1. GENERAL/CORPORATE INFORMATION

Agency Profile

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

The mandate of CAAP is in line with the policy of the State to provide safe and efficient air transportation for the country as enunciated in Chapter I, Section 2 (Declaration of Policy) of RA No. 9497, to wit, *It is hereby declared the policy of the State to provide safe and efficient air transport and regulatory services in the Philippines by providing for the creation of a civil aviation authority with jurisdiction over the restructuring of the civil system, the promotion, development and regulation of the technical, operational, safety and aviation security functions under the civil aviation authority*.

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

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

Corporate Objectives

The objectives of the Authority are as follows:

a. Development and utilization of the air potential of the Philippines;

b. Encouragement and development of an air transportation system properly adapted to the present and future of foreign and domestic commerce of the Philippines;

c. Regulation of air transportation in such a manner as to support sound economic condition in such transportation and to improve the relations between air carriers;

d. Assurance of the safety, quality, reliability, and affordability of air transport services for the riding public; and

e. Encouragement and development of a viable and globally competitive Philippine aviation industry.

Organizational Structure

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

- Secretary of the DOTr who shall act as Ex-Officio Chairman;
- Director General of the Civil Aviation (DGCA) who shall automatically be the Vice-Chairman of the Board;
- Secretary of the Department of Finance (DOF);
- Secretary of the Department of Foreign Affairs (DFA);
- Secretary of the Department of Justice (DOJ);
- Secretary of the Department of the Interior and Local Government (DILG)
- Secretary of the Department of Labor and Employment (DOLE); and
- Secretary of the Department of Tourism (DOT).

CAAP is headed by a Director General (DG), who is also the Chief Executive and Operating Officer responsible for all civil aviation in the Philippines and the administration of RA No. 9497. He shall be appointed by the President of the Philippines and shall have a tenure of office of four years, which may be extended for another non-extendible term of four years and shall only be removed for cause in accordance with the rules and regulations prescribed by the Civil Service Commission (CSC).

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

A Table of Organization, which was developed in consultation with CSC and the Department of Budget and Management (DBM) in 2009, is presently in effect in CAAP. An Organizational Restructuring Program (ORP) was initiated in 2012 with a targeted implementation in 2013.

The ORP is currently undergoing further rationalization and alignment to CAAP's Sustainability Programs as a result of its regained stature as a credible civil aviation authority in the international civil aviation community. With the regaining of its Category 1 aviation safety status from the US Federal Aviation Administration (FAA) on April 10, 2014, CAAP has freed Philippine civil aviation from all restrictions that had hampered its growth and development since 2008, including the removal of the International Civil Aviation Organization (ICAO) Significant Safety Concerns (SSCs) in March 2013 and the delisting of the Philippine civil aviation from the European Union (EU) Aviation Safety List in July 2013. The ORP was submitted on January 6, 2016 to the Governance Commission for GOCCs (GCG) for approval. It was returned on

March 11, 2016 by GCG, without action, enjoining CAAP to align its submission according to the prescribed process and forms under GCG Memorandum Circular No. 2015-04, Reorganization, Rationalization and Personnel Planning in the GOCC Sector.

To further streamline the operations of the Authority, the management implemented a new Airport Clustering Scheme in 2018 and created 4 Clusters covering the 80 airports and 7 facilities operated by CAAP, to wit:

Cluster / Area Center	Location	No. of Satellite Airports and Facilities
HEAD OFFICE	Metro Manila	1
CLUSTER 1		
Area 1	Laoag	7
Area 2	Tuguegarao	6
Area 3	Clark	15
CLUSTER 2		
Area 4	Puerto Princesa	4
Area 6	Iloilo	6
Area 7	Mactan	6
CLUSTER 3		
Area 5	Legaspi	7
Area 8	Tacloban	10
Area 12	Butuan	5
CLUSTER 4		
Area 9	Zamboanga	9
Area 10	Laguindingan	6
Area 11	Davao	5

Fiscal Autonomy

Under Section 15 of the Implementing Rules and Regulations of RA No. 9497, the Authority shall enjoy fiscal autonomy. All revenues earned by the Authority from the collection/levy of any and all such fees, charges, dues, assessments and fines it is empowered to collect/levy shall be used solely to fund the operations of the Authority. All monetary revenues collected shall accrue to the Authority and shall be deposited to its bank account. Funds collected by the Authority shall be retained effective March 23, 2008, the date of effectivity of the CAAP Charter.

Exemption from Taxes, Customs and Tariff Duties

Under Section 16 of RA No. 9497, the importation of equipment, machineries, spare parts, accessories and other materials, including supplies and services used solely and exclusively in the operations of the Authority, not obtainable locally shall be exempt from all direct and indirect taxes, wharfage fees and other charges and restrictions, the existence of pertinent laws to the contrary notwithstanding.

Likewise, the Authority is also exempt from the payment of capital gains tax, documentary stamp tax, real property estate tax and all other local government-imposed taxes and fees.

Principal Office

The Authority's principal office is at MIA Road, Pasay City, Metro Manila, Philippines.

Authorization to issue the 2019 Financial Statements

The financial statements of CAAP for the years ended December 31, 2019 and 2018 were approved and authorized for issue by the Chairman of the Board of Directors on September 16, 2020, as shown in the Statement of Management's Responsibility for Financial Statements.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The financial statements of the Authority have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), which includes all applicable PFRSs, Philippine Accounting Standards (PASs), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and Board Of Accountancy (BOA) and adopted by the Securities and Exchange Commission (SEC).

Basis of Preparation

The financial statements of the Authority were prepared on the historical cost basis unless otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly section between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Agency takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs the asset or liability.

Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the Authority's functional currency. All financial information presented has been rounded off to the nearest peso, except when otherwise stated.

In preparing the financial statements of the Authority, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

Use of Estimates and Judgments

The preparation of the financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are discussed in Note 5 to the financial statements.

3. NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Amended PFRSs

a. Effective in 2019 that are Relevant to CAAP

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Authority adopted effective for annual periods beginning on or after January 1, 2019.

- PFRS 16, Leases – This standard replaces PAS 17, Leases and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting. However, remains largely unchanged and the distinction between operating and finance lease is retained.

Unless otherwise indicated, the adoption of the new and amended PRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

b. Effective in 2019 that are not relevant to CAAP

- Philippine Interpretation IFRIC 23, Uncertainty Over Income Tax Treatments – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, Income Taxes, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax base, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, Financial Instruments – Prepayment Features with Negative Compensation – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, Financial Instruments for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

- Amendments to PAS 28, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures – The amendments clarify that long-term interests in an associate or joint venture that, in substance, form part of the entity's net investment but to which the equity method is not applied, are accounted for using PFRS 9, Financial Instruments.

- Amendments to PAS 19, Employee Benefits – Plan Amendment, Curtailment or Settlement – The amendments specify how companies remeasure a defined benefit plan when a change – an amendment, curtailment or settlement – to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Amendments to PFRS 3, Business Combinations and PFRS 11, Joint Arrangements -Previously Held Interest in a Joint Operation – The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle. The amendment to PFRS 3, Business Combinations clarifies that when an entity obtains control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition date fair value. The amendment to PFRS 11, Joint Arrangements clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.

- Amendments to PAS 12, Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity – The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle and clarify that income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distribution to owners and thus, should be recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

- Amendments to PAS 23, Borrowing Costs – Borrowing Costs Eligible for Capitalization – The amendments are part of the Annual Improvements to PFRS 2015-2017 and clarify that in calculating the capitalization rate on general borrowing, if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to PFRS 3, Business Combinations, Definition of a Business – The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted. The amendment defines business as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. A business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs.

- Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material – The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, Insurance Contracts – This standard will replace PFRS 4, Insurance Contracts. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PAS 1, Classification of Liabilities as Current or Non-Current – The amendments affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. Clarify that the classification of liabilities as current or non-current (i) should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the “right” to defer settlement by at least twelve months and make explicit that only rights in place “at the end of the reporting period” should affect the classification of liability, (ii) is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, and (iii) settlement refers to the transfer to the counterparty of cash, equity instruments, and other assets or services.

Deferred effectivity:

- Amendments to PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Financial Assets

Initial Recognition

Financial assets are recognized in the Authority's financial statements when the Authority becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Authority's financial assets, except for investments classified at fair value through profit or loss (FVTPL).

Classification and Subsequent Measurement

Financial assets are classified into the following specified categories: financial assets at FVTPL, financial assets at fair value through other comprehensive income (FVOCI) and financial assets at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Authority classifies financial assets as subsequently measured at amortized cost, FVOCI or FVTPL on the basis of both:

- The Authority's business model for managing the financial assets; and

- The contractual cash flow characteristics of the financial asset.

A financial asset is classified at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial assets gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVOCI.

As of reporting date, the Authority's financial assets are classified at amortized cost except for the investment placed under COCOLIFE as can be seen in Note 11.

Impairment of financial assets

With the exception of purchased or originated credit impaired financial assets, expected credit losses are measured through loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instruments that are possible within 12 months after reporting date); or

- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A loss allowance for full lifetime expected credit losses is requires for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with IFRS 15.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

With the exception of purchased or originated credit-impaired financial assets, the loss allowance for financial instruments is measured at an amount equal to lifetime expected losses if the credit risk of a financial instrument has increased significantly since initial recognition, unless the credit risk of the financial instrument is low at the reporting date in which case it can be assumed that credit risk on the financial has not increased significantly since initial recognition.

Derecognition of financial assets

The Authority derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another party. If the Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Authority retains substantially all the risk and rewards of ownership of a transferred financial asset, the Authority continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Authority retains an option to repurchase part of a transferred asset), the Authority allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the average cost method**.** The Inventory Account of the Authority includes office supplies, fuel, accountable forms, medical supplies, and other supplies and materials. Inventories are recognized as Expenses when deployed for utilization or consumption in the ordinary course of operations of CAAP.

Prepayments and Other Current Assets

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the Authority's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Other current assets represent assets of the Authority which are expected to be realized or consumed within one year or within the Authority's normal operating cycle whichever is longer. Other current assets are presented in the financial statement of financial position at cost.

Property and Equipment

Property and equipment are initially measured at cost. The cost of an item of property and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Property and equipment, except land, are stated in the financial statements at cost less accumulated depreciation, amortization and any impairment in value. Land is stated at cost less any impairment in value.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. The cost of replacing a component of an item of property and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of property and equipment have different useful lives, these are accounted for as separate items (major components) of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the property and equipment.

Impairment of Non-financial Assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit and loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Derecognition of Non-financial Assets

Non-financial assets are derecognized when the assets are disposed of or when no future economic benefits are expected from these assets. Any difference between the carrying value of the asset derecognized and the net proceeds from derecognition is recognized in profit or loss.

Financial Liabilities and Equity Instruments

<u>Classification as Debt or Equity</u>

Debt and equity instruments issued by the Authority are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial Liabilities

Initial recognition

Financial liabilities are recognized in the Authority’s financial statements when the Authority becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Authority’s financial liabilities except for debt instruments classified at fair value through profit or loss (FVTPL). In a regular purchase or sale, financial liabilities are recognized and derecognized, as applicable, using settlement date accounting.

Classification and Subsequent Measurement

Financial liabilities are classified as either financial liabilities ‘at FVTPL' or ‘other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when the financial liability is either held for trading or designated upon initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Authority manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Authority’s documented risk management or investment strategy, and information about the Authority is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and PAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the ‘other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in notes.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A right to offset must be available today rather being contigent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Derecognition of financial liabilities

The Authority derecognizes financial liabilities when, and only when, the Authority’s obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Authority are recognized at the proceeds received, net of direct issue costs.

Retained earnings

Retained earnings represent accumulated profit attributable to equity holders of the Authority after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy and prior period adjustments as may be required by the standard’s transitional provisions.

Provisions and Contingencies

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Authority expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Related Parties

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable services provided in the normal course of business.

The following specific recognition criteria must also be met before revenue is recognized.

<u>Rendering of Services</u>

Revenue from a contract to provide services is recognized as revenue in the accounting periods in which the services are rendered. Revenue from a contract to provide services is recognized when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Authority;

- the stage of completion of the transaction can be measured reliably; and

- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

<u>Interest Revenue</u>

Interest revenue is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

<u>Rental Revenue</u>

Revenue from rental is recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Leases

Authority as Lessee

The Authority recognizes asset (right of use) and liability (present value of minimum lease payment) relating to the lease, except lease of assets with relatively small in value and lease with a term of 12 months or less.

Authority as Lessor

Leases wherein the Authority substantially transfers to the lessee all risks and benefits incidental to ownership of the leased items are classified as finance leases and are presented as receivable at an amount equal to the Authority's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Authority's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the statement of comprehensive income on a straight-line basis over the lease term.

The Authority determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes as assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Employee Benefits

Short-term benefits

Short term benefits include salaries, bonuses, compensated absences and other forms of employee benefits that are expected to be settled within one year from reporting date. Short-term employee benefits are recognized as expense in the period the related services are provided.

Terminal leave benefits

Terminal leave benefits are computed based on the actual leave credits earned by employees as of reporting date. The amount reported as liability in the statement of financial position is based on the employees' salary grade as of reporting dates.

Income Tax

Income tax expense represents the sum of the current tax and deferred tax expense.

Current Tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Authority's current tax liability is calculated using 30 per cent regular corporate income tax (RCIT).

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Authority expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Foreign Currency Transactions and Translation

The accounting records of the Authority are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Events after Reporting Date

Subsequent events that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Subsequent events that provide additional information about conditions existing after period end (non-adjusting events) are disclosed in the notes to financial statements.

Changes in accounting policies and estimates

The effects of changes in accounting policies are recognized retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application is impracticable.

The effects of changes in accounting estimates are recognized prospectively by including in profit and loss.

The material prior period errors are corrected retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which error occurred; or

- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with Philippine Financial Reporting Standards requires the Authority to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumption used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

Judgments

In the process of applying the Authority's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Assessment of impairment of nonfinancial assets

The Authority determines whether there are indicators of impairment of the Authority's property and equipment. Indicators of impairment include significant change in usage, decline in the asset's fair value on underperformance relative to expected historical or projected future results. Determining the fair value requires the determination of future cash flows and future economic benefits expected to be generated from the continued use and ultimate disposition of such assets. It requires the Authority to make estimates and assumptions that can materially affect the financial statements. Future events could be used by management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Authority's financial position and financial performance. The preparation of the estimated future cash flows and economic benefits involves significant judgments and estimation.

Impairment of financial assets

With the exception of purchased or originated credit impaired financial assets, expected credit losses are measured through loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instruments that are possible within 12 months after reporting date); or

- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A loss allowance for full lifetime expected credit losses is requires for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with IFRS 15.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

With the exception of purchased or originated credit-impaired financial assets, the loss allowance for financial instruments is measured at an amount equal to lifetime expected losses if the credit risk of a financial instrument has increased significantly since initial recognition, unless the credit risk of the financial instrument is low at the reporting date in which case it can be assumed that credit risk on the financial has not increased significantly since initial recognition.

Estimates

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimating useful lives of property and equipment

The Authority estimates the useful lives of its property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets and residual values are reviewed, and adjusted if appropriate, only if there is a significant change in the asset or how it is used.

The estimated useful lives used in depreciating property and equipment are as follows:

	Years		**Years**
Buildings	30	Medical, Dental, Laboratory	10
Runways and Taxiways	10	Other Machineries & Equipment.	10
Other Structures	10	Firefighting Equipment	7
Land Improvements	10	Motor Vehicles	7
Airport Equipment	10	Furniture and Fixtures	7
Communication Equipment	10	Office Equipment	5
		Other PE	5

6. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2019	2018 (As restated)
Current Account - Peso	**4,356,007,080**	1,979,698,936
Savings Account - Dollar and Peso	**1,086,553,216**	1,312,375,646
Time Deposit - Dollar	**257,695,447**	0
Cash on Hand (Collecting Officers/ Petty Cash)	**72,102,593**	66,926,358
Treasury Bills	**0**	199,031,983
	5,772,358,336	3,558,032,923

Foreign currency deposits were translated into Philippine Peso using the Bankers Association of the Philippines (BAP) closing rates of P50.635 and P52.58 to US$1.00 as of December 31, 2019 and 2018, respectively.

Total interest earned from the deposits and the treasury bills amounted to P9.852 million and P11.561 million in 2019 and 2018, respectively.

The overall increase in cash was due to the P1.806 billion cash transfer from Department of Transportation (DOTr) for the site acquisition at Ozamis Airport and implementation of various DOTr downloaded projects under CY 2015 to 2017 General Appropriations Act.

7. SHORT-TERM INVESTMENTS

Short-term Investments pertains to investments in time deposits and treasury bills with Authorized Government Depository Banks (AGDBs) for a period of 91 days and not more than 1 year as follows:

	2019	2018
Time Deposit - Dollar and Peso	**3,561,785,323**	6,562,063,102
Treasury Bills	**2,466,589,257**	2,467,248,760
	6,028,374,580	9,029,311,862

The decrease is mainly due to termination of Time Deposit – Peso amounting to P3.9 billion for the payment of CY 2018 dividends amounting to P3.5 billion.

Total interests earned on short-term investments included in the statements of comprehensive income are as follows:

	2019	2018
Treasury Bills	**61,161,440**	52,270,129
Time Deposits	**39,281,239**	79,182,029
	100,442,679	131,452,158

The Authority's short-term investments are measured at amortized cost.

8. RECEIVABLES

This account consists of the following:

	2019	2018 (As restated)
Accounts Receivable	**4,770,235,823**	4,884,885,233
Interest Receivable	**36,854,633**	23,317,717
Due from Officers and Employees	**772,427**	368,716
	4,807,862,883	4,908,571,666
Allowance for Impairment	**(1,667,626,293)**	(1,617,244,522)
	3,140,236,590	3,291,327,144

	2019	2018 (As restated)
Inter-Agency Receivables		
National Government Agencies (NGAs)	**57,165,008**	63,725,874
Local Government Units (LGUs)	**5,183,524**	5,183,524
Government-Owned or Controlled Corporations (GOCCs)	**127,304**	127,304
	62,475,836	69,036,702
Other Receivables		
Receivables-Disallowances/Charges	**97,283,989**	98,757,148
Operating Lease Receivable	**1,407,927**	2,029,885
Others	**81,742,886**	69,659,426
	180,434,802	170,446,459
Allowance for Impairment	**(1,123,273)**	(1,123,273)
	179,311,529	169,323,186
	3,382,023,955	3,529,687,032

Accounts Receivable refers to amounts due from airline companies, concessionaires/ lessees and other government entities for the use of facilities, services and utilities of the airport.

Interest Receivable pertains to accrued interests on time deposits, treasury bills, and bonds. The increase is due to the additional placement of long-term investments.

A reconciliation of the allowance for impairment for Accounts Receivable at the beginning and end of 2019 and 2018 is shown below.

	2019	2018 (As restated)
Beginning balance	**1,617,244,522**	1,603,234,304
Impairment loss during the year	**50,381,771**	14,010,218
	1,667,626,293	1,617,244,522

Full provision for accounts receivable pertaining to Air Transportation Office (ATO) accounts was recognized.

Due from NGAs pertains to advances for the purchase of goods/services as authorized by law and fund transfers to the NGAs for implementation of projects.

Due from LGUs pertains to fund transfers to various provincial government for land acquisition.

Due from GOCCs pertains to landing and take-off fee, parking fee, air navigation fees and other unpaid charges from GOCCs.

Receivables-Disallowances/Charges pertains to audit disallowances/charges of public/private individual/entities which became final and executory.

Operating Lease Receivable pertains to accrual of rental income from lease of CAAP hangar by Alphaland Corporation (lessee) with an aggregate land area of 1,580 square meters and a lease term of 10 years beginning July 2011. As a consideration for the lease of the Hangar, the lessee shall pay on a monthly basis the amount of P70 per square meter, subject to an escalation rate of 10 per cent per annum. For the period ending December 31, 2019 and 2018, the lease rates were P150.05 and P136.41 per square meter, respectively.

Others pertains to unliquidated cash advances of CAAP employees who are separated, retired, resigned, and/or deceased disbursing officers. This also includes unpaid charges from operators for daily subsistence allowances of authorized officers and employees conducting inspections.

9. INVENTORIES

This account consists of the following:

	2019	2018 (As restated)
Fuel, Oil and Lubricants	**22,133,706**	18,180,609
Office Supplies	**17,980,746**	18,682,108
Accountable Forms, Plates and Stickers	**3,387,504**	5,410,316
Medical, Dental and Laboratory Supplies	**141,012**	123,912
Drugs & Medicines	**35,326**	84,986
Other Supplies and Materials	**63,994,280**	53,080,398
	107,672,574	95,562,329

10. OTHER CURRENT ASSETS

This account consists of the following:

	2019	2018
Prepayments	**90,879,396**	93,339,480
Advances	**12,483,934**	5,761,281
	103,363,330	99,100,761

10.1 Breakdown of *Prepayments* account is as follows:

	2019	2018
Input Tax	**54,659,638**	0
Advances to Contractors	**27,992,143**	81,437,152
Withholding Tax at Source	**5,833,892**	47,567
Other Prepayments	**1,567,449**	0
Prepaid Insurance	**758,855**	11,787,342
Prepaid Rent	**67,419**	67,419
	90,879,396	93,339,480

Input Tax pertains to the amount of value-added tax (VAT) to the price of purchased goods and services from VAT registered entity. The remaining balance pertains to unamortized input VAT from various purchases.

Advances to Contractors pertains to advances for mobilization funds of contractors. The decrease is due to the recoupment upon payment of progress billings.

Withholding Tax at Source is the amount of creditable withholding tax deducted from rental or other services to be credited by Bureau of Internal Revenue (BIR) upon receipt of proof of remittance to the BIR together with Form No. 2307.

Prepaid Insurance pertains to the amount advanced for the insurance of CAAP properties. The decrease is due to incurred insurance expense paid in CY 2018.

10.2 Breakdown of *Advances* account is as follows:

	2019	2018 (As restated)
Advances to Officers and Employees	**9,565,016**	2,825,027
Advances for Payroll	**1,582,123**	1,560,000
Advances to Special Disbursing Officers	**1,336,795**	1,376,254
	12,483,934	5,761,281

Advances to Officers and Employees pertains to the balances of unliquidated cash advances of officers and employees for local and foreign travels.

Advances for Payroll pertains to amounts granted to regular disbursing officers for payment of wages of Job Order personnel, overtime and night differential.

Advances to Special Disbursing Officers refers to amounts granted to accountable officers and employees for special purpose/time-bound undertakings to be liquidated within a specified period.

11. LONG-TERM INVESTMENTS

This account consists of the following:

December 31, 2019

	Amount	Term
Investment in Bonds - Local	**500,000,000**	5 years
Investment in Time Deposits - Foreign	619,264,595	3 years
	371,678,458	3 years
	367,777,974	3 years
	365,256,591	3 years
	271,066,636	3 years
	261,750,414	3 years
	261,650,267	3 years
	248,946,595	3 years
	2,767,391,530	
Other Investments	**525,881,426**	5 years
	3,793,272,956	

December 31, 2018

	Amount	Term
Investments in Bonds - Local	500,000,000	5 years
Investment in Time Deposits - Foreign	274,963,864	3 years
	268,541,996	3 years
	180,660,379	3 years
	165,035,819	3 years
	161,438,400	3 years
	1,050,640,458	
Other Investments	500,760,246	5 years
	2,051,400,704	

Total interests earned on long-term investments included in the statements of comprehensive income:

	2019	2018
Time Deposits	**20,074,204**	27,896,385
Treasury Bonds	**18,500,000**	18,500,000
Other Investment	**1,253,951**	107,283
	39,828,155	46,503,668

Other Investments refers to investments that are managed by COCOLIFE where 80 per cent of the amount is allocated to Peso Bond Fund and 20 per cent to Peso Fixed Income Fund. This investment was place in December 2018 and has a five-year term. Interest rate varies depending on the movement of the market but in no case shall earnings be lower than 3 per cent.

12. PROPERTY AND EQUIPMENT

This account consists of the following:

	Land	Land Improvements	Building and Other Structures	Furniture and Equipment	Construction in Progress	TOTAL
At December 31, 2018						
Cost	37,344,042,681	29,099,181,433	5,474,897,079	5,496,482,920	1,090,830,564	78,505,434,677
Accumulated Depreciation/Adjustment	0	22,576,808,364	1,636,632,201	2,508,887,236	0	26,722,327,801
Net Carrying Amount December 31, 2018 (As restated)	**37,344,042,681**	**6,522,373,069**	**3,838,264,878**	**2,987,595,684**	**1,090,830,564**	**51,783,106,876**
Cost:						
At January 1, 2019	37,344,042,681	29,099,181,433	5,474,897,079	5,496,482,920	1,090,830,564	78,505,434,677
Additions/Acquisitions	0	153,973,481	111,699,960	608,038,259	325,091,249	1,198,802,949
Adjustments	0	(107,083,209)	(3,201,463)	(29,370,193)	(51,122,884)	(190,777,749)
At December 31, 2019	**37,344,042,681**	**29,146,071,705**	**5,583,395,576**	**6,075,150,986**	**1,364,798,929**	**79,513,459,877**
Accumulated Depreciation						
At January 1, 2019	0	22,576,808,364	1,636,632,201	2,508,887,236	0	26,722,327,801
Depreciation Expense	0	1,098,022,037	425,019,798	436,255,339	0	1,959,297,174
Adjustments	0	(2,714,650)	1,005,587	1,807,070	0	98,007
At December 31, 2019	**0**	**23,672,115,751**	**2,062,657,586**	**2,946,949,645**	**0**	**28,681,722,982**
At December 31, 2019						
Cost	37,344,042,681	29,146,071,705	5,583,395,576	6,075,150,986	1,364,798,929	79,513,459,877
Accumulated Depreciation	0	23,672,115,751	2,062,657,586	2,946,949,645	0	28,681,722,982
Net Carrying Amount December 31, 2019	**37,344,042,681**	**5,473,955,954**	**3,520,737,990**	**3,128,201,341**	**1,364,798,929**	**50,831,736,895**

The *Land Improvement* account includes Runways, Aprons, Taxiways and the Airport Systems of the 87 Airports managed by the Authority.

Buildings and Other Structures account includes the Administration Buildings, Training Centers, Hangars, Control Towers, Transmitter buildings and Radar buildings which are necessary in the daily operations of CAAP.

Furniture and Equipment account includes air navigational equipment installed in different airports operated by CAAP.

13. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2019	2018
Deposits	**23,274,603**	22,924,323
Other Assets, net	**24,500,955**	13,653,122
	47,775,558	36,577,445

13.1. Breakdown of Deposits account is as follows:

	2019	2018
Deposit on Letters of Credit	**18,332,140**	18,332,140
Guaranty Deposits	**4,942,463**	4,592,183
	23,274,603	22,924,323

Deposits on Letters of Credit pertains to Letters of Credit opened to import various spare parts, equipment, etc.

Guaranty Deposits pertains to security deposits in connection with inter-facility data communication of various airports.

13.2. Breakdown of Other Assets account is as follows:

	2019	2018
Deferred Charges	**13,653,122**	13,653,122
Deferred Tax Asset	**10,847,833**	0
Other Assets	**2,167,530,601**	2,167,530,601
	2,192,031,556	2,181,183,723
Accumulated Impairment Losses	**(2,167,530,601)**	(2,167,530,601)
	24,500,955	13,653,122

Deferred Tax Asset pertains to overpayment of the 2018 Income Tax and the 2019 Value-Added Tax (VAT) remittances to the Bureau of Internal Revenue (BIR) in the amount of P0.596 million and P10.252 million, respectively.

Deferred Charges includes payment to Federal Aviation Administration (FAA) amounting to P10.16 million which intends to make personnel available on a temporary duty assignment basis to provide certain civil aviation technical assistance to CAAP.

Other Assets balance pertains to dormant, undocumented assets of the then Air Transportation Office (ATO). Full provision was recognized pending verification of unidentified assets.

14. FINANCIAL LIABILITIES

This account consists of the following:

	2019	2018 (As restated)
Accounts Payable	**855,018,599**	562,481,476
Due to Officers and Employees	**207,657,954**	198,584,692
	1,062,676,553	761,066,168

Accounts Payable represents payables to suppliers/contractors for purchases of materials, supplies and other obligations to non-government entities in connection with the operation of the Authority.

Due to Officers and Employees refers to the amounts due to officers and employees of the agency which includes overtime, salaries, and other claims pertaining to personnel services.

15. INTER-AGENCY PAYABLES

This account consists of the following:

	2019	2018 (As restated)
Due to Other NGAs	**1,619,150,937**	165,543,714
Income Tax Payable	**382,365,143**	727,565,741
Due to BIR	**80,709,130**	76,259,865
Value Added Tax Payable	**34,207,816**	524,524,370
Due to GSIS	**14,168,464**	25,432,848
Due to Treasurer of the Philippines	**13,038,812**	11,665,824
Due to Pag-IBIG	**4,353,318**	4,988,357
Due to PhilHealth	**3,811,403**	2,031,457
Due to SSS	**110,678**	0
Due to LGUs	**15,652**	15,652
Due to GOCCs	**7,716**	2,210
	2,151,939,069	1,538,030,038

Due to Other National Government Agencies (NGAs) consists of the following:

	2019	2018 (As restated)
Funds from DOTr for downloaded INFRA projects	**1,559,903,666**	106,299,312
Prior years' ATO account balances for undocumented/ unsupported transactions transferred to CAAP books	**51,399,606**	51,399,606
Funds received by ATO from DOT for asphalt paving of runway shoulder at Kalibo Airport transferred to CAAP books with supporting documents	**5,000,000**	5,000,000
Land Transportation Office	**2,869**	0
Others	**2,844,796**	2,844,796
	1,619,150,937	165,543,714

The increase in *Due to NGA's* account is due to additional cash transfer from Department of Transportation (DOTr) and implementation of DOTr infrastructure projects. While, the non-moving accounts are fund transfers carried over from ATO Accounts subject to reconciliation with the concerned NGAs.

Income Tax Payable pertains to the Authority's current tax liability based on 30 per cent regular corporate income tax (RCIT) of taxable profit for the year in compliance with R.A. 10963 or the TRAIN Law.

Due to BIR represents taxes withheld as to compensation, withholding tax, final VAT, and business tax.

Due to Government Service Insurance System (GSIS), Home Development Mutual Fund (Pag-IBIG) and *Philippine Health Insurance Corporation (PhilHealth)* accounts represent premiums and loan amortization deductions from the employees' salaries for remittance to the concerned offices.

Due to Treasurer of the Philippines pertains to unremitted funds for Anti-Hijacking and Terrorism Campaign collected by airlines which are remitted to CAAP. Said amounts are then remitted to National Treasury.

Due to Social Security System (SSS) pertains to the amount withheld for SSS personal share voluntary contribution of regular employee and job order of Area Center 6.

Due to Local Government Units (LGUs) has been carried over from the December 31, 2013 balance of Area Center 12 and has remained unverified due to lack of general ledgers, journals, and any other supporting schedule to corroborate the figures in the Financial Statements.

Due to Government-Owned and Controlled Corporations (GOCCs) pertains to payables of Area Center 5 to other collection agencies such as government banks for loans of personnel.

16. PROVISIONS

	2019		2018 (As restated)	
	Current	**Non-Current**	Current	Non-Current
Leave Benefits Payable	**138,654,142**	**528,154,382**	126,723,679	499,480,477

Leave Benefits Payable pertains to the accumulated unused leave credits of employees, P528.154 million of which are presented as non-current liabilities.

17. TRUST LIABILITIES

This account consists of the following:

	2019	2018
Guaranty/Security Deposits Payable	**158,169,880**	117,082,598
Customers Deposit Payable	**1,051,504**	0
	159,221,384	117,082,598

Guaranty Deposits Payable pertains to liability arising from cash received to guaranty performance which are refundable to the depositor. The increase is caused by larger amount of projects awarded and implemented by CAAP.

Customers Deposit Payable pertains to the security deposit of concessionaires.

18. DEFERRED CREDITS

	2019	2018 (As restated)
Output Tax	**41,770,907**	0
Other Deferred Credits	**142,661**	298,018
	41,913,568	298,018

Output Tax pertains to the value added tax to the price of sales from goods and services. The remaining balance pertains to uncollected receivables subjected to VAT.

Other Deferred Credits pertains to advance payment from Concessionaires/Customers in Area Centers not yet earned as of December 31, 2019.

19. OTHER PAYABLES

Other Payables pertains to deductions from salaries due to loans from Landbank of the Philippines granted to various CAAP employees due for remittance in the following month. This also includes COA disallowances deducted from the terminal benefits of the retiring employees which is under appeal with the Commission Proper amounting to P8.09 million.

20. GOVERNMENT EQUITY

Under RA No. 9497, CAAP has an authorized capital stock of P50 billion which are fully subscribed by the Republic of the Philippines.

21. CONTRIBUTED CAPITAL

Contributed Capital pertains to the amount in excess of the P50 billion subscribed capital stock of the National Government.

22. DEFICIT

This account pertains to the accumulated earnings (losses) and prior period adjustments starting July 2008 onwards when CAAP was established and became operational.

23. CUMULATIVE CHANGES IN FAIR VALUE OF INVESTMENTS

Cumulative Changes in Fair Value of Investments pertains to the accumulated unrealized gain on change in fair value of investment with COCOLIFE on which the fund is allocated to Peso Fixed Income Fund and Peso Bond Fund.

The investment of the Agency in COCOLIFE earned P25.121 million while incurring insurance expenses of P1.254 million.

24. INCOME

This account consists of the following:

	2019	2018 (As restated)
Business Revenue	**10,131,954,064**	9,007,165,445
Service Revenue	**255,826,295**	209,675,624
	10,387,780,359	9,216,841,069

Business Revenue pertains to operational charges, telecommunication charges, and other fees and charges for the use of aeronautical and air navigation facilities.

This consists of the following:

	2019	2018 (As restated)
Income from Communication Facilities	**6,627,457,952**	6,197,032,463
Transportation System Fees	**2,647,936,193**	1,958,290,521
Landing and Parking Fees	**564,572,184**	552,046,583
Rent Income	**127,474,148**	122,506,915
Fines and Penalties - Business Income	**31,267,741**	6,278,499
Communication Network Fees	**6,693,159**	27,535,531
Other Business Income	**126,552,687**	143,474,933
	10,131,954,064	9,007,165,445

Income from Communication Facilities pertains to income for the use of communication facilities owned by CAAP. Income is recognized and billed on a semi-monthly basis.

Transportation System Fees refer to terminal fees imposed by CAAP on departing passengers, presently pegged at P200.00, P150.00 and P100.00 depending on the airport terminal. This fees are presently termed as Domestic Passengers Service Charge (DPSC) which are already integrated at the Point of Sale of Airline Tickets pursuant to CAAP Memorandum Circular No. 022-17, series of 2017. Income is recognized upon remittance of Airline Carriers.

Landing and Parking Fees refer to fees charged for the use of aircraft of the airport facilities and services for landing and parking. Income is recognized upon billing at month end.

Rent Income pertains to rental of land and floor areas within the vicinity of CAAP. Income is recognized upon billing at month end.

CAAP (lessor) is under lease agreement with Alphaland Corporation (lessee) classified as operating lease for the lease of the CAAP hangar with a land area of 1,580 square meters. The lease is for a period of 10 years and the lessee shall pay on a monthly basis, the amount of P70.00 per square meter subject to an escalation rate of 10 per cent per annum. The lessee started to occupy the premises in June 2011.

At year end, Alphaland Corporation has an outstanding commitment under non-cancellable operating leases that fall due as follows:

	2019	2018 (As restated)
Not later than 1 year	**2,987,243**	2,715,641
Later than 1 year but not later than 5 years	**1,564,769**	4,552,012
	4,552,012	7,267,653

Godofredo P. Ramos Airport which is under the Concession Agreement with the TransAir Development Holdings Corporation is classified under operating lease. The lease is for a period of 25 years, with annual fixed rental of P8.00 million. The Company started occupying the premises on October 16, 2010.

At year end, the Authority has outstanding commitment under non-cancellable operating leases that fall due as follows:

	2019	2018
Not later than 1 year	**8,000,000**	8,000,000
Later than 1 year but not later than 5 years	**40,000,000**	40,000,000
Later than 5 years	**88,000,000**	96,000,000
	136,000,000	144,000,000

Fines and Penalties - Business pertains to fines and penalties charges for delayed or non-compliance with business regulatory requirements. Income is recognized upon receipt of payment.

Communication Network Fees pertains to the revenue share of the Authority for the Remote Ground Stations enumerated in the Agreement between CAAP and Aeronautical Radio of Thailand for the Operations and Maintenance of Very High Frequency (VHF) Air ground Data Link Stations at sites in the Philippines. It includes fees collected for the connection of telephone services and for the use of the facility.

Other Business Income pertains to income not falling under any of the specific business income accounts. Income is recognized upon receipt of payment. This consist of the following:

	2019	2018 (As restated)
Vehicular Parking	**69,890,025**	65,736,634
Weighing Conveyor and Check-in Charges	**22,686,871**	39,626,577
Aerobridge	**14,552,038**	21,259,871
Bid Documents	**9,743,838**	9,536,160
Access Pass / ID	**5,223,420**	4,179,839
Aeronautical Information Publication (AIP)	**2,649,431**	836,243
Garbage Collection	**1,348,152**	1,693,406
Records (authentication/photocopy/ verification)	**458,789**	605,830
Research Fee	**123**	373
	126,552,687	143,474,933

Service Revenue pertains to fees and charges for licenses, permits, certifications, and other service income. This consists of the following:

	2019	2018 (As restated)
Clearance and Certification Fees	**31,118,246**	25,134,219
Permit Fees	**22,921,669**	17,975,984
Licensing Fees	**22,637,316**	9,642,264
Fines and Penalties - Service Income	**892,183**	2,489,897
Other Service Income	**178,256,881**	154,433,260
	255,826,295	209,675,624

Clearance and Certification Fees refer to fees and charges collected for the issuance of clearances/certificates to operators of aircraft. Income is recognized upon receipt of payment; however, there are some cases that Approved Material Distributor's Certificates are recognized upon billing at month end.

Permit Fees pertains to fees and charges collected by CAAP for the issuance of permits to operators in the exercise of regulatory powers. Income is recognized for these fees upon billing at month end.

Licensing Fees pertain to fees charged by CAAP to individuals for the issuance of licenses such as private pilot license and the like. Income is recognized upon receipt of payment.

Fines and Penalties – Service Income pertains to fees collected for the processing of documents for fines and penalties charged to service income. Income is recognized upon receipt of payment.

Other Service Income refers to income not falling under any of the specific service income account. This is recognized upon receipt of payment. This consist of the following:

	2019	2018 (As restated)
Flight Inspector Fee	**83,574,104**	83,657,983
Water/Electricity/Telephone/Cable	**74,208,585**	34,915,368
Energy Fee	**6,517,081**	8,229,395
Medical Examination	**5,029,780**	4,987,515
Course Fee	**2,623,202**	16,606,665
Laboratory	**2,468,680**	1,766,602
Dental Examination	**2,171,960**	1,851,974
Admin Fee	**1,043,197**	1,421,057
Inspection Fee	**352,146**	621,759
Medical Procedures/Treatment	**104,300**	19,426
Change of Company Name	**86,086**	0
Change Form	**48,960**	45,480
Transfer Fee	**20,550**	57,587
De-Registration	**8,250**	13,958
Engine and Propeller Change	**0**	234,237
Time Between Overhaul	**0**	4,254
	178,256,881	154,433,260

25. PERSONNEL SERVICES

This account consists of the following:

	2019	2018 (As restated)
Salaries and Wages	**1,408,137,446**	1,235,460,980
Other Compensation		
Overtime and Night Pay	**264,854,431**	247,961,793
Mid-year Bonus	**115,332,028**	100,479,889
Year End Bonus	**114,566,652**	100,465,259
Personnel Economic Relief Allowance (PERA)	**72,282,099**	67,920,370
Hazard Pay	**69,026,548**	55,942,672
Clothing/Uniform Allowance	**18,288,000**	19,309,637
Cash Gift	**16,749,231**	13,220,000
Representation Allowance (RA)	**8,034,350**	7,952,300
Honoraria	**7,698,447**	6,418,649
Transportation Allowance (TA)	**7,292,762**	7,188,519
Productivity Incentive Allowance	**3,415,000**	2,022,500
Longevity Pay	**395,000**	1,020,000
Subsistence, Laundry and Quarter Allowance	**223,550**	162,650
Other Bonuses and Allowances	**18,396,344**	7,602,891
	716,554,442	637,667,129

	2019	2018 (As restated)
Personnel Benefit Contributions		
Retirement and Life Insurance Premiums	**165,422,720**	144,808,647
PhilHealth Contributions	**14,464,193**	12,946,454
Pag-IBIG Contributions	**3,551,583**	3,653,781
Employees Compensation Insurance Premiums	**3,443,700**	3,389,259
	186,882,196	164,798,141
Other Personnel Benefits		
Terminal Leave Benefits	**143,586,066**	127,424,004
Other Personnel Benefits	**53,259,147**	36,367,352
	196,845,213	163,791,356
	2,508,419,297	2,201,717,606

The increase in Personnel Services is brought by the implementation of the Fourth Tranche of the Salary Standardization Law of 2015.

26. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2019	2018 (As restated)
Depreciation	**1,959,297,174**	2,418,241,145
General Services	**877,041,403**	633,004,390
Utility Expenses	**453,638,667**	478,739,895
Repairs and Maintenance	**325,280,055**	317,108,382
Professional Services	**239,436,985**	194,946,345
Supplies and Material Expenses	**181,705,488**	187,196,147
Rent/Lease Expenses	**113,744,008**	57,105,310
Traveling Expense	**103,453,106**	75,199,425
Communication Expenses	**76,614,041**	86,783,751
Training Expenses	**65,089,988**	44,748,048
Impairment	**50,381,771**	15,084,265
Taxes, Insurance Premiums and Other Fees	**47,213,445**	36,169,938
Confidential, Extraordinary and Miscellaneous Expenses	**15,352,405**	15,290,670
Other Maintenance and Operating Expenses	**161,702,479**	159,730,144
	4,669,951,015	4,719,347,855

Breakdown of Depreciation is as follows:

	2019	2018 (As restated)
Infrastructure Assets	**844,228,854**	1,574,060,351
Buildings and Other Structures	**425,019,798**	155,207,031
Machinery and Equipment	**400,090,886**	377,215,247
Land Improvements	**253,793,183**	280,589,834
Transportation Equipment	**29,003,385**	24,784,886
Furniture, Fixtures and Books	**4,267,472**	3,734,091
Other Property and Equipment	**2,893,596**	2,649,705
	1,959,297,174	2,418,241,145

Breakdown of General Services is as follows:

	2019	2018 (As restated)
Security Services	**363,864,505**	300,531,098
Other General Services	**324,878,779**	204,798,343
Janitorial Services	**188,298,119**	127,674,949
	877,041,403	633,004,390

The increase in *General Services* is due to the implementation of CSC-COA-DBM Joint Circular No. 1, 2017 which grants 20 per cent premium to Job Order and Contract of Service personnel.

The increase in *Rent/Lease Expenses* pertains to the cost of rental of an additional aircraft used for flight Inspection.

Breakdown of Impairment is as follows:

	2019	2018 (As restated)
Loans and Receivables	**50,381,771**	14,010,218
Other Receivables	**0**	1,074,047
	50,381,771	15,084,265

The significant increase in the Impairment Loss – Loans and Receivable is due to the unrecognized full provision of Philippine Airlines (PAL) accounts from Area Center 12 for prior years.

27. OTHER INCOME (EXPENSES)

This account consists of the following:

	2019	2018 (As restated)
Interest Income	**150,122,357**	189,516,955
Gain (Loss) on Foreign Exchange	**(42,250,285)**	144,122,422
Bank Charges	**(93,532)**	(229,214)
Management Supervision/Trusteeship Fees	**0**	(781,516)
Loss on Sale of Property, Plant and Equipment	**0**	(209,198)
Other Financial Charges	**(73,114,815)**	(64,183,359)
	34,663,725	268,236,090

Interest Income pertains to interest earned from savings and current accounts, treasury bills, time deposits and investment in debt instruments for both peso and dollar deposits.

Loss on Foreign Exchange in the amount of P42.25 million and a gain on foreign exchange of P143.32 million for CY 2019 and 2018, respectively, pertains to the amount of loss in the conversion of foreign currencies in accordance with paragraph 23 of Philippine Accounting Standard (PAS) 21. A foreign exchange rate difference of P1.945, P52.58 in 2018 and P50.635 in 2019, was recorded in recognizing foreign exchange loss for CY 2019. The significant increase was due to inflation of year-end closing Peso per US Dollar.

Other Financial Charges pertains to the 3.5 per cent service charge from Terminal Fees collected by airlines. This is due to the implementation of CAAP Memorandum Circular No. 022-17.

28. INCOME TAX EXPENSE

The income tax expense is based on taxable profit for the year. It is calculated using 30 per cent regular corporate income tax (RCIT). With the Tax Reform on Acceleration and Inclusion (TRAIN) Law, officially cited as Republic Act No. 10963, for CY 2018, CAAP is obliged to pay its Corporate Income Tax.

29. INCOME FROM GRANTS AND DONATIONS

Income from Grants and Donations account pertains to completed projects and properties turned-over by Department of Transportation (DOTr) to CAAP.

30. RESTATEMENT OF ACCOUNTS

The 2018 financial statements were restated to reflect the following transactions/adjustments:

<u>CY 2017 errors discovered in 2018 & 2019</u>

	December 31, 2017 (As previously reported)	Restatement / Adjustment	January 1, 2018 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net	**2,669,888,079**	**24,350,766**	**2,694,238,845**
Correction of prior years' income/receivables		*1,290,357*	
Recognition of audit disallowances of prior years' expenses		*4,555,671*	
Reversal of Allowance for Impairment due to recovery of ATO receivables		*18,063,160*	
Reversal of Allowance for Impairment due to recovery of CAAP receivables		*441,578*	
Correction made to Allowance for Impairment – Other Receivables		*699,996*	
Correction made to Allowance for Impairment – Accounts Receivables		*(699,996)*	
Inventories	**57,910,788**	**(1,870,626)**	**56,040,162**
Unrecorded prior years' inventory issuances		*(1,870,626)*	
Other Current Assets	**149,037,520**	**(10,759,859)**	**138,277,661**
Correction of prior years' expenses (ATO accounts)		*(68,280)*	
Unrecorded prior years' liquidation/reimbursement of various cash advances		*(10,691,579)*	
Property and Equipment, net	**52,593,592,511**	**38,129,779**	**52,631,722,290**
Unrecorded donated PPE from DOTr (ATO accounts)		*23,058,660*	
Recognition of prior years' PE received by CAAP from DOTr		*19,577,657*	
Correction of prior years' expenses erroneously classified as PE		*(65,760)*	
Adjustments in prior years' depreciation		*(4,440,778)*	
Financial Liabilities	**824,699,286**	**(36,349,363)**	**788,349,923**
Payables	**719,721,630**	**(37,771,871)**	**681,949,759**
Correction of prior years' expenses (ATO accounts)		*(541,514)*	
Reversion of prior years' payables		*(36,382,062)*	
Correction of prior years' payables/expenses		*(799,792)*	
Unrecognized prior years' income from liquidated damages		*(48,503)*	
Due to Officers and Employees	**104,977,656**	**1,422,508**	**106,400,164**
Unrecorded prior years' liquidation/reimbursement of various cash advances		*50,961*	
Recognition of prior years' salaries and allowances		*1,371,547*	
Inter-Agency Payables	**3,279,427,547**	**(2,755,887)**	**3,276,671,660**
Correction of prior years' inter-agency payables		*(14,876)*	
Correction of prior years' expenses which should be charged to DOTr fund		*(2,741,011)*	
Reclassification of unremitted funds for Anti-Hijacking and Terrorism Campaign (Due to Treasurer)		*11,665,824.00*	
Reclassification of unremitted funds for Anti-Hijacking and Terrorism Campaign (Due to Treasurer)		*(11,665,824.00)*	

	December 31, 2017 (As previously reported)	Restatement / Adjustment	January 1, 2018 (As restated)
Provisions (Non-current)	**582,416,870**	**(8,711)**	**582,408,159**
Correction of prior years' terminal leave payable		*(8,711)*	
STATEMENT OF CHANGES IN EQUITY	**67,821,873,675**	**88,964,020**	**67,910,837,695**
Government Equity	**75,978,768,002**	**41,595,055**	**76,020,363,057**
Correction of prior years' expenses (ATO accounts)		*473,235*	
Reversal of Allowance for Impairment due to recovery of ATO receivables		*18,063,160*	
Unrecorded donated PPE received by ATO from DOTr		*23,058,660*	
Retained Earnings (Deficit)	**(8,156,894,327)**	**47,368,965**	**(8,109,525,362)**
Recognition of audit disallowances of prior years' expenses		*4,555,671*	
Correction of prior years' income/receivables		*1,290,354*	
Unrecorded prior years' liquidation/reimbursement of various cash advances		*(10,742,540)*	
Adjustments in prior years' depreciation		*(4,440,778)*	
Correction of prior years' expenses which should be charged to DOTr fund		*2,741,011*	
Reversion of prior years' payables		*36,382,062*	
Unrecorded prior years' inventory issuances		*(1,870,626)*	
Correction of prior years' payables/expenses		*799,792*	
Correction of prior years' inter-agency payables		*14,876*	
Unrecognized prior years' income from liquidated damages		*48,503*	
Correction of prior years' terminal leave payable		*8,712*	
Correction of prior years' expenses erroneously classified as PE		*(65,760)*	
Reversal of Allowance for Impairment due to recovery of CAAP receivables		*441,578*	
Recognition of prior years' PE received by CAAP from DOTr		*19,577,657*	
Recognition of prior years' salaries and allowances		*(1,371,547)*	

<u>CY 2018 errors discovered in 2019</u>

	December 31, 2018 (As restated)	Restatement / Adjustment	January 1, 2019 (As restated)
STATEMENT OF FINANCIAL POSITION			
Cash and Cash Equivalents	**3,557,234,310**	**798,613**	**3,558,032,923**
Adjustment on gain in FOREX		*798,613*	
Receivables, net	**3,099,632,779**	**430,054,253**	**3,529,687,032**
Correction of 2018 income/receivables		*403,441,004*	
Recognition of audit disallowances of 2018 transactions		*2,632,244*	
Liquidation/Reimbursement of various cash advances		*(42,209)*	
Correction of 2018 salaries, allowances and bonuses		*175,926*	
Reversal of Allow. for Impairment due to recovery of receivables		*2,647,288*	
Reclassification of unliquidated CAs of separated employees of CAAP		*21,200,000*	

	December 31, 2018 (As restated)	Restatement / Adjustment	January 1, 2019 (As restated)
Inventories	**95,833,281**	**(270,952)**	**95,562,329**
Recognition of 2018 inventory issuances		*(270,952)*	
Property and Equipment, net	**51,782,391,707**	**715,169**	**51,783,106,876**
Recognition of PE received from DOTr on 2018		*6,398,439*	
Correction of 2018 capitalizable expenses		*1,700,977*	
Adjustments in 2018 depreciation		*(7,384,247)*	
Other Current Assets	**125,991,501**	**(26,890,740)**	**99,100,761**
Liquidation/Reimbursement of various cash advances		*(5,690,740)*	
Reclassification of unliquidated CAs of separated employees of CAAP		*(21,200,000)*	
Financial Liabilities	**699,869,946**	**61,196,222**	**761,066,168**
Payables	**533,388,363**	**29,093,113**	**562,481,476**
Recognition of 2018 income from liquidated damages		*(165,061)*	
Correction of 2018 expenses and payables		*32,211,136*	
Correction of recorded wages of job order personnel		*(3,375,879)*	
CY 2018 Service Charge - DPSC		*422,917*	
Due to Officers and Employees	**166,481,583**	**32,103,109**	**198,584,692**
Liquidation/Reimbursement of various cash advances		*1,049,762*	
Correction of 2018 salaries, allowances and bonuses		*31,053,347*	
Inter-Agency Payables	**1,117,273,601**	**420,756,437**	**1,538,030,038**
Correction of 2018 expenses and payables		*110,355*	
Correction of 2018 personnel benefits contribution		*417,335*	
Correction of 218 expenses which should be charged to DOTr fund		*(491,537)*	
Recognition of VAT Payable from revenues		*524,524,370*	
Correction of 2018 Income Tax Payable		*(103,804,086)*	
Provisions (Current)	**131,429,340**	**(4,705,661)**	**126,723,679**
Adjustment of previously recognized dividend expense		*(4,705,661)*	
Provisions (Non-current)	**498,780,152**	**700,325**	**499,480,477**
Unrecorded terminal leave payables for 2018		*700,325*	
STATEMENT OF CHANGES IN EQUITY	**67,067,706,254**	**15,423,042**	**67,083,129,296**
Retained Earnings (Deficit)	**(8,864,453,029)**	**(73,540,978)**	**(8,937,994,007)**
Correction of 2018 Net Income	*2,470,041,325*	*(73,540,978)*	*2,396,500,347*

The Authority presented three-column statements of financial position in compliance with the requirement of PAS 1, Presentation of Financial Statements, i.e. to present the statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

31. RESTATEMENT OF CY 2018 COMPREHENSIVE INCOME

Net Income (As previously reported)		**2,470,041,325**
Adjustments		
Income:		
Correction of 2018 income/receivables	403,441,003	
Recognition of VAT Payable from revenues	(524,524,370)	
Recognition of 2018 income from liquidated damages	165,061	(120,918,306)
Expenses:		
Correction of 218 expenses which should be charged to DOTr fund	491,537	
Liquidation/Reimbursement of various cash advances	(6,782,711)	
Recognition of audit disallowances of 2018 transactions	2,632,244	
Adjustments in 2018 depreciation	(7,384,246)	
Correction of 2018 expenses and payables	(32,321,487)	
Correction of 2018 salaries, allowances and bonuses	(30,877,421)	
Unrecorded terminal leave payables for 2018	(700,325)	
Correction of 2018 personnel benefits contribution	(417,335)	
Correction of recorded wages of job order personnel	3,375,879	
Recognition of 2018 inventory issuances	(270,952)	
Reversal of Allow. for Impairment due to recovery of receivables	2,647,288	
Correction of 2018 capitalizable expenses	1,700,977	
Adjustment of previously recognized dividend expense	4,705,661	(63,200,891)
Other Income(Expense):		
CY 2018 Service Charge - DPSC	(422,919)	
Adjustment on gain in FOREX	798,613	375,694
Income Tax Expense		
Correction of 2018 Income Tax Payable		103,804,086
Income from Grants & Donations		6,398,439
Net Income (As restated)		**2,396,500,347**

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Foreign Currency Risk

The Authority's exposure to the risk for changes in foreign exchange rates relates to the Authority's foreign currency denominated monetary assets. The carrying amount of the Authority's foreign currency denominated monetary assets at the reporting dates are as follows:

	Amount in Peso
Investment in Time Deposits (long term investment)	2,767,391,530
Investment in Time Deposits (Short term investment)	2,333,884,665
Cash in Bank - Savings Account	515,417,190
Time Deposit - Foreign Currency	257,695,447
	5,874,388,832

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates, with all other variables held constant, of the Authority's income before tax for the years ended December 31, 2019 and 2018 (due to changes in the fair value of financial assets and liabilities). There is no other impact on the Authority's equity other than those already affecting profit or loss.

Currency	Increase (Decrease) in exchange rate	Effect on income tax before tax **2019**	2018
USD	+1.945	**(217,352,387)**	(167,453,956)
	-1.945	**217,352,387**	167,453,956
Increase in exchange rate		**(217,352,387)**	(167,453,956)
Decrease in exchange rate		**217,352,387**	167,453,956

Interest Rate Risk

The Authority's exposure to the risk for changes in interest rates relates primarily to the Authority's bank accounts. As at December 31, 2019 and 2018, these amounted to P5.68 billion and P3.49 billion, respectively. The Authority's exposure to changes in interest rates is not significant.

Credit Risk

The Authority's exposure to credit risk arises from transactions with its customers. The maximum exposure to credit on these transactions is equal to the carrying amount of these financial instruments. Trade receivable balances are monitored on an ongoing basis to ensure timely collections. The Authority has provided an allowance for impairment loss at the end of reporting years to cover credit losses expected from trade receivables.

With respect to credit risk arising from other financial assets of the Authority, which comprise cash in banks, investment in debt instruments and refundable deposits, the Authority's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Authority limits its exposure to credit risks by depositing its cash only with financial institutions duly evaluated and approved by the Board of Directors.

The Authority's exposure to rental deposit is minimal since no default in payments were made by the counterparties.

The succeeding tables show the credit quality per class of financial asset and an aging analysis of past due but not impaired accounts as at December 31, 2019 and 2018.

December 31, 2019

	Neither past due nor impaired					
	High grade	Standard grade	Substandard grade	Past due but not impaired	Impaired	Total
Cash and Cash Equivalents	5,772,358,336	0	0	0	0	5,772,358,336
Short-term Investments	6,028,374,580	0	0	0	0	6,028,374,580
Receivables		3,382,023,955	0	0	1,668,749,567	5,050,773,522
Long-Term Investments	3,793,272,957	0	0	0	0	3,793,272,957
Deposits	23,274,602	0	0	0	0	23,274,602
	15,617,280,475	**3,382,023,955**	**0**	**0**	**1,668,749,567**	**20,668,053,997**

December 31, 2018

	Neither past due nor impaired					
	High grade	Standard grade	Substandard grade	Past due but not impaired	Impaired	Total
Cash and Cash Equivalents	3,558,032,923	0	0	0	0	3,558,032,923
Short-term Investments	9,029,311,862	0	0	0	0	9,029,311,862
Receivables		3,529,687,032	0	0	1,618,367,795	5,148,054,827
Long-Term Investments	2,051,400,704	0	0	0	0	2,051,400,704
Deposits	22,924,323	0	0	0	0	22,924,323
	14,661,669,812	**3,529,687,032**	**0**	**0**	**1,618,367,795**	**19,809,724,639**

The credit quality of the financial assets is managed by the Authority. High grade accounts consist of receivables from debtors with good financial condition and with relatively low defaults. Financial assets with risks of default but are still collectible are considered standard grade accounts. Receivables that are still collectible but require persistent effort from the Authority to collect are considered substandard grade accounts.

Liquidity Risk

The Authority's exposure to liquidity risk is minimal. The Authority's objective is to maintain a balance between continuity of funding and flexibility. In addition, the Authority regularly evaluates its projected and actual cash flows. Fund raising activities may include bank loans.

The following tables present the maturity profile of the Authority's financial liabilities as at December 31, 2019 and 2018 based on contractual undiscounted payments.

December 31, 2019

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Financial Liabilities	1,062,676,553	0	0	0	1,062,676,553
Inter-Agency Payables*	1,619,150,937	0	0	0	1,619,150,937
Trust Liabilities	0	0	0	159,221,384	159,221,384
Other Payables	0	0	0	98,684,504	98,684,504
	2,681,827,490	**0**	**0**	**257,905,888**	**2,939,733,378**

*excludes government duties and remittances

December 31, 2018

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Financial Liabilities	766,521,456	0	0	0	766,521,456
Inter-Agency Payables*	165,543,714	0	0	0	165,543,714
Trust Liabilities	0	0	0	117,082,598	117,082,598
Other Payables	0	0	0	56,969,658	56,969,658
	932,065,170	**0**	**0**	**174,052,256**	**1,106,117,426**

*excludes government duties and remittances

33. SUPPLEMENTARY INFORMATION ON TAXES

The total taxes withheld during the year by the Head Office (HO) and Area Centers (ACs) amounted to P416.92 million, of which P410.1 million were remitted as follows:

Type of Tax	Beginning Balance, January 01, 2019	Adjustments During the Year	Tax Withheld	Tax Remitted	Balance, December 31, 2019
a. Tax on Compensation and Benefits	44,270,379	(1,272,124)	268,211,483	(248,866,242)	62,343,496
b. Creditable Withholding Tax	12,390,035	(619,085)	49,837,358	(56,885,566)	4,722,742
c. Final Withholding Taxes	19,470,601	(347,506)	98,868,059	(104,348,262)	13,642,892
Total	**76,131,015**	**(2,238,715)**	**416,916,900**	**(410,100,070)**	**80,709,130**

OUTPUT TAX

I.	Beginning Balance	**0**
II.	Output Tax recognized during the year	**502,521,820**
III.	Output Tax due	**460,750,913**
IV	Ending Balance	**41,770,907**

Zero-Rated Sales recognized during the year amount to P4.256 billion. These are services rendered to persons engaged in international shipping or air transport operations, including leases of property for use thereof; Provided, that these services shall be exclusively for international shipping or air transport operations. (Thus, the services referred to herein shall not pertain to those made to common carriers by air and sea relative to their transport of passengers, goods or cargoes from one place in the Philippines to another place in the Philippines, the same being subject to twelve per cent (12%) VAT under Sec. 108 of the Tax Code, as amended); Thus, International Air Navigational Charges to Air Operators are subject to Zero-Rated (0%) VAT.

INPUT TAX

I.	Beginning Balance	**0**
II.	Input tax on current year's purchases	**186,117,231**
III.	Claims for credit	**131,457,593**
IV.	Ending Balance	**54,659,638**

Input tax for the year includes VAT on purchases of goods, services and capital goods such as installation of LED Apron lights in Naga Airport, procurement of baggage conveyor, push carts, etc. The related input tax of these capital goods with aggregate acquisition cost exceeding the P1 million threshold amount, excluding the VAT component thereof, is being amortized over 60 months or its useful life, whichever is shorter, as provided under Section 110 of the Tax Code, as amended.

34. TAX ASSESSMENTS AND CASES

On September 13, 2019, CAAP received an electronic Letter of Authority dated September 12, 2019 from the Bureau of Internal Revenue (BIR) Revenue District Office No. 051 - Pasay City for the examination of books of accounts and other accounting records for the period January 1, 2018 to December 31, 2018 pursuant to eLA201700001503 LOA-051-2019-00000750.

CAAP has submitted the necessary documents relative to the tax assessment and various meetings has been conducted for reconciliation. However, due to declaration of Enhanced Community Quarantine effective March 16, 2020, assessment and reconciliation has been delayed.