1. GENERAL 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), the 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) is underway and 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. At present, CAAP is finalizing its ORP where it was estimated that the ideal head count for CAAP is at more than 12,000 personnel.

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/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 2020 Financial Statements

The financial statements of CAAP for the years ended December 31, 2020 and 2019 were approved and authorized for issue by the Chairman of the Board of Directors on July 19, 2021, 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 were prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), 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 PFRS 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 PFRS

a. Effective in 2020 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, 2020:

- Amendments to PFRS 16, *Leases,* COVID-19-related Rent Concessions – The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021.

- Amendment 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.

The adoption of the new and amended PFRS 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 2020 that are not relevant to CAAP

- 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.

c. New and amended PFRS issued but not yet effective

The new and amended PFRS which are not yet effective for the year ended December 31, 2020 and have not been applied in preparing the financial statements are summarized below:

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 insurance contacts held and investment contracts with discretionary participation features issued.

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

- Amendments to PFRS 3, *Business Combinations*, Reference to the Conceptual Framework – Reference to the 1989 Framework in paragraph 11 of PFRS 3 Business Combinations was updated to the 2018 Framework. Potential conflicts occur as the definition of assets and liabilities in the 2018 Framework differ from those in the 1989 Framework potentially leading to day 2 gains or losses post-acquisition for some balances recognized.

- Amendments to PAS 16, *Property, Plant and Equipment*, Proceeds before Intended Use – This amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* Onerous Contracts - Cost of Fulfilling a Contract – The changes specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor or materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, Subsidiary as a first-time adopter – The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRS.

- Amendments to PFRS 9, *Financial Instruments,* Fees in the '10 per cent' test for derecognition of financial liabilities – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of

PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- Amendments to PFRS 16, *Leases*, Lease Incentives – The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- Amendments to PAS 41, *Agriculture,* Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements,* 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.

- Amendments to PFRS 17, *Insurance Contracts* – The main changes resulting from Amendments to PFRS 17 are:

  - Deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023 and change the fixed expiry date for the temporary exemption in PFRS 4 Insurance Contracts from applying PFRS 9 Financial Instruments, so that entities would be required to apply PFRS 9 for annual periods beginning on or after January 1, 2023.

  - Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.

  - Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination.

- Clarification of the application of PFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.

- Clarification of the application of contractual service margin attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.

- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.

- Amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held.

- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.

- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.

- Several small amendments regarding minor application issues.

Deferred effectivity

- Amendment to PFRS 10, *Consolidated Financial Statement* and PAS 28*, Investment in Associates and Joint Ventures* – Sale of 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.

  Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Authority.

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 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 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 8.

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 PFRS 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. 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 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 liability '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 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 pre-tax 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 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 the amount of services provided in the normal course of business.

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

Rendering of Services

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.

Interest Revenue

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.

Rental Revenue

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. 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 are 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 Non-financial 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 PFRS 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:

	2020	2019
Current Account - Peso	**2,635,422,151**	4,356,007,080
Savings Account - Dollar and Peso	**836,045,521**	1,086,553,216
Time Deposit - Dollar	**666,415,121**	257,695,447
Time Deposit - Peso	**200,000,000**	0
Securities purchased under agreement to resell	**80,000,000**	0
Cash on Hand (Collecting Officers/Petty Cash)	**8,400,146**	72,102,593
	4,426,282,939	5,772,358,336

Foreign currency deposits were translated into Philippine Peso using the Bankers Association of the Philippines closing rates of P48.023 and P50.635 to US$1.00 as of December 31, 2020 and 2019, respectively.

Securities purchased under agreement to resell refers to securities under repurchase agreement with United Coconut Planters Bank with a 35-day term and with maturity date on January 27, 2021.

7. FINANCIAL ASSETS

This account consists of the following:

	2020	2019
Financial Assets-Held to Maturity		
Current		
Investments in Treasury Bills - Local	**0**	2,466,589,257
Non-Current		
Investments in Bonds – Local	**0**	500,000,000
	0	2,966,589,257

Investments in Treasury Bills pertains to treasury bills with Authorized Government Depository Banks for a period of 91 days to not more than one year.

The proceeds from the investments were used partly for the remittance of dividends totaling P5.999 billion to the National Government pursuant to RA No. 11469, also known as the “Bayanihan to Heal as One Act” and RA No. 7656, also known as the “Dividend Law”.

The Authority’s financial assets are measured at amortized cost.

8. OTHER INVESTMENTS

This account consists of the following:

	2020	2019
Current		
Investments in Time Deposit – Local Currency	**1,255,353,955**	3,561,785,323
Non-Current		
Investments in Time Deposit – Foreign Currency	**0**	2,767,391,530
Other Investments	**542,965,270**	525,881,426
	542,965,270	3,293,272,956
	1,798,319,225	6,855,058,279

Investments in Time Deposits – Local and Foreign Currency are measured at amortized cost.

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 placed 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. The investment is measured at FVOCI.

The proceeds from the time deposits were used partly for the remittance of dividends to the National Government pursuant to RA No. 11469 and RA No. 7656.

9. RECEIVABLES

This account consists of the following:

	2020	2019 (As restated)
Loans and Receivables		
Accounts Receivable	**4,699,767,216**	4,990,498,879
Interest Receivable	**40,105,938**	36,883,431
	4,739,873,154	5,027,382,310
Allowance for Impairment	**(1,699,836,890)**	(1,661,671,532)
	3,040,036,264	3,365,710,778
Lease Receivables		
Operating Lease Receivable	**678,214**	1,407,927
Inter-Agency Receivables		
National Government Agencies (NGAs)	**52,659,053**	57,165,008
Local Government Units (LGUs)	**4,931,962**	5,183,524
Government-Owned and/or Controlled Corporations (GOCCs)	**109,586**	127,304
	57,700,601	62,475,836
Other Receivables		
Receivables-Disallowances/Charges	**96,363,991**	97,289,846
Due from Officers and Employees	**312,809**	772,427
Others	**67,340,185**	81,825,848
	164,016,985	179,888,121
Allowance for Impairment	**(9,896,097)**	(1,123,273)
	154,120,888	178,764,848
	3,252,535,967	3,608,359,389

Accounts Receivable pertains 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. This also includes interest billed to airlines with delayed remittances of Domestic Passenger Service Charge in the amount of P3.251 million as per CAAP Memorandum Circular No. 022-17 dated September 1, 2017.

A reconciliation of the allowance for impairment on Accounts Receivable at the beginning and end of 2020 and 2019 is shown below:

	2020	2019 (As restated)
Beginning Balance	**1,661,671,532**	1,617,244,522
Impairment loss during the year	**38,165,358**	44,427,010
	1,699,836,890	1,661,671,532

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

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.

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 fees, parking fees, air navigation fees and other unpaid charges from Government-Owned and/or Controlled Corporations.

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

Other Receivables 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. The decrease was due to collections of prior years' billings.

10. INVENTORIES

This account consists of the following:

	2020	2019 (As restated)
Inventory held for consumption		
Fuel, Oil and Lubricants	**23,646,200**	22,133,706
Office Supplies	**21,238,068**	18,466,820
Accountable Forms, Plates and Stickers	**6,760,179**	3,276,627
Medical, Dental and Laboratory Supplies	**317,094**	141,012
Drugs & Medicines	**27,647**	35,326
Other Supplies and Materials	**64,055,469**	58,224,875
	116,044,657	102,278,366

11. OTHER CURRENT ASSETS

This account consists of the following:

	2020	2019 (As restated)
Prepayments	**329,372,025**	98,794,625
Advances	**8,334,620**	11,436,327
	337,706,645	110,230,952

11.1 Breakdown of *Prepayments* account is as follows:

	2020	2019 (As restated)
Input Tax	**165,836,209**	62,642,286
Creditable Input Tax	**115,324,533**	0
Withholding Tax at Source	**19,702,378**	5,833,892
Advances to Contractors	**15,606,773**	27,992,143
Prepaid Insurance	**11,475,310**	758,855
Other Prepayments	**1,426,822**	1,567,449
	329,372,025	98,794,625

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

Creditable Input Tax pertains to the excess input tax paid on purchases over output tax.

Withholding Tax at Source is the amount of creditable withholding tax deducted by the Authority's clients from their payment of rental or other services, which shall be deducted against future income taxes payable of the Authority.

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

Prepaid Insurance pertains to the amount advanced for the insurance of CAAP properties.

11.2 Breakdown of Advances account is as follows:

	2020	2019 (As restated)
Advances to Officers & Employees	**5,037,762**	9,066,146
Advances to Special Disbursing Officers	**1,876,829**	788,058
Advances for Payroll	**1,420,029**	1,582,123
	8,334,620	11,436,327

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

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.

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

12. PROPERTY AND EQUIPMENT

This account consists of the following:

	Land	Land Improvements	Buildings and Other Structures	Furniture and Equipment	Construction in Progress	TOTAL
December 31, 2019						
Cost	37,344,042,681	29,139,297,778	5,586,827,177	6,076,415,800	1,360,636,648	79,507,220,084
Accumulated Depreciation/Adjustment	0	23,683,484,235	2,063,451,321	2,951,672,184	0	28,698,607,740
Net Carrying Amount December 31, 2019 (As restated)	**37,344,042,681**	**5,455,813,543**	**3,523,375,856**	**3,124,743,616**	**1,360,636,648**	**50,808,612,344**
Cost:						
At January 1, 2020	37,344,042,681	29,139,297,778	5,586,827,177	6,076,415,800	1,360,636,648	79,507,220,084
Additions/Acquisition	0	58,608,512	81,102,826	421,200,444	269,086,295	829,998,077
At December 31, 2020	**37,344,042,681**	**29,197,906,290**	**5,667,930,003**	**6,497,616,244**	**1,629,722,943**	**80,337,218,161**
Accumulated Depreciation:						
At January 1, 2020	0	23,683,484,235	2,063,451,321	2,951,672,184	0	28,698,607,740
Depreciation Expense	0	834,355,177	218,331,009	483,921,918	0	1,536,608,104
Adjustments	0	2,315,881	(12,150,373)	6,485,587		(3,348,905)
At December 31, 2020	**0**	**24,520,155,293**	**2,269,631,957**	**3,442,079,689**	**0**	**30,231,866,939**
At December 31, 2020						
Cost	37,344,042,681	29,197,906,290	5,667,930,003	6,497,616,244	1,629,722,943	80,337,218,161
Accumulated Depreciation	0	24,520,155,293	2,269,631,957	3,442,079,689	0	30,231,866,939
Net Carrying Amount December 31, 2020	**37,344,042,681**	**4,677,750,997**	**3,398,298,046**	**3,055,536,555**	**1,629,722,943**	**50,105,351,222**

Land Improvements account includes Runways, Aprons, Taxiways and the Airport Systems of the 87 Airports and facilities 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. DEFERRED TAX ASSET

Deferred Tax Asset pertains to the amount of income tax recoverable in future periods arising from overpayment of income tax brought about by the recorded operating loss in CY 2020.

14. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2020	2019
Deposits	**23,707,227**	23,274,603
Other Assets, net	**13,653,122**	13,653,122
	37,360,349	36,927,725

14.1 Breakdown of Deposits account is as follows:

	2020	2019
Deposit on Letters of Credit	**18,332,140**	18,332,140
Guaranty Deposits	**5,375,087**	4,942,463
	23,707,227	23,274,603

Deposits on Letters of Credit pertains to Letters of Credit opened to import various spare parts, equipment, etc. The balance refers to transactions of the then Air Transportation Office (ATO).

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

14.2 Breakdown of Other Assets account is as follows:

	2020	2019
Deferred Charges	**13,653,122**	13,653,122
Other Assets	**2,167,530,601**	2,167,530,601
	2,181,183,723	2,181,183,723
Less: Accumulated Impairment Losses	**2,167,530,601**	2,167,530,601
	13,653,122	13,653,122

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 ATO. Full provision of impairment was recognized pending verification of unidentified assets.

15. FINANCIAL LIABILITIES

This account consists of the following:

	2020	2019 (As restated)
Accounts Payable	**738,789,176**	885,427,545
Due to Officers and Employees	**71,786,543**	251,842,863
	810,575,719	1,137,270,408

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. The decrease is due to cancellation of major projects brought about by the COVID-19 pandemic.

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.

16. INTER-AGENCY PAYABLES

This account consists of the following:

	2020	2019 (As restated)
Due to NGAs	**1,094,948,919**	1,619,150,937
Due to BIR	**103,495,839**	81,545,716
Income Tax Payable	**31,754,655**	358,587,150
Due to GSIS	**11,422,691**	16,386,322
Due to Pag-IBIG	**4,708,949**	4,382,964
Due to PhilHealth	**4,280,462**	3,944,152
Due to Treasurer of the Philippines	**1,751,615**	13,038,812
Due to SSS	**267,553**	110,678
Due to Government Corporations	**48,936**	7,716
Due to LGUs	**15,652**	15,652
Value-Added Tax Payable	**0**	264,207,816
	1,252,695,271	2,361,377,915

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

	2020	2019
Funds from DOTr for downloaded infrastructure projects	**1,007,416,246**	1,559,903,666
Prior years' ATO account balances for undocumented/unsupported transactions transferred to CAAP books	**51,399,606**	51,399,606
50 per cent portion from the sale of Land at Zamboanga International Airport by CAAP to the National Housing Authority (NHA)	**28,291,000**	0
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	**0**	2,869
Others	**2,842,067**	2,844,796
	1,094,948,919	1,619,150,937

The decrease in *Due to NGA's* account is due to the liquidation of prior years' fund transfers from the Department of Transportation (DOTr). While, the non-moving accounts are fund transfers carried over from ATO Accounts subject to reconciliation with the concerned National Government Agencies. The balance with the National Housing Authority (NHA) represents 50 per cent of the contract amount received by CAAP for the sale of land in Zamboanga.

Due to Bureau of Internal Revenue (BIR) represents taxes withheld from officers/employees and other entities subject to remittance to the BIR.

Income Tax Payable pertains to the Authority's current tax liability based on 30 per cent regular corporate income tax (RCIT) in compliance with RA No. 10963 or the TRAIN Law. However, due to the adverse effects of COVID-19 pandemic, the Authority incurred net loss prompting the shift to the payment of Minimum Corporate Income Tax (MCIT) equivalent to 2 per cent of gross income as provided in the National Internal Revenue Code of the Philippines.

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 Bureau of the Treasury.

Due to Social Security System pertains to the amount withheld for SSS personal share voluntary contribution of regular employee and job order of Area Center 6 and Area 10.

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

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.

17. PROVISIONS

This account consists of the following:

	2020		2019 (As restated)	
	Current	**Non-Current**	Current	Non-Current
Leave Benefits Payables	**119,649,358**	**772,408,537**	138,654,142	594,211,354

Leave Benefits Payable pertains to the accumulated unused leave credits of officers and employees.

18. TRUST LIABILITIES

This account consists of the following:

	2020	2019 (As restated)
Guaranty Deposits Payable	**190,060,161**	151,265,146
Customers Deposit Payable	**6,949,081**	7,956,238
Trust Liabilities	**972,920**	0
	197,982,162	159,221,384

Guaranty Deposits Payable pertains to liability arising from cash received to guaranty performance which are refundable to the depositor.

Customers Deposit Payable pertains to the security deposit of concessionaires.

Trust Liabilities account pertains to the voluntary deposit of American Airlines in the amount of $20,000 to secure payment of their dues to the Authority in case of their delinquency.

19. DEFERRED CREDITS

This account consists of the following:

	2020	2019 (As restated)
Other Unearned Revenue	**167,285,292**	163,918,213
Output Tax	**128,348,166**	116,945,060
Other Deferred Credits	**502,839**	142,661
	296,136,297	281,005,934

Output Tax pertains to the value-added tax (VAT) included in the selling price of goods and services. The remaining balance pertains to uncollected receivables subjected to VAT.

Other Unearned Revenue pertains to overpayments on actual billing of clients/airline operators.

Other Deferred Credits pertains to advance payment from Concessionaires/Customers in Area Centers not yet earned as of December 31, 2020.

20. 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 P10.950 million.

21. 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.

22. CONTRIBUTED CAPITAL

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

23. DEFICIT

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

24. DIVIDENDS

The Authority had remitted a total of P5.999 billion to the Bureau of Treasury (BTr). This amount includes P3 billion annual dividend contribution as mandated by Republic Act No. 7656 – An Act Requiring Government Owned and Controlled Corporations to Declare Dividend Under Certain Conditions to the National Government and for Other Purposes. The remaining P2.999 billion is an additional contribution for implementing emergency measures during the COVID-19 pandemic and as a response to the letter from Department of Finance dated April 1, 2020 requiring GOCCs to remit unutilized funds.

25. 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 P17.084 million while incurring insurance expenses of P5.539 million.

26. INCOME

This account consists of the following:

	2020	2019 (As restated)
Business Income	**3,594,282,120**	10,256,899,368
Service Income	**66,883,421**	256,042,237
	3,661,165,541	10,512,941,605

The overall decrease in income was due to travel restrictions and local regulations imposed during Community Quarantine from March to December 2020 brought about by the COVID-19 pandemic.

Business Income 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:

	2020	2019 (As restated)
Income from Communication Facilities	**2,574,707,241**	6,556,573,264
Transportation System Fees	**560,313,544**	2,658,853,699
Landing and Parking Fees	**240,753,095**	568,091,370
Interest Income	**93,586,745**	150,151,155
Rent/Lease Income	**51,704,635**	125,005,659
Communication Network Fees	**11,393,324**	40,198,018

	2020	2019 (As restated)
Fines and Penalties - Business Income	**8,861,547**	31,344,924
Other Business Income	**52,961,989**	126,681,279
	3,594,282,120	10,256,899,368

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 refers to terminal fees imposed by CAAP on departing passengers, presently pegged at P200, P150 and P100 depending on the airport terminal. These 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 by the Airline Carriers.

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

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.

Total interests earned on deposits and investments included in the statement of financial performance are as follows:

	2020	2019 (As restated)
Cash and Cash Equivalents	**12,586,970**	11,113,978
Financial Assets	**21,186,591**	79,682,548
Other Investments	**59,813,184**	59,354,629
	93,586,745	150,151,155

Rent/Lease Income pertains to rental of land and floor areas within the vicinity of CAAP. Income is recognized upon billing at month end. Pursuant to CAAP Memorandum dated March 24, 2020, CAAP granted airport concessionaires a ‘Lease/Rental Holiday’, effectively waiving rental fees for the period March 15 to December 31, 2020.

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 occupying the premises in June 2011.

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

	2020	2019
Not later than 1 year	**1,564,769**	2,987,243
Later than 1 year but not later than 5 years	**0**	1,564,769
	1,564,769	4,552,012

The non-cancellable operating lease contract with Alphaland Corporation will be terminated on July 15, 2021.

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 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:

	2020	2019
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	**80,000,000**	88,000,000
	128,000,000	136,000,000

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.

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

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:

	2020	2019 (As restated)
Vehicular Parking	**17,049,912**	69,890,025
Weighing Conveyor and Check-in Charges	**12,801,919**	22,686,871
Aerobridge	**9,619,450**	14,680,630
Bid Documents	**6,484,293**	9,743,838
Access Pass/ID	**5,952,587**	5,223,420
Garbage Collection	**481,322**	1,348,152
Aeronautical Information Publication (AIP)	**374,266**	2,649,431

	2020	2019 (As restated)
Records (authentication/photocopy/verification)	**198,240**	458,789
Research Fee	**0**	123
	52,961,989	126,681,279

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

	2020	2019 (As restated)
Clearance & Certification Fees	**11,686,366**	31,119,163
Permit Fees	**11,279,369**	22,921,669
Licensing Fees	**8,515,668**	22,640,161
Fines and Penalties - Service Income	**3,322,117**	998,282
Other Service Income	**32,079,901**	178,362,962
	66,883,421	256,042,237

Clearance and Certification Fees refers 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 in the issuance of permits to operators in the exercise of regulatory powers. Income is recognized upon billing at month end.

Licensing Fees pertains 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 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:

	2020	2019 (As restated)
Water/Electricity/Telephone/Cable	**12,003,519**	74,314,666
Medical Examination	**8,181,633**	5,029,780
Flight inspector Fee	**6,017,529**	83,574,104
Energy Fee	**3,262,612**	6,517,081
Laboratory	**1,164,452**	2,468,680
Dental Examination	**770,400**	2,171,960

	2020	2019 (As restated)
Course Fee	**529,393**	2,623,202
Inspection Fee	**72,345**	352,146
Administrative Fee	**26,568**	1,043,197
Change Form	**20,000**	48,960
Transfer Fee	**13,200**	20,550
De-Registration	**10,550**	8,250
Medical Procedures/Treatment	**7,300**	104,300
Change of Company Name	**400**	86,086
	32,079,901	178,362,962

27. PERSONNEL SERVICES

This account consists of the following:

	2020	2019 (As restated)
Salaries and Wages	**1,396,842,600**	1,409,715,654
Other Compensation		
Overtime and Night Pay	**122,993,667**	288,385,911
Midyear Bonus	**116,023,890**	115,229,604
Year End Bonus	**115,670,318**	114,830,554
Personnel Economic Relief Allowance	**70,593,607**	72,282,463
Hazard Pay	**58,020,790**	76,439,983
Clothing/Uniform Allowance	**16,893,587**	18,066,000
Cash Gift	**14,484,397**	16,749,231
Representation Allowance	**8,126,125**	8,070,350
Transportation Allowance	**7,694,102**	7,328,762
Honoraria	**2,880,165**	8,144,396
Productivity Incentive Allowance	**2,171,000**	3,415,000
Longevity Pay	**290,000**	395,000
Subsistence Allowance	**202,500**	223,550
Other Bonuses and Allowances	**53,181,504**	74,489,071
	589,225,652	804,049,875
Personnel Benefit Contributions		
Retirement and Life Insurance Premiums	**164,801,879**	167,306,480
PhilHealth Contributions	**18,736,067**	14,590,614
Employees Compensation Insurance Premiums	**3,573,812**	3,479,600
Pag-IBIG Contributions	**3,490,583**	3,553,801
	190,602,341	188,930,495
Other Personnel Benefits		
Terminal Leave Benefits	**119,649,358**	181,621,354
	2,296,319,951	2,584,317,378

28. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2020	2019 (As restated)
General Services	**1,091,795,240**	903,498,107
Professional Services	**325,416,223**	249,756,752
Utility Expenses	**306,082,210**	456,963,878
Repairs and Maintenance	**210,477,519**	306,238,046
Supplies and Materials Expenses	**207,659,999**	186,284,502
Taxes, Insurance Premiums and Other Fees	**80,150,587**	47,210,763
Communication Expenses	**65,546,638**	86,233,404
Traveling Expense	**24,700,305**	108,590,571
Confidential, Extraordinary and Miscellaneous Expenses	**15,346,416**	15,352,405
Training Expenses	**11,948,499**	65,097,624
Other Maintenance and Operating Expenses	**131,020,627**	280,049,889
	2,470,144,263	2,705,275,941

Breakdown of General Services is as follows:

	2020	2019 (As restated)
Other General and Janitorial Services	**737,148,648**	518,737,419
Security Services	**354,646,592**	384,760,688
	1,091,795,240	903,498,107

29. FINANCIAL EXPENSES

This account consists of the following:

	2020	2019 (As restated)
Bank Charges	**124,962**	93,532
Other Financial Charges	**16,983,220**	73,923,494
	17,108,182	74,017,026

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 – Implementing Guidelines for the Integration of Domestic Passenger Service Charge at the Point of Sale of Airline Ticket.

30. NON-CASH EXPENSES

This account consists of the following:

	2020	2019 (As restated)
Depreciation	**1,536,608,104**	1,976,905,822
Impairment	**46,938,181**	44,427,010
Loss on Foreign Exchange (FOREX)	**40,696,005**	42,250,285
	1,624,242,290	2,063,583,117

Breakdown of Depreciation is as follows:

	2020	2019 (As restated)
Land Improvements and Infrastructure Assets	**834,355,177**	1,109,390,520
Buildings and Other Structures	**218,331,009**	426,268,915
Furniture and Equipment	**483,921,918**	441,246,387
	1,536,608,104	1,976,905,822

Breakdown of Impairment is as follows:

	2020	2019 (As restated)
Loans and Receivables	**38,165,358**	44,427,010
Other Receivables	**8,772,823**	0
	46,938,181	44,427,010

The Authority recognized full provision of ATO – Other Receivable Account.

Loss on Foreign Exchange 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 P2.612, P50.635 in 2019 and P48.023 in 2020, was recorded in recognizing foreign exchange loss for CY 2020.

31. INCOME TAX EXPENSE

The income tax expense pertains to the Authority's current tax liability based on 30 per cent Regular Corporate Income Tax (RCIT) in compliance with RA No. 10963 or the TRAIN Law. In CY 2020, however, due to the adverse effects of the COVID-19 pandemic, the Authority incurred a net loss prompting the shift to the payment of Minimum Corporate Income Tax (MCIT) equivalent to 2 per cent of gross income as provided in the National Internal Revenue Code of the Philippines.

32. NET OPERATING LOSS CARRY OVER

CAAP has incurred an operating loss for CY 2020 amounting to P2.778 billion which will be carried forward as a deduction within 5 consecutive years as provided in BIR Revenue Regulation No. 25-2020 – Rules and Regulations Implementing Section 4 (bbbb) of RA No. 11494, otherwise known as “Bayanihan to Recover as One Act” Relative to Net Operating Loss Carry-Over (NOLCO) Under Section 34 (D)(3) of the NIRC, As Amended.

33. RESTATEMENT OF ACCOUNTS

The 2019 financial statements were restated to reflect the following transactions/adjustments:

CY 2018 errors discovered in 2019 & 2020

	December 31, 2018 (As previously reported)	Restatement/ Adjustment	January 1, 2019 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net	**3,529,687,032**	**166,590,636**	**3,696,277,668**
Unrecorded prior years' income/receivables		*6,907,494*	
Recognition of audit disallowances of prior years' expenses		*5,857*	
Reclassification of advance payments erroneously credited to Accounts Receivable		*159,677,285*	
Inventories	**95,562,329**	**(3,385,192)**	**92,177,137**
Unrecorded prior years' inventory issuances		*(3,385,192)*	
Other Current Assets	**99,100,761**	**(72,419)**	**99,028,342**
Unamortized prepayment		*(67,419)*	
Unrecorded prior years' liquidation of cash advance		*(5,000)*	
Property and Equipment, net	**51,783,106,876**	**(6,545,641)**	**51,776,561,235**
Correction of double recording of transferred asset from DOTr		*(6,773,927)*	
Correction of prior years' expenses erroneously classified as PE		*(111,631)*	
Adjustments in prior years' depreciation		*339,917*	
Financial Liabilities	**761,066,168**	**(12,059,003)**	**749,007,165**
Reversion of long outstanding payables		*(11,515,869)*	
Correction of prior years' payables/expenses		*(2,050,068)*	
Unrecorded prior years' reimbursement of expenses		*104,695*	
Unrecorded prior years' salaries and allowances		*1,402,239*	

	December 31, 2018 (As previously reported)	Restatement/ Adjustment	January 1, 2019 (As restated)
Inter-Agency Payables	**1,538,030,038**	**230,310,774**	**1,768,340,812**
Unrecorded prior years' salaries and allowances		*310,774*	
Recognition of Value-Added Tax Payable – CY 2018		*230,000,000*	
Deferred Credits	**298,018**	**160,264,035**	**160,652,053**
Recognition of Output Tax from revenues		*16,651*	
Reclassification of advance payments erroneously credited to Accounts Receivable		*159,677,285*	
Correction of Unearned Revenue erroneously recorded as income		*570,099*	
Provisions (Non-current)	**499,480,477**	**28,021,684**	**527,502,161**
Correction of prior years' terminal leave payable		*28,021,684*	
Other Payables	**56,969,658**	**10,037,597**	**67,007,255**
Correction of prior years' payables		*10,037,597*	
Deficit	**(8,937,994,007)**	**(259,987,703)**	**(9,197,981,710)**
Correction of prior years' payables/expenses		*(7,987,529)*	
Unamortized prepayment		*(67,419)*	
Reversion of long outstanding payables		*11,515,869*	
Adjustments in prior years' depreciation		*339,917*	
Unrecorded prior years' inventory issuances		*(3,385,192)*	
Correction of prior years' expenses erroneously classified as PE		*(111,631)*	
Recognition of Output Tax from revenues		*(16,651)*	
Unrecorded prior years' income/receivables		*6,907,494*	
Correction of Unearned Revenue erroneously recorded as income		*(570,099)*	
Recognition of audit disallowances of prior years' expenses		*5,857*	
Recognition of Value-Added Tax Payable – CY 2018		*(230,000,000)*	
Correction of prior years' terminal leave payable		*(28,021,684)*	
Unrecorded prior years' salaries and allowances		*(1,713,013)*	
Correction of double recording of transferred asset from DOTr		*(6,773,927)*	
Unrecorded prior years' reimbursement of expenses		*(104,695)*	
Unrecorded prior years' liquidation of cash advance		*(5,000)*	

CY 2019 errors discovered in 2020

	December 31, 2019 (As adjusted)	Restatement/ Adjustment	December 31, 2019 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net	**3,548,614,591**	**59,744,798**	**3,608,359,389**
Unrecorded income/receivables		*50,090,410*	
Unrecorded prior year interest income		*28,798*	
Adjustment of allowance for impairment		*5,954,761*	
Reclassification of advance payments erroneously credited to Accounts Receivable		*3,670,829*	
Inventories	**104,287,382**	**(2,009,016)**	**102,278,366**
Inventories erroneously classified as expense		*519,799*	
Unrecorded inventory issuances		*(2,528,815)*	
Other Current Assets	**103,290,911**	**6,940,041**	**110,230,952**
Liquidation of cash advances		*(1,042,607)*	
Recognition of input tax for various expenses		*7,982,648*	
Property and Equipment, net	**50,825,191,254**	**(16,578,910)**	**50,808,612,344**
Property and equipment erroneously recorded as expense		*5,332,431*	
Correction of prior years' expenses erroneously classified as PE		*(4,302,693)*	
Adjustments in depreciation expense		*(17,608,648)*	
Financial Liabilities	**1,050,617,550**	**86,652,858**	**1,137,270,408**
Accounts Payable	**841,452,662**	**43,974,883**	**885,427,545**
Imposition of liquidated damages		*(77,183)*	
Unrecorded expenses and payables		*43,243,387*	
Service Charge - DPSC		*808,679*	
Due to Officers and Employees	**209,164,888**	**42,677,975**	**251,842,863**
Unrecorded salaries, allowances and bonuses		*36,133,532*	
Reimbursement of expenses		*6,544,443*	
Inter-Agency Payables	**2,382,249,843**	**(20,871,928)**	**2,361,377,915**
Unrecorded expenses and payables		*283,922*	
Unrecorded salaries, allowances and bonuses		*2,622,143*	
Correction of Income Tax Payable		*(23,777,993)*	
Deferred Credits	**202,177,603**	**78,828,331**	**281,005,934**
Recognition of Output Tax		*75,157,502*	
Reclassification of advance payments erroneously credited to Accounts Receivable		*3,670,829*	
Provisions (Non-current)	**556,176,066**	**38,035,288**	**594,211,354**
Correction of terminal leave benefits		*38,035,288*	

	December 31, 2019 (As adjusted)	Restatement/ Adjustment	December 31, 2019 (As restated)
Trust Liabilities	**159,221,384**	0	**159,221,384**
Reclassification to Customers Deposit Payable		*(6,904,734)*	
Reclassification from Guaranty Deposits Payable		*6,904,734*	
Statement of Changes in Equity	**65,625,346,879**	**(134,547,636)**	**65,490,799,243**
Deficit	**(10,420,897,604)**	**(134,547,636)**	**(10,555,445,240)**

The Authority presented three statements of financial position in compliance with the requirement of PAS 1, *Presentation of Financial Statements*, to include a complete set of financial statements as 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.

The December 31, 2019 balances, as adjusted, are CY 2019 balances as previously reported including CY 2018 errors discovered in 2019 and 2020.

34. RESTATEMENT OF CY 2019 COMPREHENSIVE INCOME

Net Income (As previously reported)		**2,285,954,106**
Adjustments		
Income:		
Unrecorded 2019 income/receivables	50,090,410	
Unrecorded Interest Income	28,798	
Unrecorded income from imposed liquidated damages	77,183	
Recognition of Output Tax for 2019 Income	(75,157,502)	(24,961,111)
Expenses:		
Unrecorded 2019 expenses and payables	(43,527,309)	
Unrecorded 2019 salaries, allowances and bonuses	(38,755,675)	
Adjustments in depreciation expense	(17,608,648)	
Inventories erroneously classified as expense	519,799	
Reimbursement of expenses	(6,544,443)	
Liquidation of cash advances	(1,042,607)	
Correction of prior years' expenses erroneously classified as property and equipment	(4,302,693)	
Property and equipment erroneously recorded as expense	5,332,431	
Correction of CY 2019 terminal leave benefits	(38,035,288)	
Recognition of input tax for 2019 expenses	7,982,648	
Unrecorded 2019 inventory issuances	(2,528,815)	
Service Charge - DPSC	(808,679)	
Adjustment of 2019 allowance for impairment	5,954,761	(133,364,518)
Income Tax Expense		
Correction of Income Tax Payable		23,777,993
Net Adjustment		**(134,547,636)**
Net Income (As restated)		**2,151,406,470**

35. 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 reporting dates are as follows:

	Amount in Peso
Cash in Bank - Savings Account	407,617,251
Cash in Bank - Time Deposits (Dollar)	666,415,121
	1,074,032,372

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, 2020 and 2019 (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 before tax**	
		2020	**2019**
USD	+2.612	(58,417,270)	(225,647,996)
	-2.612	58,417,270	225,647,996
Increase in Exchange Rate		(58,417,270)	(225,647,996)
Decrease in Exchange Rate		58,417,270	225,647,996

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, 2020 and 2019, these amounted to P3.471 billion and P5.443 billion, respectively. The Authority's exposure to changes in interest rates is not significant.

Credit Risk

The Company'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 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, 2020 and 2019.

December 31, 2020

	Neither past due nor impaired					
	High grade	Standard grade	Substandard grade	Past due but not impaired	Impaired	Total
Cash and Cash Equivalents	4,426,282,939	0	0	0	0	4,426,282,939
Other Investments	1,798,319,225	0	0	0	0	1,798,319,225
Receivables	0	3,252,535,967	0	0	1,709,732,987	4,962,268,954
Deposits	5,375,087	0	0	0	18,332,140	23,707,227
	6,229,977,251	**3,252,535,967**	**0**	**0**	**1,728,065,127**	**11,210,578,345**

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
Financial Assets	2,966,589,257	0	0	0	0	2,966,589,257
Other Investments	6,855,058,279	0	0	0	0	6,855,058,279
Receivables	0	3,608,359,389	0	0	1,662,794,805	5,271,154,194
Deposits	4,942,463	0	0	0	18,332,140	23,274,603
	15,598,948,335	**3,608,359,389**	**0**	**0**	**1,681,126,945**	**20,888,434,669**

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, 2020 and 2019 based on contractual undiscounted payments.

December 31, 2020

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Financial Liabilities	810,575,719	0	0	0	810,575,719
Inter-Agency Payables*	1,094,948,919	0	0	0	1,094,948,919
Trust Liabilities	0	0	0	197,982,162	197,982,162
Other Payables	0	0	0	54,745,047	54,745,047
	1,905,524,638	0	0	252,727,209	2,158,251,847

**Excludes government dues and remittances*

December 31, 2019

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Financial Liabilities	1,137,270,408	0	0	0	1,137,270,408
Inter-Agency Payables*	1,619,150,937				1,619,150,937
Trust Liabilities	0	0	0	159,221,384	159,221,384
Other Payables	0	0	0	108,722,101	108,722,101
	2,756,421,345	0	0	267,943,485	3,024,364,830

**Excludes government dues and remittances*

36. SUPPLEMENTARY INFORMATION ON TAXES

The total taxes withheld during the year by the Head Office and Area Centers amounted to P439.463 million, of which P413.294 million were remitted as follows:

Type of Tax	Beginning Balance, January 2020 (As restated)	Adjustments During the Year	Tax Withheld	Tax Remitted	Balance, December 31, 2020
a. Tax on Compensation	51,858,456	(4,471,650)	228,110,320	212,936,696	62,560,430
b. Creditable Withholding Tax	15,033,183	5,045	59,628,978	58,844,577	15,822,629
c. Final Withholding Taxes	14,654,077	247,170	151,723,910	141,512,377	25,112,780
	81,545,716	**(4,219,435)**	**439,463,208**	**413,293,650**	**103,495,839**

OUTPUT TAX

	2020
Beginning Balance	116,945,060
Output Tax Recognized during the year	92,271,278
Output Tax Claimed/Collected during the year	(80,868,172)
Ending Balance	**128,348,166**

Zero-Rated Sales recognized during the year amounted to P2.550 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 12 per cent VAT under Section 108 of the Tax Code, as amended); thus, International Air Navigational Charges to Air Operators are subject to Zero-Rated VAT.

INPUT TAX

	2020
Beginning Balance	62,642,286
Input Tax on Current Year Purchases	276,037,609
Claims for Credit	(181,552,013)
Adjustments	8,708,327
Ending Balance	**165,836,209**

Input Tax for the year includes VAT on purchases of goods, services and capital goods such as installation of Construction of Exit gate at Surigao Airport, provision of paver for staff house, etc. The related input tax of these capital goods with aggregate acquisition cost exceeding 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.

37. TAX ASSESSMENTS AND CASES

On September 18, 2020, CAAP received an electronic Letter of Authority dated September 18, 2020 from the Bureau of Internal Revenue District Office No. 051 - Pasay City for the examination of its books of accounts and other accounting records for the period January 1, 2019 to December 31, 2019 pursuant to eLA201700001503 LOA-051-2020-00000403.

CAAP has submitted the necessary documents relative to the tax assessment and various meetings has been conducted for reconciliation.