | |
| Balance at Beginning of Year | | 16,369,373,854 | 16,157,045,150 |
| Prior Year's Adjustment | | 814,436,983 | 91,047,796 |
| Net Profit During the Year | | 3,158,020,420 | 1,149,934,813 |
| Dividends Paid During the Year | | (817,025,907) | (518,851,214) |
| Provision for Additional Dividends | | - | (509,802,691) |
| Balance at End of Year | | 19,524,805,350 | 16,369,373,854 |
| TOTAL EQUITY | | 91,174,051,126 | 88,134,418,269 |

See accompanying Notes to Financial Statements.

Statement of Cash Flows

For the Year Ended December 31, 2012

(With Comparative Figures for the Year Ended December 31, 2011)

(In Philippine Peso)

| | 2012 | 2011 |
|---|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Collection of Port Revenues | 9,747,519,117 | 8,030,189,705 |
| Receipt of Other Income | 446,672,459 | 387,166,022 |
| Receipt of Fund Management Income | 150,121,548 | 138,285,471 |
| Receipt (Refund) of Depository Liabilities | 22,685,911 | (36,416,499) |
| Receipt (Refund) of Guaranty Deposits, Net | 4,355,348 | 96,883 |
| Receipt of Trust Liabilities | 87,171,859 | 434,869,645 |
| Receipt of Miscellaneous Liabilities/ Deferred Credits, Net | 38,568,478 | 247,290,131 |
| Payment of Operating Expenses | (6,342,948,046) | (5,017,989,975) |
| Payment of Accrued Interest | (459,979,187) | (525,739,103) |
| Net Cash from Operating Activities | 3,694,167,487 | 3,657,752,280 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net Inflows (Outflows) from Investments | 194,369,011 | 828,234,696 |
| Payments for Construction in Progress | (1,044,332,691) | (1,725,209,340) |
| Acquisition (Disposal) of Property and Equipment, Net | (67,566,828) | (11,404,385) |
| Net Cash Used in Investing Activities | (917,530,508) | (908,379,029) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Term Loan | - | 500,000,000 |
| Loan Repayments | (971,463,438) | (788,167,167) |
| Dividend Payments | (1,326,828,599) | (961,289,797) |
| Calamity Loans Collected(Granted), Net | (55,819,078) | (4,355,661) |
| Net Cash Used in Financing Activities | (2,354,111,115) | (1,253,812,625) |
| EFFECT OF EXCHANGE RATE CHANGES | | |
| ON CASH ON HAND AND IN BANKS | 1,704,256 | 40,176 |
| NET INCREASE (DECREASE) IN CASH ON | | |
| HAND AND IN BANKS | 424,230,120 | 1,495,600,802 |
| CASH ON HAND AND IN BANKS AT | | |
| BEGINNING OF YEAR | 4,098,112,655 | 2,602,511,853 |
| CASH ON HAND AND IN BANKS AT | | |
| END OF YEAR | 4,522,342,775 | 4,098,112,655 |

See accompanying Notes to Financial Statements.



Notes to Financial Statements

1. AGENCY BACKGROUND

The Philippine Ports Authority (PPA; the Authority) was created by virtue of Presidential Decree (PD) No. 505 dated 11 July 1974, revised by substitution on 23 December 1975 by PD 857. Its functions are to coordinate, streamline, improve and optimize the planning, development, financing, construction, maintenance and operations of ports or port system for the entire country. Subsequent amendments under Executive Order (EO) Nos. 513 & 546, issued on 16 November 1978 and 23 July 1979, respectively, as well as Letter of Instruction (LOI) No. 1005-A dated 11 April 1980 further enhanced PPA's corporate powers to be more responsive to the requirements of optimum port utilization, development and operation. In Executive Order No. 159 dated 13 April 1987, corporate autonomy was reverted to the PPA to insure the rapid development of port or the port system directly under it and authority was granted to execute port projects under its port program. The PPA is not exempted from payment of all taxes, duties, fees, imports and other charges imposed directly or indirectly by the Republic of the Philippines and its instrumentalities.

The PPA is a government-owned corporation attached to the Department of Transportation and Communications for policy and program coordination. The corporate powers of the Authority are vested to its Board of Directors composed of nine (9) members. Its top management is headed by a General Manager and three (3) Assistant General Managers, one each for Engineering Services, for Operations and for Finance, Legal and Administrative Services. Under these executive offices are seventeen (17) departments performing line and/or staff functions.

Delivering the front line services are five (5) Port District Offices (PDOs), twenty four (24) Port Management Offices (PMOs), twenty three (23) base ports, and sixty four (64) terminal ports. A Port District Manager heads each Port District Office, exercising supervision over Port Management Offices that are headed by Port Managers.

As of 31 December 2012, the PPA has a total of 2,027 employees, composed of 412 Head Office personnel and 1,615 filled positions at the PDOs and PMOs.

For CY 2012, the following are its major accomplishments:

- Completion of 15 feasibility studies, 22 detailed engineering projects and 44 locally-funded infrastructure projects contained in the approved PPA Medium Term Public Investment Program (MTPIP).
- Increase in berth capacity in 7 ports with the completion of a total berth length of 194.3 meters.
- Increase in storage / operational area in 14 ports with the completion of 17,319 square meters of back-up area.
- Increase in passenger capacity in 13 ports with the construction and improvement of Passenger Terminal Buildings providing additional seating capacity of 659.
- Completion of 87 maintenance and repair projects in various ports nationwide.
- Implementation of dredging projects which covered 10 port areas/channels under the 2012 Revised Harbor Maintenance Program with total dredged volume of 1,605 cubic meters.
- Completion of 2 studies in support of the Public-Private Partnership program of the government.
- Availability of cargo handling services in 109 ports out of 127 ports with regular cargo traffic.
- Provision of Passenger Terminal Buildings (PTB) in 88 ports serving passengers.
- Continuous implementation of the special projects, ISO Quality Management System (QMS) and Port Safety Health and Environment Management System (PSHEMS) certifications, in conformity with best practices in port operations.
- Operation and maintenance of Vessel Traffic Management System (VTMS) in 3 ports.
- Provision of BXM in 42 ports as part of compliance to International Ship and Port Facility Security Code (ISPS)
- Generation of P9,124.36 million in gross revenue which is P764.46 million or 9% higher than the previous year.

2. PPA COMPUTERIZATION PROJECT

The PPA MIS Computerization Project, otherwise known as the PROMPT (*Providing Reliable Operations and Management of Ports Thru Technology*) covers the automation of all aspects of the business processes of the PPA.

Status of implementation of the different sub-systems comprising the PPA MIS Computerization Project were as follows:

| <u>Sub-Systems</u> | <u>Status of Implementation</u> |
|---|---|
| <ul style="list-style-type: none"> • Port Operations Management System (POMS), | <p>Rollout in 2007. Currently in use in various PDO/PMO/TMO. On-line processing available in 22 major ports. Batch processing for non-computerized ports through template uploading implemented in 360 ports.</p> |

| | |
|---|--|
| <ul style="list-style-type: none"> • Real Estate Management System (REMS) | <p>Rollout in 2007 to handle monitoring of properties under lease agreements.</p> |
| <ul style="list-style-type: none"> • Legal Support System (LSS). | <p>Rollout in 2007 for use by LSD, Port District Managers, Port Managers, Department Managers, GM and AGMs.</p> |
| <ul style="list-style-type: none"> • Records Management System (RMS) | <p>Rollout in 2007 for use by Head Office (HO) Records Management Division, ASD and PDO/PMO Records Units.</p> |
| <ul style="list-style-type: none"> • Accounting and Financial Management System (AFMS) | <p>Rollout in 2009. Implementation was deferred in the same year due to various system issues; redeveloped using Oracle software; re-implemented in 2011 and now on its second year of full use by all 28 operating units including Head Office.</p> |
| <ul style="list-style-type: none"> • Front-end Invoicing and Receipting System (FIRST) | <p>Developed as an interfaced program between POMS using Porttrade and AFMS that is using Oracle software.</p> |
| <ul style="list-style-type: none"> • Projects and Engineering Management System (PEMS) | <p>Rollout in 2009 to monitor status of infrastructure projects.</p> |
| <ul style="list-style-type: none"> • Executive Information System (EIS) | <p>Launched in 2012. Data for December 2012 will be available by 2013.</p> |

Total project cost as of 31 December 2012 is P1.29 billion which includes payment to contractor, consultants, software, IT hardware/equipment, furniture and fixtures, and administrative expenses.

The warranty period of one year for the MIS Computerization Project expired on 12 June 2012. To date, issues raised on AFMS during the warranty period are still being addressed by the contractor. Other implementation issues which occurred beyond the cut-off date as well as those not covered by the approved functional specifications are being resolved by PPA.

3. MAJOR CONTRACTS / CONCESSION ARRANGEMENTS

PORT OF MANILA

Contract for the Development, Management, Operation and Maintenance of Manila North Harbor

On 18 November 2009, PPA awarded to Manila North Harbour Port Incorporated (MNHPI) a 25-year contract for the exclusive development, management, operation and maintenance of North Harbor comprising of Pier 2 up to the Slipway, including Isla Puting Bato.

Section 4.02 of the contract states that MNHPI as the contractor shall provide and undertake the domestic terminal services at North Harbor which shall include cargo handling services, passenger terminal management, parking services, berth management, storage management, water distribution, security services and ancillary services. PPA-PMO North Harbor, on the other hand, continues to collect charges such as Port Dues, Dockage Fees, Usage Fees, Wharfage and VTMS Fees and management fees which are recognized as PPA revenues.

In addition, the contract provides for the following financial consideration to be paid to PPA:

- Fixed Fee of P6,818,855,000 to be remitted in accordance with set schedule for a period of 25 years, payable in advance not later than the 5th day of the 1st month of every quarter without need of demand.
- Reimbursement of past service benefits advanced by PPA in the amount of P20,600,000 per year for a period of five years for a total of P103,000,000, first payment shall be made on the 4th year anniversary of this contract but not later than the 15th day of the month it was executed.

The PPA Board of Directors approved, in its Board Resolution 2254 dated 2 June 2011, MNHPI development plan for Terminal 1 Phase 1 and advance work consisting of (i) construction of one single integrated PTB complex; and, (ii) extension of Pier 4 to consolidate Ro-Ro and passenger operations and provide sufficient deep water berths for Lift-On Lift-Off (LO-LO) vessels.

As of 31 December 2012, MNHPI has invested a total of P3,155,791,575 for various development initiatives since year 2010 which includes the following on-going and/or completed North Harbor development / modernization projects:

1. On-going construction of the Manila North Harbor Terminal Complex located in an 11,600 sq. m. area at Slip 5, North Harbor that is expected to be operational by March 2013.
2. On-going construction of new sheet pile bulkhead for Pier 4 to be completed by February 2013.

- Power center/Yard lighting/crane cabling expected to be completed by June 2013
- Rehabilitation of the container yard at Marine Slipway, Pier 16 in various stages of completion.
- Acquisition of major port equipment including 3 Quay Container Crane, 4 Rubber-tyred Gantry, 3 Empty Container Handlers and 18 Yard Tractors delivered in 2012.

At the end of the contract, assets constructed by the operator shall be turned over to the Authority.

Net book value of PPA constructed assets covered under the contract for use by MNHPI as of 31 December 2012 is P776,529 million.

Contract for the Management and Operation of South Harbor, Port of Manila

The latest contract entered into with Asian Terminal Inc. (ATI) for the management and operation of South Harbor was the Third Supplemental Contract executed on 19 October 2007 which extended the contract up to 18 May 2038. The 3rd Supplement covers areas/services under the (i) Lease Agreement dated 15 January 1997 covering certain areas of South Harbor intended for use as international and domestic storage areas and (ii) the Second Supplement which expanded the scope of services of the contractor to include the management of domestic terminal facilities.

In consideration of the "Extended Term", ATI shall remit to PPA from 19 May 2013 the following:

- Lump sum fee of P282,000,000 due on 19 May 2013.
- From international containerized cargo handling operations, Fixed Fee of US\$9,000,000 and Variable Fee of 20% of gross revenue.
- From international and domestic cargo storage operation, Fixed Fee of P55,000,000; Variable Fee of 30% of annual gross storage revenues from international cargo storage operation in excess of P273,000,000 whether collected or uncollected; and, Variable Fee of 10% of the annual gross storage revenues from domestic cargo storage operations, whether collected or uncollected.
- From domestic cargo handling operations, government share of 10% of gross revenues.
- Adjunct Fee in case actual international container volume throughput exceeds 1,900,000 TEUs.
- From international non-containerized cargo operations, government share of 14% of gross stevedoring revenues and government share of 20% of gross arrastre revenues.

Fixed fees are payable quarterly in advance not later than the 5th day of the first month of every quarter. Variable fees, on the other hand, are payable quarterly in arrears not later than the 5th day of the first of every quarter (on or before January 5, April 5, July 5 and October 5 of every year). The Adjunct fee is payable on or before January 31 of the year following the calendar year in which the required cargo throughput has been exceeded.

The contract provides that US dollar denominated fees shall be paid in Philippine pesos using the Philippine Dealing System US\$ = P closing rate of the last trading day prior to payment date. Likewise, the contract provides for investment commitment from ATI. Among its highlights are:

The Contractor shall implement the projects for rehabilitation, development and expansion of the South Harbor facilities in accordance with the Investment Plan, as may, from time to time be revised or updated pursuant to the Third Supplement. Summary of Investments to be implemented from Year 2009 to 2022 are as follows:

| | In Million US\$ | | | |
|--------------------------|-----------------|----------------|---------------|----------------|
| | Infrastructure | Equipment | IT | Total |
| International Containers | 126.685 | 123.075 | 8.987 | 258.747 |
| International Gen. Cargo | 6.473 | 1.930 | 0.362 | 8.765 |
| Domestic Cargo | 17.061 | 15.180 | 0.706 | 32.947 |
| | 150.219 | 140.185 | 10.055 | 300.459 |

The Contractor is committed to invest P120,000,000 for additional works and other costs related to the construction of the PPA Head Office building.

For CY 2012, value of investments/implemented projects by ATI in aggregate amounts is P282,418,500 composed of investments in IT – P99,118,500 and acquisition of port equipments - P183,300,000.

Net book value of PPA constructed assets as of 31 December 2012 at South Harbor turned over for the management and operation by ATI is P84,796 million.

Contract for the Management, Operation and Development of Manila International Container Terminal (MICT)

In 1988, the Authority entered into an agreement with the International Container Terminal Services, Inc. (ICTSI) for the management, operation and development of the MICT at the Port of Manila, subject to the direct control and supervision of the Authority. It provides for the remittance of Fixed Fee and Variable Fee from its gross

income which shall include all income generated by the Contractor from the MICT from every source and on every account except interest income, whether collected or not, to include but not limited to Harbor Dues, Berthing Fees, Wharfage, Cargo Handling Revenues, Craneage Fees, Stripping/Stuffing Charges and all other revenues from Ancillary Services.

A renewal of the agreement was made on 20 April 2005 which provides for an extension of the contract period for another 25 years reckoned from 19 May 2013 (expiration of 'Extended Term' - 18 May 2038). The contract provides for the following financial consideration under the 'Extended Term':

- Additional investment of not less than US\$125 million for the construction and development of new facilities to be completed not later than 18 May 2013;
- Lump sum fee of P670 million due on 20 May 2013;
- Fixed Fee of US\$600 million payable in 100 quarterly installments, to be paid in advance not later than the 5th day of the first month of every quarter without the need for demand; and,
- Variable fee of 20% of the gross revenue earned at the MICT.
- Variable fee for unattained transshipment volume payable within the 1st month of the succeeding year. The committed transshipment volume is pegged at 260,000 TEUs.
- Adjunct Fee in excess of 2.55 million TEUs.

In 2007, a Supplemental Contract to the contract executed on 19 May 1988 as renewed in April 2005 was signed granting the contractor the authority to provide arrastre, stevedoring and other related cargo handling services to domestic vessels and cargoes at MICT. In consideration, the contractor remits 10% of its gross income derived from said domestic operation, billed/unbilled or collected/uncollected due not later than the 5th day of every month (for prior month income).

On 23 June 2010, a Supplemental Contract to the 19 May 1988 contract was signed and was confirmed in Board Resolution No. 2213. It amended Annex C of the 2005 MICT Renewal Agreement which provided for US\$126.823 million as additional Port Development Program Civil Works and Equipment from Year 2005-2012.

Value of various completed additional port development projects as of 31 December 2012 is P9,130,180,674 broken down as follows:

| | |
|-------------|-----------------------|
| Civil works | P6,515,969,719 |
| Equipment | 2,614,210,955 |
| | P9,130,180,674 |

As of 31 December 2012, net book value of PPA constructed assets turned over for use under the original management contract with ICTSI is P12,003 billion which includes the value of land.

PORT OF BATANGAS

Long Term Contract for the Operations of Cargo Handling Services and Fastcraft Passenger Terminal Phase I

The contract was awarded to Asian Terminal Inc. (ATI) on 20 October 2005 effective for a period of 10 years. It authorized the contractor to manage, operate, and provide cargo handling services at the Port of Batangas, Phase I including the newly constructed General Cargo Berth and passenger services at the Fastcraft Passenger Terminal Building (PTB 3).

Following are the financial obligations of the contractor under the said contract:

- For cargo handling and related services, remittance of 10% of the gross income from handling domestic cargoes and 20% of gross income for handling foreign cargoes, whether billed/unbilled and collected/uncollected from all sources in connection with its arrastre, stevedoring and other related handling services provided at the said port.
- For leasing and operating the Fastcraft Passenger Terminal and its facilities at Phase I, payment of monthly rental fee of P441,667 exclusive of VAT, subject to yearly escalation of 5%, compounded annually during the term of the contract.

Management, Operation, Maintenance, Development and Promotion of Container Terminal "A-1", Phase II

The contract for the management, operation, maintenance, development and operation of Container Terminal "A-1", Phase II was awarded to ATI on 25 March 2010 for a period of 25 years.

In consideration, the following shall be remitted by ATI exclusive of VAT:

- Annual Fixed Fee in US dollars totaling US\$125.46 million for 25 years.
- Annual Variable Fee equivalent to the yearly percentage share multiplied by the projected gross income in Philippine peso or the committed yearly percentage share multiplied by the contractor's actual gross income in Philippine peso, whichever is higher.

The Annual Fixed and Variable Fees shall be remitted in Philippine Peso using the closing reference rate of Bangko Sentral ng Pilipinas on the last trading day prior to payment date.

Lease Agreement for Phase I

On 01 August 2009, the Lease Agreement for the properties and facilities at Phase I, Port of Batangas was awarded to ATI, co-terminus with the long-term contract or until 20 October 2015 including any renewal and/or extension thereof.

A fixed annual rental fee of P4,000,000 exclusive of VAT subject to yearly escalation of 5%, compounded annually beginning 01 January 2012 shall be remitted to PPA by the lessee. The rental is payable in 4 quarterly installments in advance not later than the 5th day from the start of the quarter.

Net book value of assets constructed by PPA which is under the operation and management of ATI at Batangas Port is P2.692 billion as of 31 December 2012.

PORT OF DAVAO

Construction, Management and Operation of Reefer Rack

Davao Integrated Port and Stevedoring Services Corporation (DIPSSCOR) was awarded the contract to construct, manage and operate the additional reefer rack structure/facility with at least 144 reefer outlets at the Sasa Wharf, Port of Davao on 23 April 2010. The contract was effective for a period of 10 years renewable for another 10 years.

The contract provided for the remittance of government share exclusive of VAT equivalent to 10% of the gross income for the operation of the reefer facilities, whether billed/unbilled and collected/uncollected not later than the 5th day of every month for prior month's income.

The reefer facilities constructed by PPA which was turned over to DIPSSCOR under the contract has a net book value of P30.212 million as of 31 December 2012.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of the Financial Statements

The PPA adopted the New Government Accounting System (NGAS) accounts prescribed under COA Circular No. 2004-02 and presented the financial statements in accordance with state accounting principles generally accepted in the Philippines. Except for fixed assets that were revalued last 19 June 2011 and those assets for disposal that were adjusted to their net realizable value, the financial statements have been prepared using the historical cost convention.

Head Office and Branch Office Accounts

The PPA financial statements include the accounts of the Head Office and the different Port Districts and Port Management Offices of the Authority.

The Accounting and Financial Management System (AFMS), a sub-system of the PPA Computerized System uses only a single book of accounts in recording the financial transactions of Head Office, PDOs and PMOs, which are termed as 'Operating Units' (OU). Clearing accounts, use of automated entries through the 'Due To/Due From' accounts, and assignment of codes for each OU allow the generation of financial reports for each PDO/PMO, consolidated PDO report and consolidated PPA report.

The system uses the NGAS Chart of Accounts under COA Circular No.2008-006. With the recall of the said circular, the system generated Trial Balance is converted manually to conform with the COA requirement on the use of the NGAS Chart of Accounts under COA Circular No. 2004-002.

Presentation of Financial Statements

Presentation and classification of items in the Statement of Financial Position and Statement of Comprehensive Income are consistent with prior years' financial statements and generally presented in accordance with state accounting principles generally accepted in the Philippines.

Assets

The major categories used were Current and Non-current Assets. 'Restricted Cash' is presented under Non-Current Assets as in prior years.

Liabilities

Accounts are classified as Current or Non-current Liabilities. Portion of long-term loans payable due for payment within the next twelve months after the balance sheet date is presented as Current Liability.

The obligation to pay is recognized when goods are received or based on physical accomplishment for contracts covering delivery of services and infrastructure projects.

Recognition of Income and Expense

The Authority uses the accrual method of accounting wherein income and expenses are recognized as they are earned or incurred. For those covered by contracts, revenues are recognized when they accrue as specified in the terms of the contract.

Income Tax

For income tax purposes, net income less tax credit on investment in fixed assets is declared. The tax credit is allowed under Section 25 of PD 857 dated 28 December 1975. The PPA opted for the special deduction or tax credit on investment in fixed assets or capital expenditures during the year instead of the depreciation expense as allowable deduction in the computation of the Regular Corporate Income Tax (RCIT).

Pursuant to Section 27(E) of the 1997 National Internal Revenue Code, as amended, the prescribed Minimum Corporate Income Tax (MCIT), which is equivalent to two percent (2%) of gross income, is paid if higher than the RCIT.

Foreign Exchange Transactions

Transactions in foreign currencies are recorded using the exchange rate in effect at the date of the transactions. PPA Memorandum Circular No. 16 dated 6 October 2006 prescribed that the 15-day average Bangko Sentral ng Pilipinas (BSP) guiding rates prevailing at the time of issuance of the invoice, computed by the Commercial Services Department, shall be used in determining the peso value of the dollar-denominated port charges due to PPA. Meanwhile, the remittances of cargo handling operators are converted into pesos using the BSP guiding rate prevailing at the time of payment in conformity with their contract agreements with the PPA.

For fees/financial considerations defined in contracts for cargo handling operators that are in foreign currency, the specified bases for the conversion of the foreign currency into pesos as provided for in the agreements are followed.

PPA Finance Memorandum Circular No. 01-2003 provides that the monetary asset or depository account and liabilities denominated in foreign currencies should be restated using the BSP guiding rate of exchange as of reporting date. Foreign exchange differences are treated as follows:

- For loans identified with completed projects and those used to acquire invoiced assets, the gain or loss is recognized in profit or loss for the period.
- For loans related to assets still under construction, the foreign exchange difference is capitalized and included in the carrying amount of the Fixed Asset-In Process account.
- For other foreign currency transactions, i.e. deposits in foreign currency, the gain or loss is recognized in profit or loss for the period similar to item a.

Provision for Doubtful Accounts

Receivables are valued at face amounts minus allowances set up for doubtful accounts and for any anticipated adjustments which, in the normal course of events, will reduce the amount of receivables from the debtors to estimated realizable values.

PPA Finance Memorandum Order No. 02-2009 dated 22 April 2009 prescribes the rates on provisions for doubtful accounts, as follows:

| Age (Days) of A/R Trade | 1-30 | 31-90 | 91-180 | 181-365 | Over 365 | Dormant with Nil Chance of Collection |
|-------------------------|------|-------|--------|---------|----------|---------------------------------------|
| Rate of Allowance | 5% | 10% | 20% | 40% | 60% | 100% |

Inventories

Inventories of accountable forms, supplies and materials, and spare parts, except for PPA dredgers, are valued at cost, net of Value-Added Tax (VAT), using the moving average method of costing.

In conformity with COA Circular 2005-002 dated 14 April 2005, semi-expendable items with estimated useful life of more than a year but small enough to be considered as property and equipment are considered part of the inventory upon acquisition. Items issued during the year are treated as expense, charged to profit or loss of the current year.

Consistent with the provision of PAS 2, Inventories, the value of spare parts for dredgers were written down to their net realizable value in 2011. As mentioned in the standard, the practice of writing inventories down below cost to their net realizable value is consistent with the view that assets should not be carried in excess of amounts expected to be realized from their sale or use. Further, the criteria on the recognition as an expense of the amount of write down of inventories to net realizable value and losses in the period of the write down or loss was also applied. With management's intention to dispose the asset, the inventory was reclassified to 'Other Assets' using their net realizable value.

The practice of recognizing as expense for the period the cost of accountable forms upon release/ issuance to PDO/PMO was discontinued. The physical transfer of the accountable forms from Head Office to receiving PDO/PMO are recognized as transfer of the value of the inventory from the HO Inventory account to PDO/PMO Inventory account. Expense is recognized only upon issuance of the accountable forms to collecting officers /cashiers.

Investments

Investments in the form of Treasury Bills and Treasury Bonds and Land Bank of the Philippines-issued bonds are valued at cost including withholding taxes.

Property and Equipment

Property and equipment of the Authority are carried in the books at appraised values except for additions in between the periods of appraisal which are recorded at acquisition cost net of VAT. Appraisal of assets is done by an independent appraiser once every five years pursuant to the Authority's loan covenants with the World Bank and COA Resolution No. 89-17. Upon retirement or disposal, both the assets' cost and appraisal increment and their related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized for the period.

Depreciation is computed based on the appraised value of the property, net of ten percent (10%) residual value, using the straight-line method over the estimated useful lives of the assets in accordance with PPA Memorandum Circular No. 37-2005 issued in conformity with COA Circular No. 2004-003.

Infrastructure projects are valued following the Construction Period Theory. The costs of on-going projects and accounts payable on the projects are based on actual physical accomplishment reported by the Engineering Office. Upon completion of the project, the administrative and engineering expenses (miscellaneous overhead) are distributed proportionately to the different completed assets based on the percentage of each assets actual cost over the total project cost.

Buildings/structures constructed by operators/contractors under approved development or investment plans as provided for in the management contracts are not included as assets of the Authority. Such properties shall only be recognized in the book of the Authority when these assets are turned over to PPA at the expiration of the contract on an 'as is' basis.

Unserviceable assets and those identified for disposal are derecognized and reclassified to 'Other Non-Current Assets'. Difference between the net book value and residual value is recorded as loss for the period. Difference between actual amount received from the disposal/sale of the asset and the carrying value (residual value) shall be recognized as gain or loss on disposal for the period.

Contingent Assets

In compliance with the provision of PAS 37 - Provisions, Contingent Liabilities and Contingent Assets, Contingent Assets and its contra account Contingent Surplus were excluded in the preparation of the financial statements.

Events After Balance Sheet Date

Non-adjusting event after the balance sheet date requiring disclosure is the payment of dividend to the national government equivalent to 50% of PPA's net income after tax plus/minus authorized additions/deductibles as provided in the law.

5. CASH ON HAND AND IN BANKS

The breakdown of this account is as follows:

| | 2012 | 2011 |
|--------------------------|----------------------|----------------------|
| Cash-Collecting Officers | 41,458,295 | 39,239,626 |
| Cash-Disbursing Officers | 13,594 | 34,126 |
| Cash-Other Officers | 253,181 | 144,633 |
| Cash in Bank | 4,480,617,705 | 4,058,694,270 |
| | 4,522,342,775 | 4,098,112,655 |

6. RECEIVABLES

This account includes the following:

| | 2012 | 2011 |
|--------------------------------------|----------------------|--------------------|
| <i>Receivables-Trade</i> | | |
| Accounts Receivable | 1,014,977,735 | 815,211,511 |
| Notes Receivable | 17,419,303 | 22,415,123 |
| Interest Receivable | 30,812 | 536,156 |
| | 1,032,427,850 | 838,162,790 |
| Less Allowance for Doubtful Accounts | (51,218,459) | (50,613,342) |
| | 981,209,391 | 787,549,448 |
| <i>Other Receivables</i> | | |
| Due from Officers & Employees | 191,105,708 | 141,978,221 |
| Due from NGAs, GOCCs & LGUs | 32,782,524 | 33,730,872 |

| | 2012 | 2011 |
|--|----------------------|----------------------|
| Due from Operating Units & Other Funds | 30,970,507 | 32,110,872 |
| Miscellaneous Receivables | 36,935,509 | 35,137,082 |
| | 291,794,248 | 242,957,047 |
| Less Allowance for Doubtful Accounts | (29,111,859) | (28,893,388) |
| | 262,682,389 | 214,063,659 |
| | 1,243,891,780 | 1,001,613,107 |

Accounts Receivable - Trade refers to the amounts due from port users/customers arising from trading or business transactions that are expected to be collected within the allowable credit period.

Notes Receivable represents the realizable value of promissory notes issued by port users to cover the assessments of their restructured accounts, payable within specified repayment period.

Interest Receivable is comprised of interest and penalty charges imposed on unpaid accounts due from port users.

Due from Officers and Employees includes calamity loans granted to PPA officers and employees, receivables for tax deficiencies, and cash advances for travel granted to PPA officers and employees.

Due from NGAs, GOCCs, & LGUs consists of the amounts due from various departments, bureaus, corporations and local units of the government. Included is a cash advance amounting to P4.20 million issued by PMO Cagayan de Oro to the provincial government of Camiguin for land acquisition and relocation expenses of families affected by port development projects at Benoni. The account also includes accrued interests on investments in Treasury Bills and on bank deposits.

Due from Operating Units & Other Funds covers the net income of Special Take-Over Units (STUs) that are due for remittance to the Port Management Offices of the Authority, the revolving funds of field or terminal offices and unsettled cash advances for various port development projects.

Miscellaneous Receivables represent past due receivables and amount due from accountable officers and employees for refund of overpayments and audit disallowances which have become final and executory.

The Allowance for Doubtful Accounts provided in conformity with the rates prescribed in PPA Finance Memo Order No. 02-2009 dated 22 April 2009 as determined according to the number of days the Accounts Receivable had remained outstanding as shown below:

| No. of Days Past Due | Rate | Past Due Accounts Receivable | Amount of Provision |
|----------------------|------|------------------------------|---------------------|
| 1-30 days | 5% | 10,473,653 | 523,683 |
| 31-90 days | 10% | 6,772,854 | 677,285 |
| 91-180 days | 20% | 8,587,644 | 1,717,529 |
| 181-365 | 40% | 8,230,552 | 3,292,221 |
| Over 365 days | 60% | 74,821,566 | 44,892,939 |
| Dormant | 100% | 114,802 | 114,802 |
| | | | 51,218,459 |

7. INVENTORIES

This account includes inventory balances of office supplies, accountable forms, spare parts, construction materials and other supplies and materials.

8. PREPAYMENTS

This account includes the following:

| | 2012 | 2011 |
|--------------------------------|--------------------|--------------------|
| Advance Payment to Contractors | 298,926,168 | 201,998,455 |
| Prepaid Insurance | 38,497,524 | 31,762,445 |
| Procurement Service | 14,984,997 | 14,143,804 |
| Prepaid Taxes | - | 211,406,014 |
| Other Prepayments | 318,752,161 | 151,721,972 |
| | 671,160,850 | 611,032,690 |

Advance Payment to Contractors not exceeding 15% of the total contract price are granted pursuant to Republic Act 9184. The advances, which are repaid thru deductions from progress payments to Contractors, are secured with irrevocable letters of credit of equivalent values from commercial banks, bank guarantees or surety bonds.

Other Prepayments pertains to deferred charges such as excess income tax payment, excess output VAT payment, and feasibility study charges. It includes net output VAT for the 4th quarter of 2012 amounting to P138.73 million which is to be offset as tax credit upon remittance to BIR on January 25, 2013. The account also includes provident fund set up amounting to P51.83 million.

9. OTHER CURRENT ASSETS

The breakdown of this account is as follows:

| | 2012 | 2011 |
|-------------------------|-------------|-------------|
| Miscellaneous-Input VAT | 121,930,778 | 123,136,740 |
| Guaranty Deposits | 4,528,024 | 8,883,372 |
| Others | 284,280 | 284,280 |
| | 126,743,082 | 132,304,392 |

Miscellaneous-Input Value Added Tax (VAT) pertains to the carried over balance of VAT paid by the Authority for acquired goods and services that may be applied as tax credit or deducted from the remittance of Output VAT.

Guaranty Deposits consist of the amounts deposited with contractors/suppliers to guarantee performance of obligation, such as deposits with Meralco, PLDT, lessors of buildings occupied by the Authority, and others.

10. PROPERTY AND EQUIPMENT

This account is composed of the following:

| (Amounts in Thousands) | | | | | | | | |
|---|-------------------------|--------------------------------|--------------------------|----------------|-------------------------|------------------|--------------------|-------------------|
| | Land & Land Improvement | Buildings and Other Structures | Construction in Progress | Motor Vehicles | Machinery and Equipment | Office Equipment | Other Fixed Assets | TOTAL |
| At December 31, 2011 | | | | | | | | |
| Cost | 67,043,993 | 42,094,106 | 2,714,740 | 147,284 | 385,897 | 2,744,066 | 1,162,626 | 116,292,712 |
| Accumulated Depreciation | (44,322) | (17,899,786) | - | (42,216) | (151,078) | (901,887) | (886,799) | (19,926,088) |
| Net Carrying Value | 66,999,671 | 24,194,320 | 2,714,740 | 105,068 | 234,819 | 1,842,179 | 275,827 | 96,366,624 |
| Opening Carrying Value | 66,999,671 | 24,194,320 | 2,714,740 | 105,068 | 234,819 | 1,842,179 | 275,827 | 96,366,624 |
| Additions/ (Deductions): Investment | 282,159 | 1,222,707 | 1,278,582 | 15,587 | 3,443 | 67,567 | | 2,870,045 |
| Disposed/ Retired/ Adjustment | (232,376) | (90,670) | (63,751) | 1,063 | (18,666) | (28,589) | | (432,989) |
| Completed/ Transferred | | | (1,685,234) | | | | | (1,685,234) |
| Depreciation for the Year | (13,899) | (1,451,257) | | (16,753) | (29,337) | (259,944) | (49,267) | (1,820,457) |
| Adjustment on Prior Years' Depreciation | 8 | 254,268 | | 3,769 | 7,493 | 5,778 | | 271,316 |
| Closing Net Carrying Value | 67,035,563 | 24,129,368 | 2,244,337 | 108,734 | 197,752 | 1,626,991 | 226,560 | 95,569,305 |
| At December 31, 2012 | | | | | | | | |
| Cost | 67,093,776 | 43,226,143 | 2,244,337 | 163,934 | 370,674 | 2,783,044 | 1,162,626 | 117,044,534 |
| Accumulated Depreciation | (58,213) | (19,096,775) | - | (55,200) | (172,922) | (1,156,053) | (936,066) | (21,475,229) |
| Net Carrying Value | 67,035,563 | 24,129,368 | 2,244,337 | 108,734 | 197,752 | 1,626,991 | 226,560 | 95,569,305 |

The value of land includes the cost based on the Final Entry of Judgment from the Supreme Court En Banc in G.R. Nos. 154211-12, 158252, 166200, 168272, 170683 and 173392 amounting to P125.15 million. Part of the settlement, representing interest due from the date of acquisition of the property by PPA up to 31 December 2011, amounting to P129.95 million was recognized as expense in that year.

The latest appraisal of fixed assets was conducted in June 2011.

The value of Construction in Progress corresponds to the percentage of completion of each project as reported by the Engineering Office as of 31 December 2012.

This account also includes various fixed assets recorded in the books of PMO South Harbor, PMO Batangas and PMO North Harbor that are currently being managed by private operators/contractors under existing management contracts.

In CY 2012, various repairs and maintenance projects implemented and completed in 2011 were capitalized and adjusted by PMOs Tagbilaran, Surigao and Pulupandan thereby increasing the balances of various PPE accounts by P53,480,639.

On the other hand, various unserviceable and fully depreciated assets with carrying value of P2,475,743 were reclassified from Fixed Assets account to Other Assets-Unserviceable Assets account in 2012.

11. INVESTMENTS IN SECURITIES

This account represents funds earmarked for various infrastructure projects and for the retirement benefits of PPA personnel that were invested in the following:

| | 2012 | 2011 |
|------------------------|-------------|---------------|
| Treasury Bills | - | 809,690,553 |
| Treasury and LBP Bonds | 551,532,509 | 249,401,315 |
| Others | 210,000 | 270,000 |
| | 551,742,509 | 1,059,361,868 |

The T-bills, with interest rates of 1.780% and holding period of 364 days matured on April 18, 2012. The Land Bank bonds consist of 25-year, 6% bonds that are tax-free; matured on various dates in 2012, whereas, the Treasury bonds with holding period of 1,032, 2,506 and 1,727 days and interest rate of 5.25%, 5.00%, and 4.625% will mature on 07 January 2013, 26 April 2019 and 05 July 2017, respectively.

12. NOTES SINKING FUND

In accordance with the Sinking Fund Management Agreement covering the issuance in year 2007 of P2.0 billion Corporate Notes, the PPA shall establish and maintain a Sinking Fund with the Bureau of the Treasury (BTr), the Sinking Fund Manager, for the purpose of redeeming the Notes upon maturity in 2015. The amount of P262.013 million shall be payable annually on every anniversary of its issue. The Fund accumulated to P1,437.36 million and P1,121.54 million as of 31 December 2012 and 2011, respectively, inclusive of interest earned.

13. OTHER NON-CURRENT ASSETS

This account consists of the following:

| | 2012 | 2011 |
|--------------------------------------|-------------|-------------|
| Non-Operating Assets | 157,223,468 | 165,527,314 |
| Receivable from MNHPI | 102,506,548 | 102,506,548 |
| Restricted Cash Deposits | 19,644,662 | 22,279,044 |
| Deposits with the BTr | 18,748,154 | 18,748,154 |
| Receivable from the PNR | 18,000,000 | 18,000,000 |
| Others | 200,649,790 | 95,431,045 |
| | 516,772,622 | 422,492,105 |
| Less Allowance for Doubtful Accounts | 179,313,020 | 70,815,778 |
| | 337,459,602 | 351,676,327 |

Non-Operating Assets account is substantially comprised of the costs of projects implemented by the Department of Public Works and Highways (DPWH) thru the issuance of cash advances to its accountable officers amounting to P109.58 million, and another P10.80 million issued in 1977 which have remained unsettled to date. The accounts are subject of a previous request to the Commission on Audit for closure/derecognition in the books. Evaluation of the request cannot be completed pending completion and submission by Management of additional supporting documents. Resubmission of the request, together with the required documents was done by Management in August 2010. The account also includes the carrying values of serviceable assets but no longer used in port operations and the value of unserviceable assets awaiting disposal in the amount of P36.84 million.

Receivable from MNHPI represents the balance on advances made by the Authority in payment of the past service benefits of port workers at the Special Take-Over Unit (STU) United Dockhandlers Inc. (UDI) of PMO North Harbor. As stipulated in Section 3.02-b of the Contract for Development, Management, Operation and Maintenance of the Manila North Harbor signed 19 November 2009, the amount shall be reimbursed in five years at P20.6 million per year, starting on the fourth year, by the winning bidder, the MNHPI.

Restricted Cash Deposits pertain to the funds held in escrow which are either kept in fixed-term deposits at the BTr, Land Bank of the Philippines, Development Bank of the Philippines and the Philippine Veterans Bank. These funds are earmarked for settlement of claims for NLRC SCREB Case No. VI-05-50142-06 and claim for real estate tax case at the Port of Iloilo.

Deposits with the BTr account pertains to the balance of the Special Account kept with the BTr in pursuant to the requirements of PD 1234. Collections remitted, as well as reimbursements of PPA advances for project expenditures



financed by foreign loans, are deposited to this account through the then Central Bank of the Philippines. The account is similarly covered with request for write off in PPA books since it is inactive for several years and is no longer found in the books of the BTR. The use of this account was discontinued with the issuance of Executive Order No. 159.

Receivable from the PNR account pertains to the balance of a P20 million loan that was granted to the Philippine National Railways (PNR) for the rehabilitation of existing railways from the Manila International Container Terminal (MICT) in Port Area, Manila to the Food Terminal, Inc. (FTI) in Taguig, Metro Manila. The outstanding balance of P18 million remained unsettled despite series of negotiations with the PNR. Thus, officials of PPA-Legal Services Department and the Office of the Government Corporate Counsel (OGCC) decided to submit the case for arbitration before the OGCC/DOJ. The account is provided with a 100% allowance for uncollectibility.

Others includes spare parts for PPA Dredgers in the custody of the Head Office Harbor Maintenance Department amounting to P38.27 million and various past due receivable accounts of P107.47 million and P42.99 million of PMO North Harbor and PMO South Harbor, respectively.

14. ACCOUNTS PAYABLE

This account is composed of the following:

| | 2012 | 2011 |
|-------------------------------|----------------------|----------------------|
| Trade/Business Payables | 1,436,299,080 | 2,171,179,944 |
| Dividends Payable | - | 509,802,691 |
| Due to Officers and Employees | 277,649,490 | 221,477,610 |
| Accrued Interest Payable | 33,431,610 | 72,365,030 |
| Insurance Premium Payable | 1,020,938 | - |
| Intra-Agency Payables | 1,397 | 466,337 |
| | 1,748,402,515 | 2,975,291,612 |

Trade/Business Payables are obligations incurred in the procurement of goods and services from private suppliers and entities arising from the conduct of business operations. It also includes liabilities arising from the decision of the Supreme Court on PPA vs. Acosta, et al Civil Case No. 5447, expropriation case of property for Batangas Port Development Project Phase II, corresponding to the additional cost of lots and interest due from 2001 to 2011 were recorded in this account.

Dividends Payable - PPA remits 50% of its net income after tax to the national government in accordance with the provision of Republic Act No.7656. This non-adjusting event after the balance sheet date are required to be disclosed only in the Notes to Financial Statements.

Due to Officers and Employees consists of liabilities set-up for the payment of services rendered by employees i.e., salaries, overtime, bonuses and incentives, allowances, reimbursement of official expenses, and other claims due to PPA personnel.

Accrued Interest Payable pertains to the amount of interests due for payment on foreign loans acquired from various creditors.

Insurance Premium Payable pertains to the amount of insurance due for payment to GSIS for PPA properties.

Intra-Agency Payables pertains to Special Take-Over Units transactions.

15. PAYABLES TO OTHER GOVERNMENT AGENCIES

This account is comprised of inter-agency payables involving the mandatory deductions withheld from salaries of personnel that are due for remittance in payment of taxes, employees' insurance premium contributions, and loan amortizations. Also included are liabilities for advances made by other government agencies for specific purposes.

| | 2012 | 2011 |
|---------------------------------------|--------------------|--------------------|
| Due to BIR | 619,919,197 | 473,023,659 |
| Due to Other GOCCs | 53,356,203 | 73,696,557 |
| Due to National Treasury | 13,899,567 | 31,644,699 |
| Due to Gov't Service Insurance System | 2,946,743 | 3,680,060 |
| Due to Pag-IBIG | 791,990 | 691,633 |
| Due to LGUs | 673,358 | 681,060 |
| Due to Other NGAs | 429,231 | 5,508,320 |
| Due to Philhealth | 153,875 | 119,913 |
| | 692,170,164 | 589,045,901 |

The Due to BIR account includes CY 2012 provision for additional income tax amounting to P558.73 million and the remaining P61.19 million pertains to withholding tax on compensation, EWT, CVAT, and other taxes.

16. CURRENT PORTION OF FOREIGN LOANS PAYABLE

The amount represents maturing obligations on long-term debts or the principal amortization on foreign loans due for repayment on the following year.

17. OTHER CURRENT LIABILITIES

This account consists of the following:

| | 2012 | 2011 |
|------------------------------------|--------------------|--------------------|
| Trust Liabilities | 168,017,978 | 202,271,511 |
| Depository Liabilities | 124,539,800 | 101,853,889 |
| Current Portion-Retirement Payable | 96,035,202 | 66,211,397 |
| Performance/Bidders Bonds Payable | 8,258,961 | 9,027,511 |
| Tax Refund Payable | 938,478 | 707,395 |
| Other Payables | 114,185,204 | 154,692,718 |
| | 511,975,623 | 534,764,421 |

Trust Liabilities consist substantially of retention fees withheld from suppliers and contractors to guaranty the performance and delivery of contracted goods and services, and deductions on salaries of personnel for Pantalan Union dues and Employees' Cooperative.

Depository Liabilities are deposits other than those required to guaranty the performance of contracts.

Other Payables include liabilities for the relocation of informal settlers.

18. LOANS PAYABLE - FOREIGN

Below is the breakdown of the account:

| Loan Account | Interest Rate % | No. of Years & Maturity Date | Loan Amount | Outstanding Balance | | | | |
|-----------------|-----------------|------------------------------|----------------|---------------------|-----------------|-----------------|--|--|
| | | | | In Foreign Currency | In Peso | | | |
| | | | | | 2012 | 2011 | | |
| ADB-875 | 6.53 | 20.0 Oct. 2012 | \$ 43,083,327 | ¥ - | P - | P 286,368,732 | | |
| JBIC-PH-P61 | 3.00 | 20.5 Sept. 2013 | 169,794,479 | 8,280,000 | 3,963,636 | 9,336,528 | | |
| JBIC-PH-P84 | 3.00 | 20.5 Jan. 2018 | 61,381,669 | 16,467,000 | 7,882,753 | 10,972,112 | | |
| JBIC-PH-P91 | 3.00 | 20.5 Jan. 2018 | 169,158,544 | 45,364,000 | 21,715,747 | 30,226,446 | | |
| JBIC-PH-P122 | 2.70 | 20.5 June 2021 | 5,497,049,624 | 2,279,241,000 | 1,091,072,667 | 1,436,216,790 | | |
| JBIC-PH-P172 | 2.30 | 20.5 Mar. 2027 | 502,889,141 | 355,656,000 | 170,252,527 | 214,347,739 | | |
| JBIC-PH-P187 | 2.20 | 20.0 Sept. 2028 | 13,788,000,000 | 10,364,256,000 | 4,961,369,347 | 6,208,578,004 | | |
| JBIC-PH-P187A | 2.20 | 31.0 Sept. 2038 | 767,000,000 | 870,116,000 | 416,524,529 | 509,439,531 | | |
| | | | | | 6,672,781,206* | 8,705,485,882 | | |
| Current Portion | | | | | (475,553,984) | (846,463,438) | | |
| | | | | | P 6,197,227,222 | P 7,859,022,444 | | |

*Equivalent to US\$161,992,164 @ P41.192 per US\$1.00.

*Equivalent to US\$161,992,164 @ P41.192 per US\$1.00.

19. LOANS PAYABLE - DOMESTIC

This account pertains to the P1.0 billion two-tranche loan facility acquired from the Philippine Veterans Bank to finance the construction of port facilities. The first tranche amounting to P500 million was released on 27 May 2009 and the second tranche was released on 17 June 2011. It has a fixed interest rate for the first three years, based on the three-year PDST-F rate at the date of drawdown for each tranche, plus a spread of ½% (0.50%). Thereafter, interest will be re-priced annually based on the one year PDST-F rate plus a spread of ½%. The Philippine Dealing and Exchange Corporation defines PDST-F as the calculated average of the best 60% of firm BID rates posted by designated market-making banks for the original 12 benchmark tenors at 11:16am daily. Interest is payable quarterly and computed on a 360-day calendar period. The loan has a term of seven years from the date of release inclusive of three years grace period. The principal is payable in eight equal amortizations starting on the seventh semi-annual payment date.

Partial payment for the loan was made amounting P125 million on November 5, 2012.



20. CORPORATE NOTES

The PPA entered into an Issue Management and Underwriting Agreement with the Development Bank of the Philippines in 2007, for the issuance of a P2.0 billion seven-year Corporate Notes with fixed interest rate of 7.783%, payable every quarter. The first tranche of the Corporate Notes guaranteed by the Republic of the Philippines amounting to P1.0 billion was released on 18 July 2007. The second and third tranches amounting to P500 million each were released on 14 March 2008 and 13 May 2008, respectively. The taxes and other charges incurred in the issuance of the notes were recognized as expense in the period of release. A sinking fund (Note 12) was established to redeem the Notes upon maturity in 2015.

21. RETIREMENT PAYABLE

This account represents the amount earmarked to cover the present money value of the retirement gratuity of PPA personnel qualified to retire under Republic Act (RA) 1616, wherein the Agency is mandated to pay lump sum amount to the retirees, including the present money value of accumulated leave credits of personnel based on their basic salaries as of reporting date, as follows:

| | 2012 | 2011 |
|--|--------------|--------------|
| Balance as of January 1 | 548,505,895 | 465,655,013 |
| Less Payment of Retirement Gratuity and Terminal Leave Benefit During the Year | (63,359,587) | (64,158,424) |
| Add Provisions for the Year | | |
| Accumulated Leave Credits | 24,111,164 | 51,108,994 |
| Retirement Gratuity | 16,892,783 | 95,900,312 |
| Total Retirement Payable December 31 | 526,150,255 | 548,505,895 |
| Less Current Portion | (96,035,202) | (66,211,397) |
| Retirement Payable – Non-Current Portion | 430,115,053 | 482,294,498 |

22. DEFERRED CREDITS

This account includes the amount of income received before it is earned or realized, such as Output Vat on income earned that is due for remittance to the Bureau of Internal Revenue and amounts received in advance on leased property and deferred tax liability representing final tax from interest income earned or realized by the Authority from its investment/placements.

| | 2012 | 2011 |
|----------------------------|-------------|-------------|
| Output VAT | 374,300,456 | 326,161,396 |
| Deferred Credits to Income | 12,285,744 | 13,346,830 |
| Other Deferred Credits | 12,305,281 | 20,814,777 |
| | 398,891,481 | 360,323,003 |

23. CAPITAL CONTRIBUTION

EO No. 513, amending PD 857, increased the authorized capital of the Authority from P3.0 billion to P5.0 billion.

Government Contribution to the Authority as initial paid up capital consisted of:

- The value of assets (including port facilities, quays, wharves, and equipment) and such other property, movable and immovable contributed or transferred by the Government and its agencies valued at the date of the contribution or transfer after deducting the loans and other liabilities of the Authority.
- The initial cash appropriation of P2.0 million out of the funds of the National Treasury and further sums, including working capital contributed by the National Government.

24. DONATED SURPLUS

Donated Surplus represents the amount of cash or property received as donations from entities other than the National Government.

25. APPRAISAL SURPLUS

Appraisal increase, which is the difference between historical cost and the appraised value of fixed assets, is added to the carrying value of property and equipment. Appraisal Surplus corresponds to the cumulative amounts of appraisal increases determined by hired independent appraisers in the conduct of appraisal of PPA Fixed Assets, once every five years. The last appraisal was conducted in June 2011.

26. RETAINED EARNINGS

This account represents the recorded cumulative net profit of the PPA from the start of its operation, net of the dividends paid to the BTr. Pursuant to Section 5 of RA 7656 dated 9 November 1993, the Authority declares and remits fifty percent (50%) of its annual earnings as dividends to the National Government. For CY 2012, PPA remitted to the National government thru the Bureau of the Treasury dividend in the amount of P1,000,993.29 million computed based on unaudited financial figures. It was paid on March 2013 as evidenced by Official Receipt No. 4702281.

27. WHARFAGE DUES

This refers to the charges levied on loaded/unloaded cargoes whether imports, exports, inbound, outbound, or transshipments. The computation is based on metric ton for non-containerized cargoes and per box for containerized cargoes.

28. SHARE IN ARRASTRE / STEVEDORING INCOME

This account represents the government share on the receipts or earnings of cargo handlers from arrastre and stevedoring service. Arrastre refers to the set of shore-based cargo handling activities that includes, but is not limited to, the receiving or loading of cargoes to/from ship's tackle with the use of dock gang and cargo handling equipment. On the other hand, stevedoring service covers the discharging and loading of containers, loaded or empty, from the vessel to the dock/apron and vice-versa, and the opening and closing of hatch covers, lids and supporting beams.

The account includes income from ICTSI for MICT operations, ATI for South Harbor and Batangas operations and MNHPI for North Harbor.

29. DOCKAGE FEES

Dockage or berthing fee is the amount assessed against a vessel engaged in international (foreign) trade for berthing. It is levied on cargo vessels based on the number of days of stay for the purpose of discharging and/or loading cargo; and on non-cargo vessels for the purpose of loading and/or taking passengers or for taking fresh water supply or receiving bunker fuel.

30. PORT DUES

Vessels engaged in foreign trade, including those engaged in barter trade, that enter any port, whether private or government-owned, for loading and discharging cargoes, embarking/disembarking passengers, bunkering or taking provisions or repairs and changing members of the crew are charged with port dues based on the vessel gross revenue tonnage (GRT). It is a one-time charge assessed against vessels anytime that they call at the port.

31. STORAGE CHARGES

Storage fees are charges on cargoes that remain in the cargo sheds, warehouses or in the open storage area of any government-owned port beyond the "free storage period" allowed. Increase or decrease in storage revenue can be attributed to the growth or decline in the number of shippers/port users availing of storage services.

32. PORT USAGE FEES

Vessels engaged in coastal domestic trade that berth or temporarily lay up or drop anchor at any government port are charged a port usage fee based on gross revenue ton (GRT).

33. TERMINAL FEES

The account consists of the amount charge on vehicles for the use of the port facilities and services which is collected by the PPA on a per sea-leg journey at the port of loading or embarkation.

34. VESSEL TRAFFIC MANAGEMENT SERVICE FEES

PPA Administrative Order No. 03-2006 dated 16 June 2006 authorized the collection of the Vessel Traffic Management Service (VTMS) Fee. It includes fees collected/assessed in all international and domestic vessels entering, departing, navigating, operating, and anchoring/mooring within the VTMS covered areas.

35. PILOTAGE

This represents the government share on the service rendered or required to be performed by the harbor pilots to maneuver vessels to/from the ports as required or as deemed necessary in each pilotage district.

36. LAY-UP FEES

This pertains to the amount assessed against vessels engaged in coastal (domestic) trade that are authorized to temporarily lay-up and anchor at any port.

37. OTHER INCOME

Breakdown of this account is shown below:

| | 2012 | 2011 |
|---|-------------|-------------|
| <i>Permits and Licenses</i> | | |
| Permit Fees | 12,118,345 | 10,829,560 |
| Other Permits and Licenses | 8,303,578 | 7,352,565 |
| Fines and Penalties-Permits & Licenses | 1,815,925 | 1,300,347 |
| | 22,237,848 | 19,482,472 |
| <i>Service Income</i> | | |
| Fines and Penalties – Service Income | 10,454,120 | 7,560,508 |
| Seminar and Passenger Terminal Fees | 803,792 | 90,365,978 |
| Other Service Income | 2,835,720 | 3,618,395 |
| | 14,093,632 | 101,544,881 |
| <i>Business Income</i> | | |
| Rent Income- Buildings, Warehouses & Guesthouses | 185,467,437 | 136,245,244 |
| Other Business Income | 94,350,571 | 31,650 |
| Reefer Services | 22,211,241 | 10,846,313 |
| Sale of Power | 18,012,609 | 25,024,436 |
| Printing and Publication Income | 11,024,655 | 11,466,322 |
| Sale of Water | 8,024,389 | 5,926,617 |
| Net Income from STUs | 6,200,237 | 9,702,665 |
| Parking Fees | 3,683,646 | 4,925,618 |
| Truck Scale | 669,048 | 732,918 |
| Income from Dormitory Operations | 652,241 | 378,276 |
| Rent Income-Operations/Rental of Crane/Cargo Handling Equipment | 647,556 | 1,856,209 |
| Others | 36,021,977 | 33,275,381 |
| | 386,965,607 | 240,411,649 |
| | 423,297,087 | 361,439,002 |

38. PERSONAL SERVICES

The breakdown of expenses incurred for PPA employees follows:

| | 2012 | 2011 |
|--|-------------|-------------|
| <i>Salaries and Wages</i> | | |
| | 638,945,948 | 608,727,294 |
| <i>Other Compensation</i> | | |
| Other Bonuses and Allowances | 225,008,926 | 316,433,719 |
| Overtime and Night Pay | 71,283,547 | 66,657,379 |
| Year-end Bonus | 55,480,504 | 53,124,104 |
| Personal Economic Assistance Allowance | 48,760,213 | 51,122,138 |
| Representation Allowance | 16,549,986 | 15,648,314 |
| Transportation Allowance | 11,979,191 | 11,777,854 |
| Clothing/Uniform Allowance | 10,051,303 | 8,680,612 |

| | 2012 | 2011 |
|---|---------------|---------------|
| Honoraria | 5,827,359 | 6,410,017 |
| Hazard Pay | 218,148 | 197,784 |
| Longevity Pay | 153,335 | 119,037 |
| | 445,312,512 | 530,170,958 |
| <i>Personnel Benefits Contribution</i> | | |
| Life/Retirement Insurance Premium Contributions | 76,518,391 | 73,287,551 |
| PHILHEALTH Premiums | 6,847,029 | 6,797,394 |
| PAG-IBIG Premiums | 2,441,382 | 2,558,525 |
| ECC Contributions | 2,850,748 | 3,193,879 |
| | 88,657,550 | 85,837,349 |
| <i>Other Personnel Benefits</i> | | |
| Rice Allowance | 48,866,954 | 51,190,081 |
| Monetized Leave | 24,111,164 | 51,108,994 |
| Retirement Benefits | 20,692,783 | 100,281,191 |
| Medical Allowance | 5,017,926 | 5,272,176 |
| Meal Subsidy | 1,659,243 | 1,734,360 |
| Children's Allowance | 795,455 | 834,124 |
| Other Benefits | 10,986,485 | 7,407,444 |
| | 112,130,010 | 217,828,370 |
| | 1,285,046,020 | 1,442,563,971 |

39. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of:

| | 2012 | 2011 |
|---|---------------|---------------|
| <i>Maintenance & Other Operating Expenses</i> | | |
| Repairs and Maintenance | 989,016,440 | 617,192,389 |
| Dredging Expense | 366,203,841 | 391,220,449 |
| Security Services | 250,281,095 | 217,384,644 |
| Other Professional Services | 209,286,424 | 183,424,121 |
| Utility Expenses | 165,199,887 | 141,839,735 |
| Awards and Indemnities | 103,024,982 | 237,058,813 |
| Taxes, Insurance and Other Fees | 81,684,969 | 74,599,345 |
| Auditing Services | 72,320,790 | 62,229,154 |
| Consultancy Services | 63,886,288 | 62,826,138 |
| Supplies and Materials Expense | 55,642,489 | 53,483,080 |
| Janitorial Services | 46,044,240 | 40,016,087 |
| Traveling Expense | 34,187,390 | 39,362,979 |
| Demolition and Relocation Expense | 32,796,428 | - |
| Communications Expense | 30,705,558 | 25,971,671 |
| Printing and Binding Expense | 16,721,337 | 41,755,627 |
| Training and Scholarship Expense | 16,309,916 | 14,010,250 |
| Representation Expense | 14,126,767 | 16,226,495 |
| Subsidies and Donations | 12,039,416 | 1,409,937 |
| Rent Expense | 3,960,994 | 7,602,221 |
| Advertising Expense | 2,982,749 | 2,720,064 |
| Intelligence Expense | 2,000,000 | 8,000,000 |
| Subscription Expense | 655,877 | 632,525 |
| General Services | 318,058 | 302,160 |
| Membership Dues & Cont. to Organizations | 236,470 | 583,561 |
| Miscellaneous Expenses | 5,999,074 | 4,920,377 |
| | 2,575,631,479 | 2,244,771,822 |



| | 2012 | 2011 |
|----------------------|----------------------|---------------|
| Non-Cash Expenses | | |
| Depreciation Expense | 1,822,133,925 | 1,840,284,843 |
| Bad Debts Expense | 112,130,667 | 24,597,798 |
| Final Tax | 29,146,111 | 27,509,367 |
| Loss on Assets | 25,275,430 | 71,600,718 |
| | 1,988,686,133 | 1,963,992,726 |
| | 4,564,317,612 | 4,208,764,548 |

Repairs and Maintenance consists of expenses in bringing to normal condition the following assets:

| | 2012 | 2011 |
|--|--------------------|-------------|
| Land Improvements | 913,819,139 | 557,058,969 |
| Furniture, Fixtures & Equipment | 44,870,469 | 35,463,079 |
| Buildings and Structures | 15,546,884 | 10,584,696 |
| Motor Vehicles/Other Transport Equipment | 14,779,948 | 14,085,645 |
| | 989,016,440 | 617,192,389 |

Dredging Expense represents cost incurred in dredging the harbors to the required depth through removal of silts. It also includes expenses in the maintenance of basins and navigational channels, cost of minor repairs of dredging equipment, spare parts, salaries and wages of casual and contractual employees, incidental traveling expenses and other related costs.

On 06 November 2001, original contract for a ten (10) year Rehabilitation, Operation and Maintenance of the PPA Dredging Fleet under the Rehabilitate and Maintenance Scheme was entered into by and between PPA and F. F. Cruz & Co. Inc. (FFCCI). The Contract stipulated that FFCCI shall rehabilitate, operate and maintain the six (6) dredge vessels (PHILPORTS D-I to D-VI) and the two (2) supply boats (PHILPORTSA-I and A-II) and shall undertake the maintenance dredging of the country's ports included in the PPA Port System. Within the contract period, the Authority will pay FFCCI the cost of the actual volume dredged per year based on the contract rate per cubic meter and guaranteed annual minimum dredging volume of two (2) million cubic meters.

A supplemental contract was executed by PPA and FFCCI on 28 October 2008 mainly for the upward adjustment, effective 01 February 2008, of the dredging contract rates per cubic meter based on the locality to be dredged and the type of dredging work to be applied by the Contractor. A second supplemental contract was signed by both parties on 04 September 2009 extending the term of the dredging contract period for another ten (10) years whereby FFCCI waived any unexpired term under the original contract. Pursuant to Clause 3 of the supplemental contract, FFCCI, as the Assignor, has executed on 09 October 2010, a Deed of Assignment, transferring its rights and interest in the PPA Dredging Contract, to FF Marine Corporation, Assignee and wholly-owned corporation of the Assignor.

Utility Expenses cover the costs of water, electricity, and gas for illumination consumed at office buildings, grounds and other port structures.

Awards and Indemnities pertain to amounts awarded by courts or administrative bodies to persons affected by the destruction of property/death/injury, as well as the monetary service/loyalty awards given to officials and employees for attaining several years of service to the PPA and the Corporate Christmas package given to all officers and employees pursuant to PPA Memorandum Order No. 45-2011.

Taxes, Insurance and Other Fees represent the amounts incurred for taxes, duties, licenses, vehicle registration fees, fidelity bond premiums of accountable officers, and insurance premiums for motor vehicle and other property.

Intelligence Expense pertains to expenses incurred for highly sensitive activities. Liquidation documents are submitted to the Commission on Audit Central Office for audit.

Final Tax pertains to the tax deducted on the interest income earned on investments in securities.

40. FUND MANAGEMENT INCOME

This account covers interest earned from various deposits and investments in T-bills, bonds and other marketable securities.

41. OTHER GENERAL INCOME

This account consists of:

| | 2012 | 2011 |
|----------------------|-------------------|------------|
| Interest Income | 7,363,772 | 6,238,242 |
| Dividend Income | 357 | 3,761 |
| Miscellaneous Income | 16,011,243 | 19,485,019 |
| | 23,375,372 | 25,727,022 |

42. FOREIGN EXCHANGE GAIN(LOSS) ON REVALUATION

In accordance with Philippine Accounting Standards (PAS) 21, balances of foreign currency-denominated accounts (i.e., foreign loans and dollar deposits) are revalued at year-end to reflect their actual values at reporting date. The difference is recognized in profit or loss. The net effect of gains and losses as a result of foreign exchange fluctuations during the year compared to last year follows:

| | 2012 | 2011 |
|---|----------------------|---------------|
| Gain(Loss) on Revaluation of Outstanding Balances of Foreign Loans | 1,186,241,238 | (407,635,380) |
| Gain(Loss) on Revaluation of Balance of Foreign Currency Deposit Accounts | (1,704,256) | 40,176 |
| Foreign Exchange Gain(Loss) on Revaluation | 1,184,536,982 | (407,595,204) |

The following are the peso equivalent per Bangko Sentral ng Pilipinas guiding rates of exchange that were used in determining the outstanding balances of foreign loans and dollar deposits as of reporting date:

| Currency | 2012 | 2011 |
|---------------------------|----------------|---------|
| United States Dollar (\$) | 41.1920 | 43.9280 |
| Japanese Yen (¥) | 0.4787 | 0.5638 |
| European Euro (€) | - | 56.8428 |

43. FINANCIAL EXPENSES

This account is composed of financial charges as follows:

| | 2012 | 2011 |
|-------------------------------------|---------------------|-------------|
| Interest Expense – Loans/Borrowings | 377,130,991 | 431,799,420 |
| Other Financial Charges | 82,628,932 | 91,299,504 |
| Loss(Gain) on Foreign Exchange | (59,966,344) | 19,041,186 |
| Bank Charges | 127,474 | 140,180 |
| Documentary Stamp Expenses | 91,790 | 2,500,000 |
| | 400,012,843 | 544,780,290 |

Other Financial Charges include payments to the BTr for guarantee fees on the PPA Corporate Notes guaranteed by the Republic of the Philippines and management fees and other expenses as Fund Manager of the Corporate Notes Sinking Fund.

Loss(Gain) on Foreign Exchange represents the amount recognized as actual gain/loss from foreign currency transactions. This consists of (a) the difference between the actual amount billed and settled at the time of debt servicing of the foreign loan and its recorded book value and (b) the difference between the peso equivalent of the amount of withdrawal from dollar bank deposits at actual rates prevailing at the time of withdrawal as against its carrying value using the adopted booking rate.

44. INCOME TAX EXPENSE

The Statement of Comprehensive Income for 2012 reflects a Net Profit After Tax amounting to P3,158.02 million. For this year, PPA is subject to the payment of Income Tax based on 30% Regular Tax Rate as this is higher than the Minimum Corporate Income Tax which is computed at 2% of Gross Income after deducting investments in fixed assets or capital expenditures during the year. As of the third quarter of 2012, PPA already remitted to the BIR P501.82 million for income tax. The current tax expense for the year is reported at P1,060.56 million which will be settled using the deferred tax asset and the remaining P558.74 million set up as tax liability for the year.

45. CONTINGENT ACCOUNTS

In compliance with the provisions of PAS 37 - Provisions, Contingent Liabilities and Contingent Assets, *Contingent Assets* and its contra account *Contingent Surplus* were excluded among the accounts presented in the Statement of Financial Position. Depending on the outcome of events, income or surplus that may be realized on contingent assets amounts to P1,175.97 million and P1,090.25 million in 2012 and 2011, respectively. The account consists mainly of contested accounts receivable with expected income from increased rates on lease of land and other PPA port facilities. It is the policy of the Authority and as embodied in the lease agreements that rental rates are automatically adjusted based on the appraised value of the property. This adjusted rate on lease serves as the basis of computation of charge in the invoice issued to the lessee.

46. SUPPLEMENTARY INFORMATION REQUIRED BY BIR UNDER RR NO. 15-2010

On 25 November 2010, the BIR issued Revenue Regulations (RR) No. 15-2010 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of Financial Statements accompanying the Tax Returns. Under the said RR, it is required that, in addition to the disclosures mandated under the Philippine Financial Reporting Standards, and such other standards and/or conventions as may be adopted, the Notes shall include information on taxes, duties and license fees paid or accrued during the taxable year.

In compliance with the requirements set forth by RR 15-2010, the information on taxes, duties and licenses fees paid or accrued during the taxable year are as follows:

1. VAT Output Tax

PPA is a VAT registered company with VAT Output Tax declaration of P906,104,501 for the year based on the amount reflected in the Sales Account of P7,552,440,241.

The Authority has zero-rated sales of P1,396,929,642 pursuant to the provision of R.A. 7716 as amended by R.A. 8241, R.A. 8424 and R.A. 9337 and RR 16-2005.

2. VAT Input Tax

The amount of VAT Input Tax claimed is broken down as follows:

| | |
|---|---------------|
| Beginning of Year | 4,617,111 |
| Excess Input VAT carried over | 7,422,279 |
| <i>Current Year's Domestic Purchases/Payments</i> | |
| Goods Other Than for Resale or Manufacture | 23,608,405 |
| Capital Goods Subject to Amortization | 3,667,685 |
| Capital Goods Not Subject to Amortization | 147,360 |
| Services Lodged Under Other Assets | 390,974,605 |
| Total | 430,437,445 |
| Less Claims for Tax Credit and Other Adjustments | (425,421,330) |
| Balance at End of Year | 5,016,115 |

3. Other Taxes and Licenses

Local

| | |
|-----------------------------------|------------|
| Community Tax | 10,500 |
| Business Tax/Mayor's Permit/Other | 27,697,794 |
| Other Taxes and Licenses | 154,674 |

National

| | |
|--|------------|
| LTO (Vehicle Registration) | 739,696 |
| BIR Registration Fee | 99,407 |
| PNP (Firearms License fee) | 81,924 |
| EMB | 74,142 |
| NTC (Radios Licences) | 69,325 |
| BOT (Fidelity Bond) | 41,361 |
| ERC | 5,000 |
| Bureau of Fire Protection | 1,813 |
| Department of Environment and Natural Resources (DENR) | 600 |
| | 28,976,236 |

4. Withholding Taxes

| | |
|----------------------------------|-------------|
| Tax on Compensation and Benefits | 158,295,024 |
| Creditable Withholding Taxes | 73,761,531 |
| Final Withholding Taxes | 173,027,105 |
| | 405,083,660 |

5. Final Assessment Notice

PPA has no final assessment notice from any BIR Regional Office.

47. PENDING LAWSUITS

The Authority is involved as a party litigant in several lawsuits still pending for resolution that could materially affect its financial position. Among these lawsuits are the following:

| No. | Case Title | Case No. / Court | Description | Status |
|-----|--|--|--|--|
| 1 | Aboltiz Transport System Corp. (ATSC) vs. PPA | RTC-Manila, Branch 24, Civil Case No. 08-119020 | Maritime Damages and Injunction allegedly for the losses suffered by ATSC when it transferred its operation to South Harbor. | Case dismissed by RTC Manila in favor of PPA. |
| | | CA-G.R. CV 95141 | | Appeal on the decision of RTC filed by ATSC was denied and RTC decision affirmed. |
| | | SC G.R. 158401 | | CA decision was affirmed on January 28, 2008 and judgment became final and executory on Feb. 8, 2008. |
| 2 | Manila International Ports Terminal Inc. (MIPTI) vs. PPA | RTC-Manila, Branch 15, Civil Case No. 86-37673 | Damages arising from the takeover by PPA of the MICT just after the EDSA revolution. | RTC declared EO 30 unconstitutional and ordered PPA to return and restore all equipment and properties taken during take over or to pay P180M; P1.5M/mo for actual damages for loss of income; P1.5/mo as rental for use of equipment; P200k exemplary damages; P500k attorney's fees. |
| | | CA No.80775 | | CA modified RTC decision as follows: PPA ordered to pay MIPTI P19M at interest rate of 6%; P250,000/mo. for unrealized profits |
| | | SC GR.NO. 196252 196199 | | Petitions for Review on Certiorari of CA Decision were filed both by PPA and MIPTI on May 11, 2011 and May 9, 2011, respectively. Both are pending. |
| 3 | United Harbor Pilot's Association of the Philippines (UHPAP) vs. PPA et al. | RTC-Manila, Branch 55, Civil Case No. 02-104716; Re-raffled to Branch 22, Civil Case No. 88-4726 | Declaratory Relief, Injunction with Preliminary Injunction or Temporary Restraining Order and Damages; To order PPA to reimburse collected amount equivalent to 10% government share. | RTC denied prayer for injunctive relief; declared illegal and unconstitutional provisions of PPA AO 03-85 and all subsequent issuances imposing 10% government share as illegal; with permanent injunction from implementing said issuance. |
| | | CA-G.R. 93775 | | PPA filed an appeal with CA and the latter quashed the writ of injunction issued by RTC and set aside the RTC decision and declared PPA AO 03-85 as valid and constitutional. The case is for resolution of the SC. |
| 4 | Amelia Aquino et al vs. PPA | RTC-Manila, Br. 7, Civil Case No. 00-98161 | Mandamus and Prohibition instituted by PPA employees praying that the supervisors appointed after the SC decision in PPA v. COA be given 40% of their basic salary as reimbursable RATA. | RTC ordered PPA to pay RATA equivalent to 40% of the standardized basic salary and to cease and desist from requiring refund. |
| | | CA-G.R. SP 91743 Court of Appeals | | Parties already filed their respective Memorandum. |
| | | SC G.R.181973/146665 | | Case is pending with the Supreme Court for resolution. |
| 5 | Benny Espinosa vs. PPA et al | RTC Br. 29, Iloilo CC 02-27373 | Petition for Injunction with Application for Preliminary Injunction and TRO and Damages | RTC denied the prayer for damages and the case dismissed for being moot and academic. |
| | | CA-G.R. CV- No. 03213 | | CA resolved on Sept. 15, 2011 that the case is submitted for resolution and referred the same to the Raffle Committee for raffle to a Justice for study and report in view of the Judicial Records Division Certification stating that No Reply was filed. |

| No. | Case Title | Case No. / Court | Description | Status |
|-----|---|---|--|---|
| 6 | Barangay 650, Zone 68 et al. vs. PPA et al. | Civil Case No.00-98093, RTC Manila, Branch 42 | Prohibition with Application for Preliminary Injunction and With Prayer for the Issuance of a TRO, Damages and Relocation. | Case is pending before the RTC. Trial ongoing. |
| 7 | Barangay 651, Zone 68 et al. vs. PPA et al. | C.C. No.00-97859 RTC-Manila, Branch 8 | Prohibition with Application for Preliminary Injunction and With Prayer for the Issuance of TRO, Damages and Relocation. | Case is pending before the RTC. Trial ongoing. |
| 8 | Antonio Altas et al vs. Iloilo River Wharf Port Services et al (IRWPRS) | NLRC SRAB Case No. VI-05-50142-06 | Claim for Underpayment of Wages and Profit Sharing | PPA-IRWPRS ordered to pay complainants their share in the net profit in the amount of P4,869,793 and to pay salary differentials in the amount of P10,614,136.96. |
| | | CA G.R. CEB SP No. 03559 | | CA Resolution dated Nov. 25, 2010 reversing the NLRC Decision and declaring Altas et. al not to be entitled to profit sharing and differentials. The Motion for Reconsideration was denied in a Resolution dated Nov. 20, 2012. |
| 9 | Banago Port Stevedoring vs. PPA | Civil Case No. 12721 RTC-Negros Occ., Branch 51 | Sum Of Money, Alleged Refund Of Excess Payment Of Government Share During Moratorium Under PPA AO No. 06-95 in the amount P2,889,577.65 | RTC ordered PPA to pay the amount of P2,889,577.65 less P40,000 plus interest. |
| | | CA-G.R. CV 02471 Court of Appeals, Cebu City | | On October 22, 2008, PPA filed Appellant's Brief. |
| 10 | Danilo S. Malacad et al. vs. Pantalan, Mr. Antonio C. Ignacio, Jr & PPA and Goldcrest Investment International Consultancy Services (GICS), Intervenor | Civil Case No. 10123320 RTC-Manila, Branch 21 | Declaration of Absolute Nullity/ Nullification of "Joint Authority" Separate Enforcement of Final Judgment, with TRO; Prayer for release of a portion of COLA and AA receivables | Hearing for TRO is still ongoing. |
| 11 | PPA vs. Pambansang Tinig at Lakas ng Pantalan | Special Civil Action No. 08118633 | Mandamus with Prayer for Issuance of a Writ of Preliminary Mandatory Injunction; To direct PPA to actually integrate COLA and AA. | RTC granted the prayer and ordered PPA to actually integrate COLA and AA to the employees' basic salaries and to pay differentials and attorneys fees. |
| | | CA G.R. SP NO. 107730 | | CA Decision dated Jan. 29, 2010 affirming RTC Decision. |
| | | SC G.R. No. 192836 | | PPA filed Petition for Review with SC which is still pending. |
| 12 | Arnel Dilay Diaz vs. PPA | Civil Case No. 8289 RTC Br. 2, Batangas | Judicial Determination of Just Compensation with Alternative Prayer. | RTC ruled in favor Mr. Diaz and ordered PPA to pay just compensation. PPA filed a Notice of Appeal with CA. Parties already submitted their respective briefs. |
| 13 | Cebu Fortune Gas, Inc. vs. PMO Cagayan de Oro, PPA rep by Necitas Layola | Civil Case No. 2011-249 | Replevin with Damages, with prayer for the release of tanks. | Cebu Fortune filed a Motion to Dismiss last July 26, 2012. RTC issued an Order dated July 31, 2012 dismissing the case considering that Cebu Fortune is no longer interested to pursue the case. |
| 14 | Shipside Inc. vs. PPA | Civil Case No. 3917, RTC Br. 2, San Fernando La Union | Unlawful Detainer, With Prayer For Reasonable Compensation For The Actual Occupancy Of The Property located in San Fernando. | Case is at its pre-trial stage. A verification survey was jointly conducted by PPA, DENR and Shipside geodetic surveyors last Feb. 7, 2013. |
| 15 | Lepanto Consolidated Mining Co. vs. PPA | Civil Case No. 3920, MTTC Br. 2, San Fernando, La Union | Unlawful Detainer, With Prayer for PPA to Vacate the Premises and for Reasonable Compensation For The Actual Occupancy Of The Property. | At pre-trial stage. Referred for Judicial Dispute Resolution (JDR) last August 9, 2012 and scheduled for JDR on Oct. 16, 2012. |
| 16 | United Dumangas Port Development Corp. (UDPDC) and Wilhelm Divinagracia vs. Juan Sta. Ana et al | Sp. Civil Action No. 11-30890 | For Indirect Contempt, with Prayer for Damages of P50k per day from Feb. 18, 2011, P330k as attorney's fees, P250k litigation expenses, P1M for moral and other damages. | Trial already concluded but with pending motion filed by UDPDC to submit additional evidence on Feb. 1, 2013. |
| 17 | AT IBA PA, Rank and File sa Sulpicio Lines, Inc. et al vs. PPA | NLRC No. 1014201-08 | Claim for Underpayment of wages, Non-Payment of E-COLA, Night Shift Differential et al. | Labor Arbiter granted the petition. NLRC reversed the decision which was also affirmed by NLRC after the MR filed. |
| | | CA SP G.R. 116908 | | CA ruled there is no grave abuse of decision by NLRC. PPA filed its Comments on Jan. 10, 2013 on the Motion for Reconsideration filed by the workers. |
| 18 | PPA vs. Mindanao Terminal and Brokerage Services (MINTERBRO) | Civil Case No. 87-42747, RTC Br. 14, Manila | Collection of Sum of Money in the amount of P13,738,590.40 | RTC granted the prayer ordering MINTERBRO to pay P36,585,901.18 and cost of suit. |

| No. | Case Title | Case No. / Court | Description | Status |
|-----|--|---|--|--|
| | | CA GR CV No. 35884 | | CA issued Decision dated Nov. 21, 2002 affirming in toto the RTC decision. Decision became final and executory on Dec. 20, 2002. On April 21, 2004, CA issued a resolution affirming the entry of judgment. However, the judgment was not implemented in view of the pendency of the resolution on Minterbro's motion for reconsideration of the declaration of finality of judgment. |
| | | SC G.R. No. 170269 | Petition for Review on Certiorari with prayer for TRO and Preliminary injunction | PPA received the petition on May 20, 2004. In a Decision dated Aug. 22, 2012, SC declared as final and executory the CA Decision dated Nov. 21, 2002 which affirmed the decision of RTC Manila dated August 28, 1990 in favor of PPA ordering Minterbro to pay the amount of P36,585,901.18 and the cost of suit. |
| 19 | Government Service Insurance System (GSIS) vs. PPA | Arbitration Case No. 2012-01 | Ownership of the Manila International Container Terminal Area | Per Memorandum of the Honorable Executive Secretary dated May 3, 2012, parties were directed to arbitrate on the ownership of MICT Area. On August 14, 2012, PPA received a copy of GSIS's Notice of Arbitration and Statement of Claim (in compliance with the order of OGCC). GSIS prays for the accrued rentals per month for the use of the subject property in the amount equivalent to reasonable rentals per month of the subject property and for PPA to remit to GSIS all appurtenant fruits, rents, and other fees received and collected from the ICTSI and other entities for the use of the subject property. On October 12, 2012, PPA filed its Statement of Defense on the Statement of Claim of GSIS. On November 8, 2012, PPA received a Manifestation and Motion filed by GSIS praying that the issues and reliefs prayed by PPA in its Statement of Defense be noted without action or in the alternative, to treat the issues and reliefs as counter-claim. On Nov. 20, 2012, PPA filed a Motion for Leave To File Attached Opposition to the Manifestation and Motion. In an Order dated November 29, 2012, GSIS was given 30 days to submit its Statement of Defense on the counterclaim of PPA. On February 8, 2013 PPA received a copy of GSIS's Statement of Defense to the PPA's Counter-Claim in its Statement of Defense dated October 10, 2012. The case is set for Arbitration Conference on February 15, 2013. |
| 20 | PPA vs. Heirs of Paulina Acosta, (Represented by Aniceto Tolentino, et al.); Heirs of Marciano Gabia Manalo and Lucia Gabia (represented by Romeo Manalo, et al.) | Civil Case No. 5447 RTC Batangas City Branch 84 | Expropriation | This is a case for Expropriation covering the Batangas Port Development Project Phase II. On June 22, 2009, the Supreme Court issued a Resolution declaring the just compensation at P425 per square meter and with a directive to pay 12% interest per annum from the date of PPA's entry to lots on Sept. 11, 2001 until fully paid less initial payments made to lot owners and deductible taxes. Payments to the landowners are currently being undertaken subject to the presentation of appropriate documents. |
| 21 | Pier 8 Arrastre and Stevedoring Services, Inc. vs. PPA, Juan C. Sta. Ana, Oscar Sevilla and MNHPI | Civil Case No. 11-125680 RTC Branch 33, Manila | Damages, Actual, Moral and Exemplary Damages of at least two (2) million and Injunction. | The case is in its Pre-Trial stage. |
| 22 | Pier 8 Arrastre and Stevedoring Services, Inc. (PASSI) vs. PPA | Civil Case No. 00-97157 RTC Branch 19, Manila | | A Decision dated December 28, 2012 was issued by RTC dismissing the case but ordering PPA to pay rentals for the equipment of PASSI in the amount of P4,800,838. PPA filed a Motion for Reconsideration dated January 23, 2013 as to the order for payment of rentals, submitting therein proof of payment earlier made. |



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Department of Transportation
and Communications



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Philippine Ports Authority



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APOLLO S. ENRIQUEZ

Private Sector Representative



ELSA L. HILARIO

Corporate Board Secretary
Philippine Ports Authority





PPA Board Members, Alternates and Technical Working Group



Seated: **Julianito G. Bucayan, Jr.**, Undersecretary, DOTC

From left to right: **Nicasio A. Conti**, Officer-in-Charge, MARINA, **Apollo S. Enriquez**, Private Sector Representative, **Carlo A. Carag**, Undersecretary, DOF, **Ernesto D. Adobo, Jr.**, Undersecretary, DENR, **Juan C. Sta. Ana**, General Manager, PPA, **Zenaida C. Maglaya**, Undersecretary, DTI, **Nestor R. Mijares**, Deputy Director General, NEDA, **Abdul Fatak Pandapatan**, Technical Assistant of DPWH



Executive Officers



Seated: **Juan C. Sta. Ana**, General Manager

Standing from left to right: **David R. Simon**, Asst. General Manager, Finance, Legal and Administration •

Raul T. Santos, Asst. General Manager, Operations • **Tomas B. Carlos**, Asst. General Manager, Engineering



The GM with the PPA Management Team



Department Managers

Office of the General Manager

Internal Control Department
Management & Information Systems Department
Strategic Planning Department
Head Executive Assistant
Corporate Board Secretary

Rosalia G. Banson
Elizabeth C. Follosco
Amelia M. Aquino
Editha M. Del Rosario
Elsa L. Hilario

Operations Office

Port Operations & Services Department
Commercial Services Department
PPA Training Center
Port Police Department

Roberto C. Aquino
Emma L. Susara
Lilian T. Javier
Jesus V. Tolosa

Engineering Services Office

Facilities, Construction & Maintenance Department
Harbor Maintenance Department
Project Development Department

Carlito M. Castillo
Rolando K. Perez
Reynand C. Parafina

Finance, Legal & Administration Office

Controllershship Department
Treasury Department
Human Resource Management Department
Administrative Services Department
Legal Services Department

Virginia S. Valero
Virginia G. Quina
Virginia D. Garcia
Antonio C. Ignacio, Jr.
Ma. Asuncion Hiyasmin H. De Los Santos



Port District Office/Port Management Office Managers

PDO Manila/Northern Luzon

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PMO North Harbor
PMO San Fernando
PMO Limay

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Silverio D. Mangaoang, Jr.
German P. Tuguigui

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PMO Legaspi
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PMO Calapan

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Leopoldo C. Biscocho, Jr.
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Luis A. Cuison
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PMO Tacloban
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PMO Davao
PMO General Santos
PMO Cotabato
PMO Dapitan
PMO Zamboanga

Christian V. Santillan

Christian V. Santillan (concurrent)
Liberto C. De La Rosa
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Leonilo E. Miole



Port of Currimao



Port of Surigao



Port of Butuan



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Office of the General Manager



Port of Limay



Office of the General Manager

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