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 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 conditions 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 page 11 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 11,000 personnel.

To further streamline the operations of the Authority, the management implemented a new Airport Clustering Scheme in 2018 and created four Clusters covering the 80 airports and seven 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	5
CLUSTER 3		
Area 5	Legaspi	8
Area 8	Tacloban	10
Area 12	Butuan	5
CLUSTER 4		
Area 9	Zamboanga	9
Area 10	Laguindingan	6
Area 11	Davao	5

Pursuant to RA No. 11457 or the Charter of the Davao International Airport Authority (DIAA) and RA No. 11054 or the Organic Law for the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), the Authority is expected to cede and transfer the ownership and operation of several airports in Mindanao Region, to wit:

Francisco Bangoy International Airport

RA No. 11457 aims to transfer existing assets of Francisco Bangoy International Airport (FBIA) to the newly-established Davao International Airport Authority (DIAA), vesting DIAA with power to administer and operate the FBIA. As of December 31, 2021, the Authority has yet to transfer the ownership and operations of FBIA to DIAA due to absence of a Memorandum of Agreement. Based on CYs 2017 to 2019 Revenues, CAAP is estimated to forego P652.662 million in revenue yearly once the FBIA is transferred to DIAA.

Six Airports in Bangsamoro Autonomous Region in Muslim Mindanao (BARMM)

Section 38 of Article XII on Regional Economy and Patrimony of RA No. 11054 states that the Bangsamoro Government shall have the authority to grant regional franchises, licenses, and permits to land, sea and air transportation plying routes in the provinces or cities within the Bangsamoro Autonomous Region, however, the National Government shall regulate the airside operations of all existing airports. Turnover of airports is expected to commence in 2022. The affected airports are as follows:

1. Cotabato Airport
2. Wao Airport
3. Malabang Airport
4. Sanga-Sanga Airport
5. Mapun Airport
6. Jolo Airport

Based on CYs 2017 to 2019 Revenues, CAAP is estimated to forego P32.431 million in revenue yearly once the airports are transferred to BARMM.

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 2021 Financial Statements

The financial statements of CAAP for the years ended December 31, 2021 and 2020 were approved and authorized for issue by the Chairman of the Board of Directors on June 2, 2022, 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, Philippine Interpretations Committee and Standing Interpretations Committee as approved by the Financial Reporting Standards Council and Board Of Accountancy and adopted by the Securities and Exchange Commission.

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 in 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 STANDARD

Adoption of New and Amended PFRS

a. Effective in 2021 that are not relevant to the Corporation

The accounting policies adopted are consistent with those of the previous financial year, however, there are no new and amended PRFS relevant to the corporation effective for annual periods beginning on or after January 1, 2021:

- Amendments to PFRS 16, Leases, COVID-19-related Rent Concessions beyond June 30, 2021 – The changes from the amendment from PFRS 16 are to:
    - Permit a lessee to apply the practical expedient regarding COVID-19 related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022 (rather than only payments originally due on or before June 30, 2020);

- Require a lessee applying the amendment to do so for annual reporting periods beginning on or after April 1, 2021;

- Require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and

- Specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of PAS 8.

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

b. 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, 2021 and have not been applied in preparing the financial statements are summarized below.

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 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, 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 PAS 1 *and PRFS Practice Statement* 2, Disclosure Initiative – *Accounting Policies* – The amendments aim to help entities provide accounting policy disclosures that are more useful by: (i) replacing the requirement for the entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and (ii) adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments introduced a definition of accounting estimates are, "monetary amounts in financial statements that are subject to measurement uncertainty" and to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

- Amendments to PAS 12, Income Taxes, Deferred Tax related to Assets and Liabilities from a Single Transaction – The main change is an exemption from the initial recognition exemption provided in PAS 12. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

- 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.

Effective for annual periods beginning on or after January 1, 2025:

- Amendment to PFRS 17, *Initial Application of PFRS 17 and PFRS 9 – Comparative Information* – The amendment adds a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of PFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of PFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that

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 Corporation.

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

- 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 7.

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 required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with IFRS 15.

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

With the exception of purchased or originated credit-impaired financial assets, the loss allowance for financial instruments is measured at an amount equal to lifetime expected losses if the credit risk of a financial instrument has increased significantly since initial recognition, unless the credit risk of the financial instrument is low at the reporting date in which case it can be assumed that credit risk on the financial asset 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

Classification as Debt or Equity

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 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in notes.

Other financial liabilities

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

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

Offsetting financial instruments

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

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

Derecognition of financial liabilities

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

Equity instruments

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

Retained earnings

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

Provisions and Contingencies

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

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

Related Parties

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

Revenue Recognition

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

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

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. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Authority's net investment outstanding in respect of the finance lease.

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

The Authority determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an 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 25 per cent regular corporate income tax.

Deferred Tax

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

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

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

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

Current and deferred tax for the year

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

Foreign Currency Transactions and Translation

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

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

Events after Reporting Date

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

Changes in accounting policies and estimates

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Judgments

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

Assessment of Impairment of 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	Other Machineries & Equipment	10
Runways and Taxiways	10	Firefighting Equipment	7
Other Structures	10	Motor Vehicles	7
Land Improvements	10	Furniture and Fixtures	7
Airport Equipment	10	Office Equipment	5
Communication Equipment	10	Other PE	5
Medical, Dental, Laboratory	10		

6. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2021	2020 (As restated)
Current Account - Peso	**3,615,298,743**	2,635,517,285
Time Deposit - Dollar	**409,789,714**	666,415,121
Savings Account - Dollar and Peso	**281,267,868**	836,045,521
Cash on Hand (Collecting Officers/Petty Cash)	**6,760,980**	8,400,146
Time Deposit - Peso	**0**	200,000,000
Securities purchased under agreement to resell	**0**	80,000,000
	4,313,117,305	**4,426,378,073**

Foreign currency deposits were translated into Philippine Peso using the Bankers Association of the Philippines closing rates of P50.999 and P48.023 to US$1.00 as of December 31, 2021 and 2020, respectively.

7. OTHER INVESTMENTS

This account consists of the following:

	2021	2020
Current		
Investment in Time Deposits - Local Currency	**668,044,206**	1,255,353,955
Non-Current		
Other Investments	**539,230,388**	542,965,270
	1,207,274,594	1,798,319,225

Investment in Time Deposits - Local Currency are measured at amortized cost. The decrease is caused by the maturity of time deposits which were subsequently not reinvested by the Authority to cover for its operational expenses.

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 three per cent. The investment is measured at FVOCI.

8. RECEIVABLES

This account consists of the following:

	2021	2020 (As restated)
Loans and Receivables		
Accounts Receivable	**4,412,530,990**	4,667,173,842
Interests Receivable	**37,985,514**	40,183,946
	4,450,516,504	4,707,357,788
Allowance for Impairment	**(1,679,289,886)**	(1,659,223,218)
	2,771,226,618	3,048,134,570
Lease Receivables		
Operating Lease Receivable	**203,213,220**	148,166,100
Allowance for Impairment	**(8,027,725)**	(2,240,407)
	195,185,495	145,925,693
Inter-Agency Receivables		
National Government Agencies (NGAs)	**51,074,468**	52,659,053
Local Government Units (LGUs)	**4,930,170**	4,931,962
Government-Owned or Controlled Corporations (GOCCs)	**0**	109,586
	56,004,638	57,700,601
Allowance for Impairment	**(27,812,026)**	0
	28,192,612	57,700,601

	2021	2020 (As restated)
Other Receivables		
Receivables-Disallowances/Charges	**96,876,314**	97,660,829
Due from Officers and Employees	**344,713**	314,629
Others	**70,642,708**	65,446,031
	167,863,735	163,421,489
Allowance for Impairment	**(9,625,737)**	(9,896,097)
	158,237,998	153,525,392
	3,152,842,723	3,405,286,256

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.

Interests Receivable pertains to accrued interests on time deposits, treasury bills, and bonds.

A reconciliation of the allowance for impairment on Accounts Receivable at the beginning and end of 2021 and 2020 is shown below.

	2021	2020 (As restated)
Beginning Balance	**1,659,223,218**	1,623,560,524
Impairment loss during the year	**20,201,414**	35,662,694
Accounts written-off	**(134,746)**	0
	1,679,289,886	1,659,223,218

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

Operating Lease Receivable refers to amount due from concessionaires in Airports operated by CAAP. This account also includes accrual of rental income from the 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 and was renewed for five years starting June 1, 2021. As a consideration for the lease of the Hangar, the lessee shall pay on a monthly basis the amount of P200.00 per square meter, subject to an escalation rate of five per cent per annum. The increase is due to the recorded billings to concessionaires which will be reversed in CY 2022 due to the extension of the rental holiday implemented in CY 2020. Please refer to Note 25 on Rent/Lease Income.

A reconciliation of the allowance for impairment on Lease Receivables at the beginning and end of 2021 and 2020 is shown in the next page.

	2021	2020 (As restated)
Beginning Balance	**2,240,407**	1,482,099
Impairment Loss during the year	**5,787,318**	758,308
	8,027,725	2,240,407

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

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

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

Others pertains to unliquidated cash advances of CAAP employees who are separated, retired, resigned, and/or deceased disbursing officers. This also includes unpaid charges from operators for daily subsistence allowances of authorized officers and employees conducting inspections. No provision for impairment was recognized for CY 2021. However, unliquidated cash advances of separated, retired, resigned and deceased disbursing officers totaling P270,360 were written-off.

9. INVENTORIES

This account consists of the following:

	2021	2020 (As restated)
Inventories held for consumption		
Fuel, Oil and Lubricants	**25,000,821**	23,392,383
Office Supplies	**20,657,430**	19,850,476
Accountable Forms, Plates and Stickers	**13,022,539**	8,494,097
Medical, Dental and Laboratory Supplies	**621,851**	325,667
Drugs and Medicines	**178,165**	27,647
Other Supplies and Materials	**76,141,804**	60,807,610
	135,622,610	112,897,880

10. OTHER CURRENT ASSETS

This account consists of the following:

	2021	2020 (As restated)
Prepayments	**543,111,679**	322,303,086
Advances	**8,212,784**	3,862,153
	551,324,463	326,165,239

10.1 Breakdown of *Prepayments* account is as follows:

	2021	2020 (As restated)
Creditable Input Tax	**295,739,825**	115,324,533
Input Tax	**196,433,193**	158,814,837
Withholding Tax at Source	**27,495,172**	19,654,811
Prepaid Insurance	**12,887,175**	11,475,310
Advances to Contractors	**7,910,432**	15,606,773
Other Prepayments	**2,645,882**	1,426,822
	543,111,679	322,303,086

Creditable Input Tax pertains to the excess input tax paid on purchases over output tax. The increase is due to the impact of the Pandemic where expenses/disbursements of the Authority are higher than its revenues.

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

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.

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

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

10.2 Breakdown of *Advances* account is as follows:

	2021	2020 (As restated)
Advances to Officers and Employees	**4,661,744**	1,711,535
Advances to Special Disbursing Officer	**2,480,541**	1,208,617
Advances for Payroll	**1,070,499**	942,001
	8,212,784	3,862,153

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 Officer 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.

11. PROPERTY AND EQUIPMENT

This account consists of the following:

	Land	Land Improvements	Buildings and Other Structures	Furniture and Equipment	Construction in Progress	TOTAL
Balance, December 31, 2020						
Cost	37,344,042,681	29,428,026,092	5,737,029,558	6,503,510,396	1,331,627,816	80,344,236,543
Accumulated Depreciation/ Adjustment	0	(24,446,727,034)	(2,267,551,190)	(3,452,852,567)	0	(30,167,130,791)
Net Carrying Amount December 31, 2020 (As restated)	37,344,042,681	4,981,299,058	3,469,478,368	3,050,657,829	1,331,627,816	50,177,105,752
Cost:						
Balance, January 1, 2021	37,344,042,681	29,428,026,092	5,737,029,558	6,503,510,396	1,331,627,816	80,344,236,543
Additions/Acquisition	0	117,331,991	10,903,176	240,138,964	224,493,081	592,867,212
Balance, December 31, 2021	37,344,042,681	29,545,358,083	5,747,932,734	6,743,649,360	1,556,120,897	80,937,103,755
Accumulated Depreciation:						
Balance, January 1, 2021	0	24,446,727,034	2,267,551,190	3,452,852,567	0	30,167,130,791
Depreciation Expense	0	392,822,647	168,195,554	503,753,981	0	1,064,772,182
Balance, December 31, 2021	0	24,839,549,681	2,435,746,744	3,956,606,548	0	31,231,902,973
Balance, December 31, 2021						
Cost	37,344,042,681	29,545,358,083	5,747,932,734	6,743,649,360	1,556,120,897	80,937,103,755
Accumulated Depreciation	0	(24,839,549,681)	(2,435,746,744)	(3,956,606,548)	0	(31,231,902,973)
Net Carrying Amount December 31, 2021	**37,344,042,681**	**4,705,808,402**	**3,312,185,990**	**2,787,042,812**	**1,556,120,897**	**49,705,200,782**

Land account pertains to the cost of land owned/controlled by the Authority for use of its airports, air strips, offices and facilities.

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. The account also includes K9 dogs donated to CAAP.

Construction in Progress account includes the costs of ongoing construction or rehabilitation projects of the Authority such as perimeter fences, asphalt of the runway, construction and repair of buildings, and other infrastructure assets in various CAAP airports and facilities.

12. DEFERRED TAX ASSETS

Deferred Tax Assets pertains to the amount of income tax recoverable in future periods arising from overpayment of income tax brought about by the recorded operating loss. The decrease is due to the utilization of the account balance for the payment of Minimum Corporate Income Tax equivalent to one per cent of gross income pursuant to National Internal Revenue Code of the Philippines, as amended.

13. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2021	2020 (As restated)
Deposits	**29,502,415**	23,707,227
Other Assets	**13,653,122**	13,653,122
	43,155,537	37,360,349

13.1 Breakdown of Deposits account is as follows:

	2021	2020
Deposit on Letters of Credit	**18,332,140**	18,332,140
Guaranty Deposits	**10,911,654**	5,375,087
Other Deposits	**258,621**	0
	29,502,415	23,707,227

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.

Other Deposits pertains to the deposit for the Energization of three units of 167 KVA transformer and the transfer of connection to existing primary metering in Butuan airport which will be refundable after the expiration of the contract.

13.2 Breakdown of Other Assets account is as follows:

	2021	2020 (As restated)
Deferred Charges	**13,653,122**	13,653,122
Other Assets	**2,167,477,213**	2,167,477,213
	2,181,130,335	2,181,130,335
Less: Accumulated Impairment Losses	**2,167,477,213**	2,167,477,213
	13,653,122	13,653,122

Deferred Charges includes payment to Federal Aviation Administration amounting to P10.150 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.

14. FINANCIAL LIABILITIES

This account consists of the following:

	2021	2020 (As restated)
Accounts Payable	**508,613,224**	788,718,644
Due to Officers and Employees	**52,109,722**	53,657,686
	560,722,946	**842,376,330**

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.

15. INTER-AGENCY PAYABLES

This account consists of the following:

	2021	2020 (As restated)
Due to National Government Agencies	**1,455,331,497**	1,094,948,919
Due to Bureau of Internal Revenue	**121,168,052**	103,484,983
Income Tax Payable	**16,868,580**	29,815,606
Due to Government Service Insurance System	**16,241,126**	11,436,689
Due to Philippine Health Insurance Corporation	**5,239,059**	4,318,710
Due to Home Development Mutual Fund	**5,064,686**	4,711,049
Due to Social Security System	**265,095**	267,553
Due to Government Corporations	**74,892**	48,936
Due to Local Government Units	**15,652**	15,652
Due to Treasurer of the Philippines	**0**	1,751,615
	1,620,268,639	1,250,799,712

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

	2021	2020
Funds from Department of Transportation (DOTr) for downloaded infrastructure projects	**1,368,098,591**	1,007,416,246
50 per cent portion from the sale of Land at Zamboanga International Airport by CAAP to the National Housing Authority (NHA)	**28,291,000**	28,291,000
Prior years' ATO account balances for undocumented/ unsupported transactions transferred to CAAP books	**50,472,589**	51,399,606
Funds received by ATO from DOTr for asphalt paving of runway shoulder at Kalibo Airport transferred to CAAP books with supporting documents	**5,000,000**	5,000,000
Others	**3,469,317**	2,842,067
	1,455,331,497	1,094,948,919

The increase in *Due to NGAs* account is due to fund transfers made by DOTr to CAAP for the implementation of downloaded infrastructure projects. While, the non-moving accounts are fund transfer carried over from ATO accounts subject for reconciliation with the concerned NGAs. The balance with the 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 25 per cent regular corporate income tax (RCIT) in compliance with RA No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) 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 one per cent of gross income as provided in the National Internal Revenue Code of the Philippines, as amended.

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

16. PROVISIONS

This account consists of the following:

	2021		2020 (As restated)	
	Current	**Non-Current**	Current	Non-Current
Leave Benefits Payable	**125,432,865**	**792,377,353**	122,241,443	772,408,537

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

17. TRUST LIABILITIES

This account consists of the following:

	2021	2020
Guaranty Deposits Payable	**179,029,244**	190,060,161
Customers' Deposits Payable	**7,857,033**	6,949,081
Trust Liabilities	**972,920**	972,920
	187,859,197	**197,982,162**

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

Customers' Deposits 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.

18. DEFERRED CREDITS

This account consists of the following:

	2021	2020 (As restated)
Other Unearned Revenue/Income	**226,225,301**	167,285,292
Output Tax	**150,490,477**	162,897,403
Other Deferred Credits	**10,849,849**	502,839
	387,565,627	330,685,534

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

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 Deferred Credits pertains to advance payment from Concessionaires/ Customers in Area Centers not yet earned as of December 31, 2021. The increase is due to payments from concessionaires prior to the approval of rental holidays to qualified concessionaires.

19. OTHER PAYABLES

Other Payables pertains to deductions from salaries due to loans from various institutions granted to 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 P38.420 million for CY 2021.

20. GOVERNMENT EQUITY

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

21. CONTRIBUTED CAPITAL

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

22. DEFICIT

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

23. DIVIDENDS

The Authority incurred a net loss of P2.709 million in CY 2020 which resulted in zero remittance of dividends.

24. CUMULATIVE CHANGES IN FAIR VALUE OF INVESTMENTS

Cumulative Changes in Fair Value of Investments pertains to the accumulated unrealized gain/loss 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 decreased by P3.735 million which includes insurance expenses of P2.751 million.

25. INCOME

This account consists of the following:

	2021	2020 (As restated)
Business Income	**2,791,601,303**	3,651,777,606
Service Income	**136,590,990**	70,229,466
Gains	**31,712,652**	0
Shares, Grants and Donations	**12,040,000**	0
	2,971,944,945	**3,722,007,072**

The decrease in income was due to travel restrictions and local regulations imposed during Community Quarantine brought about by 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:

	2021	2020 (As restated)
Income from Communication Facilities	**2,283,879,328**	2,554,744,327
Landing and Parking Fees	**179,428,365**	239,058,950
Transportation System Fees	**126,986,391**	638,852,310
Rent/Lease Income	**86,088,471**	52,210,906
Fines and Penalties - Business Income	**35,969,665**	8,871,948
Interest Income	**19,290,362**	93,664,753
Communication Network Fees	**5,460,773**	11,393,324
Other Business Income	**54,497,948**	52,981,088
	2,791,601,303	3,651,777,606

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.

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.

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.

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. The Rental Holiday was further extended up to December 31, 2021 for qualifying concessionaires.

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 was renewed for five years starting June 1, 2021 and the lessee shall pay on a monthly basis, the amount of P200.00 per square meter subject to an escalation rate of 5 per cent per annum. The lessee started to occupy the premises in June 2011.

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

	2021	2020
Not later than 1 year	**4,384,050**	86,537
Later than 1 year but not later than 5 years	**16,659,888**	0
	21,043,938	86,537

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 P8.000 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:

	2021	2020
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	**72,000,000**	80,000,000
	120,000,000	128,000,000

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. This includes interests for untimely remittances of DPSCs from airline carriers amounting to P27.694 million and P3.251 million in CY 2021 and CY 2020, respectively.

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. Due to non-renewal of investments, there was a decrease in the interest earned by the Authority.

Total interests earned on deposits and investments are as follows:

	2021	2020 (As restated)
Other Investments	**15,440,881**	59,891,192
Cash and Cash Equivalents	**3,849,481**	12,586,970
Financial Assets	**0**	21,186,591
	19,290,362	93,664,753

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 Air ground Data Link Stations at sites in the Philippines. It includes fees collected for the connection of telephone services and for the use of the facility.

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

	2021	2020 (As restated)
Vehicular Parking	**22,214,071**	17,069,011
Bid Documents	**12,108,416**	6,484,293
Weighing Conveyor and Check-in Charges	**10,704,376**	12,801,919
Aerobridge	**4,152,841**	9,619,450
Access Pass/ID	**2,105,217**	5,952,587
Garbage Collection	**1,753,865**	481,322
Records (authentication/photocopy/verification)	**730,086**	198,240
Aeronautical Information Publication (AIP)	**729,076**	374,266
	54,497,948	52,981,088

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

	2021	2020 (As restated)
Clearance & Certification Fees	**24,891,786**	11,686,366
Permit Fees	**14,785,688**	11,279,369
Licensing Fees	**10,535,590**	8,515,668
Fines and Penalties - Service Income	**2,970,877**	3,322,117
Other Service Income	**83,407,049**	35,425,946
	136,590,990	**70,229,466**

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. The increase is due to the lifting of temporary suspension in CY 2021 on the issuance of Certificate of Registration, Certificate of Airworthiness, Approved Training Organization Certificate, etc.

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

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

	2021	2020 (As restated)
Flight inspector Fee	**45,484,515**	6,017,529
Water/Electricity/Telephone/Cable	**28,232,879**	15,349,564
Medical Examination	**5,392,878**	8,181,633
Course Fee	**2,668,083**	529,393
Laboratory	**805,450**	1,164,452
Dental Examination	**354,220**	770,400
Energy Fee	**201,950**	3,262,612
Administration Fee	**143,974**	26,568
Medical Procedures/Treatment	**30,000**	7,300
Inspection Fee	**29,850**	72,345
Change Form	**26,900**	20,000
Transfer Fee	**18,300**	13,200
De-Registration	**18,050**	10,550
Change of Company Name	**0**	400
	83,407,049	35,425,946

The increase in *Flight Inspector Fee* is due to the surge of approved request for inspection from airline operators.

Gains consists of the amount of gain in the conversion of foreign currency in accordance with paragraph 23 of Philippine Accounting Standards (PAS) 21.

Shares, Grants and Donations pertains to K9 dogs donated by various donors to CAAP.

26. ASSISTANCE AND SUBSIDIES

This account consists of the following:

Assistance from Department of Budget and Management to cover for the operating requirements of CAAP in FY 2021	**1,533,190,000**
Asphalt Overlay of Runway, Widening of Runway, Construction of CHB Fence and Relocation of runway lights in Cotabato Airports from DOTr	**129,616,452**
	1,662,806,452

27. PERSONNEL SERVICES

This account consists of the following:

	2021	2020 (As restated)
Salaries and Wages	**1,369,722,360**	1,400,790,193
Other Compensation		
Year End Bonus	**114,275,800**	115,702,304
Mid-Year Bonus	**113,045,325**	116,023,890
Overtime and Night Pay	**69,227,350**	124,837,638
Personnel Economic Relief Allowance	**68,608,407**	70,598,216
Hazard Pay	**53,847,444**	58,763,257
Clothing/Uniform Allowance	**17,124,000**	16,899,587
Cash Gift	**14,023,500**	14,484,397
Representation Allowance	**7,776,625**	8,163,750
Transportation Allowance	**7,297,541**	7,731,120
Honoraria	**2,472,572**	2,825,870
Productivity Incentive Allowance	**515,000**	2,171,000
Longevity Pay	**212,699**	290,000
Subsistence, Laundry and Quarter Allowance	**192,367**	202,500
Other Bonuses and Allowances	**42,298,894**	49,517,087
	510,917,524	588,210,616
Personnel Benefit Contributions		
Retirement and Life Insurance Premiums	**162,177,884**	164,812,812
PHILHEALTH Contributions	**18,723,777**	18,754,505
Pag-IBIG Contributions	**3,748,496**	3,492,683
Employees Compensation Insurance Premiums	**3,464,353**	3,573,812
	188,114,510	190,633,812
Other Personnel Benefits		
Terminal Leave Benefits	**125,432,865**	122,241,443
	2,194,187,259	2,301,876,064

28. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2021	2020 (As restated)
General Services	**1,191,355,709**	1,129,197,005
Professional Services	**345,230,528**	336,860,651
Utility Expenses	**319,158,955**	305,901,754
Repairs and Maintenance	**278,989,524**	205,037,909
Supplies and Materials Expenses	**183,242,076**	214,567,792
Taxes, Insurance Premiums and Other Fees	**78,487,141**	80,150,587
Communication Expenses	**61,017,771**	68,198,733
Traveling Expense	**25,328,778**	26,888,546
Confidential, Extraordinary and Miscellaneous Expenses	**15,370,126**	15,346,416
Training Expenses	**10,680,517**	6,529,562
Other Maintenance and Operating Expenses	**107,003,284**	146,643,721
	2,615,864,409	2,535,322,676

28.1 Breakdown of *General Services* is as follows:

	2021	2020 (As restated)
Janitorial and Other General Services	**882,144,760**	757,081,001
Security Services	**309,210,949**	372,116,004
	1,191,355,709	1,129,197,005

29. FINANCIAL EXPENSES

This account consists of the following:

	2021	2020 (As restated)
Bank Charges	**197,320**	124,962
Other Financial Charges	**4,544,003**	19,439,168
	4,741,323	19,564,130

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:

	2021	2020 (As restated)
Depreciation	**1,064,772,182**	1,458,134,573
Impairment	**53,800,758**	45,193,825
Loss on Foreign Exchange	**49,546,804**	40,696,005
Loss of Assets	**430,000**	0
	1,168,549,744	1,544,024,403

30.1 Breakdown of *Depreciation* is as follows:

	2021	2020 (As restated)
Land Improvements and Infrastructure Assets	**392,822,647**	758,290,861
Buildings and Other Structures	**168,195,554**	210,224,558
Furniture and Equipment	**503,753,981**	489,619,154
	1,064,772,182	1,458,134,573

30.2 Breakdown of Impairment is as follows:

	2021	2020 (As restated)
Inter-Agency Receivables	**27,812,026**	0
Loans and Receivables	**20,201,414**	35,662,694
Lease Receivables	**5,787,318**	758,308
Other Receivables	**0**	8,772,823
	53,800,758	45,193,825

The Authority recognized full provision of impairment for 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 PAS 21. A foreign exchange rate difference of P2.976, P48.023 in 2020 and P50.999 in 2021, was used in recognizing foreign exchange loss for CY 2021.

Loss of Assets pertains to the death of a K9 dog in Area 12 used for security checking.

31. INCOME TAX EXPENSE

The income tax expense pertains to the Authority's current tax liability based on 25 per cent Regular Corporate Income Tax. 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 equivalent to one per cent of gross income as provided in the National Internal Revenue Code of the Philippines, as amended by RA No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act.

32. NET OPERATING LOSS CARRY OVER

CAAP has incurred an operating loss for CY 2021 amounting to P1.406 billion which will be carried forward as a deduction within five 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 2020 financial statements were restated to reflect the following transactions/adjustments:

CY 2019 errors discovered in 2020 & 2021

	December 31, 2019 (As previously reported)	Restatement/ Adjustment	January 1, 2020 (As restated)
STATEMENT OF FINANCIAL POSITION			
Cash and Cash Equivalents	**5,772,358,336**	**95,134**	**5,772,453,470**
Correction of an erroneous entry to record income tax payment		*95,134*	
Receivables, net	**3,608,359,389**	**90,026,429**	**3,698,385,818**
Loans and Receivables, net	**3,365,710,778**	**(34,011,438)**	**3,331,699,340**
Unrecorded prior years' income/receivables		*56,110,501*	
Reclassification of Accounts Receivable to Operating Lease Receivable account		*(128,232,947)*	
Reclassification of prior years' allowance for impairment from Accounts Receivable to Operating Lease Receivable		*1,482,099*	
Adjustment of prior years' allowance for impairment		*36,628,909*	
Lease Receivables, net	**1,407,927**	**126,882,248**	**128,290,175**
Unrecorded prior years' income/receivables		*131,400*	
Reclassification from the Accounts Receivable account		*128,232,947*	
Reclassification of prior years' allowance for impairment from Accounts Receivable		*(1,482,099)*	

	December 31, 2019 (As previously reported)	Restatement/ Adjustment	January 1, 2020 (As restated)
Other Receivables, net	**178,764,848**	**(2,844,381)**	**175,920,467**
Cancellation of DSA billings due to cancelled flight inspections		*(3,902,762)*	
Recognition of audit disallowances of prior years' expenses		*1,293,288*	
Liquidation of prior years' cash advances of flight inspector		*(234,907)*	
Inventories	**102,278,366**	**711,472**	**102,989,838**
Inventories erroneously classified as expense		*781,532*	
Unrecorded prior years' inventory issuances		*(70,060)*	
Other Current Assets	**110,230,952**	**(11,813,835)**	**98,417,117**
Liquidation of prior years' cash advances		*(3,034,067)*	
Overstatement in recording prior years' input tax		*(8,732,201)*	
Correction of an erroneous entry to record income tax payment		*(47,567)*	
Property, Plant and Equipment	**50,808,612,344**	**(16,854,993)**	**50,791,757,351**
Correction of prior years' expenses erroneously classified as PE		*(5,466,031)*	
Property and equipment erroneously recorded as expense		*1,336,029*	
Adjustments in prior years' depreciation		*(13,283,379)*	
Net book value of donated asset		*505,000*	
Reclassification of identified ATO asset from Other Assets account		*53,388*	
Other Non-Current Assets	**36,927,725**	**0**	**36,927,725**
Impairment reversal of previously impaired ATO asset		*53,388*	
Reclassification of identified ATO asset to PE		*(53,388)*	
Financial Liabilities	**1,137,270,408**	**(45,455,171)**	**1,091,815,237**
Reversion of long outstanding payables		*(27,753,121)*	
Overstatement in recording prior years' expenses/payables		*(18,862,756)*	
Unrecorded prior years' expenses/payables		*729,572*	
Unrecorded prior years' salaries and allowances		*434,134*	
Imposition of liquidated damages		*(3,000)*	
Inter-Agency Payables	**2,361,377,915**	**12,738**	**2,361,390,653**
Overstatement in recording prior years' expenses/payables		*(10,137)*	
Unrecorded prior years' salaries and allowances		*22,875*	

	December 31, 2019 (As previously reported)	Restatement/ Adjustment	January 1, 2020 (As restated)
Deferred Credits	**281,005,934**	**34,549,237**	**315,555,171**
Recognition of Output Tax from revenues		*34,549,237*	
Other Payables	**108,722,101**	**(8,013)**	**108,714,088**
Overstatement in recording prior years' expenses/payables		*(8,013)*	
Retained Earnings (Deficit)	**(10,555,445,240)**	**73,065,416**	**(10,482,379,824)**
Unrecorded prior years' income/receivables		*56,241,901*	
Cancellation of DSA billings due to cancelled flight inspections		*(3,902,762)*	
Recognition of audit disallowances of prior year's expenses		*1,293,288*	
Unrecorded prior years' liquidation of cash advances of flight inspectors		*(234,907)*	
Adjustment of prior years' allowance for impairment		*36,628,909*	
Inventories erroneously classified as expense		*781,532*	
Unrecorded prior years' inventory issuances		*(70,060)*	
Unrecorded prior years' liquidation of cash advances		*(3,034,067)*	
Overstatement in recording prior years' input tax		*(8,732,201)*	
Correction of an erroneous entry to record income tax payment		*47,567*	
Correction of prior years' expenses erroneously classified as PE		*(5,466,031)*	
Property and equipment erroneously recorded as expense		*1,336,029*	
Income from donated asset		*505,000*	
Adjustments in prior years' depreciation		*(13,283,379)*	
Impairment reversal of previously impaired ATO asset		*53,388*	
Reversion of long outstanding payables		*27,753,121*	
Overstatement in recording prior years' expenses/payables		*18,880,906*	
Unrecorded prior years' expenses/payables		*(729,572)*	
Unrecorded prior years' salaries and allowances		*(457,009)*	
Imposition of liquidated damages		*3,000*	
Recognition of Output Tax from revenues		*(34,549,237)*	

CY 2020 errors discovered in 2021

	December 31, 2020 (As reported/ adjusted)	Restatement/ Adjustment	December 31, 2020 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net	**3,342,562,396**	**62,723,860**	**3,405,286,256**
Loans and Receivables, net	**3,006,024,826**	**42,109,744**	**3,048,134,570**
Unrecorded CY 2020 income/receivables		*80,334,216*	
Overstatement in recording CY 2020 income/receivables		*(21,697,730)*	
Unrecorded interest income		*78,008*	
Adjustment of CY 2020 allowance for impairment		*1,744,356*	
Reclassification of CY 2020 Accounts Receivables to Operating Lease Receivables account		*(19,107,414)*	
Reclassification of CY 2020 allowance for impairment from Accounts Receivable to Operating Lease Receivable		*758,308*	
Lease Receivables, net	**127,560,462**	**18,365,231**	**145,925,693**
Unrecorded CY 2020 income/receivables		*16,125*	
Reclassification from the Accounts Receivable account		*19,107,414*	
Reclassification of CY 2020 allowance for impairment from Accounts Receivables		*(758,308)*	
Other Receivables, net	**151,276,507**	**2,248,885**	**153,525,392**
Unrecorded CY 2020 income/receivables		*2,100,511*	
Recognition of audit disallowances		*3,550*	
Liquidation of cash advances of flight inspectors		*(22,003)*	
Overpayment of expenses		*166,827*	
Inventories	**116,756,129**	**(3,858,249)**	**112,897,880**
Inventories erroneously classified as expense		*1,023,352*	
Unrecorded CY 2020 inventory issuances		*(4,840,605)*	
Correction of inventory issuance erroneously charged in Property and Equipment		*(40,996)*	
Other Current Assets	**325,892,810**	**272,429**	**326,165,239**
Liquidation of cash advances		*(1,438,400)*	
Recognition of input tax for CY 2020 expenses		*1,710,829*	

	December 31, 2020 (As reported/ adjusted)	Restatement/ Adjustment	December 31, 2020 (As restated)
Property, Plant and Equipment	**50,088,496,229**	**88,609,523**	**50,177,105,752**
Property and equipment erroneously recorded as expense		*14,596,676*	
Correction of prior years' expenses erroneously classified as Property and Equipment		*(4,501,680)*	
Adjustments in CY 2020 depreciation expense		*78,473,531*	
Unrecorded CY 2020 completed infrastructure projects		*295,935,300*	
Reclassification of completed infrastructure projects to proper PE accounts		*(295,935,300)*	
Reclassification of CY 2020 accumulated depreciation - from Land Improvements to Buildings and Other Structures		*1,532,884*	
Reclassification of CY 2020 accumulated depreciation - from Land Improvements to Machinery and Equipment		*845,881*	
Reclassification of CY 2020 accumulated depreciation - from Land Improvements to Buildings and Other Structures and Machinery and Equipment		*(2,378,765)*	
Correction of inventory issuance erroneously charged in Property and Equipment		*40,996*	
Financial Liabilities	**765,120,548**	**77,255,782**	**842,376,330**
Imposition of liquidated damages		*(10,401)*	
Overstatement in recording CY 2020 expenses/payables		*(9,439,288)*	
Unrecorded CY 2020 expenses and payables		*80,046,202*	
Unrecorded salaries, allowances and bonuses		*6,659,269*	
Inter-Agency Payables	**1,252,708,009**	**(1,908,297)**	**1,250,799,712**
Overstatement in recording CY 2020 expenses/payables		*(719)*	
Unrecorded CY 2020 salaries, allowances and bonuses		*31,471*	
Adjustment of CY 2020 income tax expense		*(1,939,049)*	
Provisions (Current)	**119,649,358**	**2,592,085**	**122,241,443**
Understatement in recording CY 2020 terminal leave benefits		2,592,085	
Equity	**56,803,148,463**	**69,807,993**	**56,872,956,456**
Retained Earnings	**(19,260,179,864)**	**69,807,993**	**(19,190,371,871)**

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, 2020 balances, as adjusted, are CY 2020 balances as previously reported including CY 2019 errors discovered in 2020 and 2021.

34. RESTATEMENT OF CY 2020 COMPREHENSIVE LOSS

Net Loss (As previously reported)		**2,778,403,800**
Adjustments to Net Income		
Unrecorded CY 2020 income/receivables	82,450,852	
Overstatement in recording CY 2020 income/receivables	(21,697,730)	
Unrecorded Interest Income	78,008	
Unrecorded income from imposed liquidated damages	10,401	60,841,531
Expenses:		
Recognition of audit disallowances	3,550	
Unrecorded expenses from liquidation of cash advances of flight inspectors	(22,003)	
Overpayment of expenses	166,827	
Adjustment of CY 2020 allowance for impairment	1,744,356	
Inventories erroneously classified as expense	1,023,352	
Unrecorded CY 2020 inventory issuances	(4,840,605)	
Liquidation of cash advances	(1,438,400)	
Recognition of input tax for CY 2020 expenses	1,710,829	
Property and equipment erroneously recorded as expense	14,596,676	
Correction of prior years' expenses erroneously classified as property and equipment	(4,501,680)	
Adjustments in CY 2020 depreciation expense	78,473,531	
Overstatement in recording CY 2020 expenses/payables	9,440,007	
Unrecorded CY 2020 expenses and payables	(80,046,202)	
Unrecorded salaries, allowances and bonuses	(6,690,740)	
Understatement in recording CY 2020 terminal leave benefits	(2,592,085)	7,027,413
Income Tax Expense:		
Adjustment of CY 2020 income tax expense		1,939,049
Net Adjustments to Net Income		69,807,993
Net Loss (As restated)		**2,708,595,807**

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 (Dollar)	145,698,511
Cash in Bank - Time Deposits (Dollar)	409,789,714
	555,488,225

Foreign Currency Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the Authority's income before tax for the years ended December 31, 2021 and 2020 (due to changes in the fair value of financial assets and liabilities). There is no other impact on the Authority's equity other than those already affecting profit or loss.

Currency	**Increase (Decrease) in Exchange Rate**	**Effect on Income tax before tax**	
		2021	**2020**
USD	+2.976	(32,415,007)	(58,417,270)
	-2.976	32,415,007	58,417,270
Increase in Exchange Rate		(32,415,007)	(58,417,270)
Decrease in Exchange Rate		32,415,007	58,417,270

Interest Rate Risk

The Authority's exposure to the risk of changes in interest rates relates primarily to the Authority's bank accounts as of December 31, 2021 and 2020, these amounted to P3.897 billion and P3.472 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 risk 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, 2021 and 2020.

December 31, 2021

	Neither past due nor impaired					
	High grade	Standard grade	Substandard grade	Past due but not impaired	Impaired	Total
Cash and Cash Equivalents	4,313,117,305	0	0	0	0	4,313,117,305
Other Investments	1,207,274,594	0	0	0	0	1,207,274,594
Receivables	0	3,152,842,723	0	0	1,724,755,374	4,877,598,097
Deposits	11,170,275	0	0	18,332,140	0	29,502,415
	5,531,562,174	**3,152,842,723**	**0**	**18,332,140**	**1,724,755,374**	**10,427,492,411**

December 31, 2020

	Neither past due nor impaired					
	High grade	Standard grade	Substand ard grade	Past due but not impaired	Impaired	Total
Cash and Cash Equivalents	4,426,378,073	0	0	0	0	4,426,378,073
Other Investments	1,798,319,225	0	0	0	0	1,798,319,225
Receivables		3,405,286,256	0	0	1,671,359,722	5,076,645,978
Deposits	5,375,087	0	0	18,332,140	0	23,707,227
	6,230,072,385	**3,405,286,256**	0	**18,332,140**	**1,671,359,722**	**11,325,050,503**

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, 2021 and 2020 based on contractual undiscounted payments.

December 31, 2021

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Financial Liabilities	560,722,946	0	0	0	560,722,946
Inter-Agency Payables*	1,455,331,497	0	0	0	1,455,331,497
Trust Liabilities	0	0	0	187,859,197	187,859,197
Other Payables	0	0	0	62,802,680	62,802,680
	2,016,054,443	0	0	250,661,877	2,266,716,320

**Excludes government dues and remittances*

December 31, 2020

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Financial Liabilities	842,376,330	0	0	0	842,386,731
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	54,737,034	54,737,034
	1,937,335,650	0	0	252,719,196	2,190,054,846

**Excludes government dues and remittances*

36. CONTINGENCIES

Due to the enactment of RA No. 9497, otherwise known as the Civil Aviation Authority Act of 2008, the Authority has been handling numerous cases which were instituted when Air Transportation Office (ATO) was still existing under the law.

This is pursuant to Section 85 of the same law which provides that all assets, real and personal properties, funds, and revenues owned by or vested in the different offices of the ATO are transferred to the Authority. All contracts, records, and documents relating to the operations of the abolished agency and its offices and branches are likewise transferred to the Authority. Any real property owned by the national government or government-owned corporation or authority which is being used and utilized as an office or facility by the ATO shall be transferred and titled in favor of the Authority.

Lawsuits or claims against CAAP which are related to land and/or properties that were used for airport projects and expansion are filed before regular courts or under negotiation or compromise agreement. The cases involved are as follows:

a. Expropriation or Payment of Just Compensation;
b. Reconveyance;
c. Reconstitution of Title;
d. Ejectment;
e. Recovery of Ownership or Possession;
f. Petition for Certiorari, Prohibition, and/or Mandamus;
g. Petition for Cancellation of Decree;
h. Petition for Injunction; and
i. Quieting of Title.

In the interim, no provision of any liability that may result from these cases has been recognized in the Financial Statements of CAAP since the outcome of the same is not yet ascertainable.

37. SUPPLEMENTARY INFORMATION ON TAXES

The total taxes withheld during the year by the Head Office and Area Centers amounted to P432.857 million, of which P445.679 million were remitted as follows:

	Restated Beginning Balance 2021	Adjustments During the Year	Tax Withheld	Tax Remitted	Balance, December 31, 2021
Tax on Compensation	62,550,294	11,059,730	191,326,196	197,571,420	67,364,980
Creditable Withholding Tax	15,821,909	(3,327,014)	65,952,828	68,039,396	10,408,327
Final Withholding Tax	25,112,780	22,772,143	175,578,440	180,068,618	43,394,745
	103,484,983	**30,504,859**	**432,857,464**	**445,679,254**	**121,168,052**

OUTPUT TAX

	2021
Beginning Balance	162,897,403
Output Tax Recognized during the year	64,891,018
Output Tax Claimed/Collected during the year	(77,297,944)
Ending Balance	**150,490,477**

Zero-Rated Sales recognized during the year amount to P2.489 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 Sec. 108 of the Tax Code, as amended); Thus, International Air Navigational Charges to Air Operators are subject to Zero-Rated VAT.

INPUT TAX

	2021
Beginning Balance	158,814,837
Input Tax on Current Year Purchases	437,575,882
Claims for Credit	(225,153,872)
Adjustments	(174,803,654)
Ending Balance	**196,433,193**

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.

38. TAX ASSESSMENTS AND CASES

On September 21, 2021, CAAP received an electronic Letter of Authority from the Bureau of Internal Revenue (BIR) Revenue District Office No. 051 - Pasay City for the examination of its books of accounts and other accounting records for the period January 1, 2020 to December 31, 2020 pursuant to eLA201700067059 AUDM20-051-2021-004402.

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