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.

The Reorganization Team has conducted consultation meetings with all services, independent departments and Area Centers. Meanwhile, continuing communication programs are being implemented in both print and digital platforms.

At present, the Authority is reviewing a proposed 7,060 plantilla of personnel to handle the Authority's core functions with the goal of having a structure that is not only responsive to the demands of the global and domestic aviation industry, but also, aligned with the right-sizing of the government bureaucracy as mandated by President Ferdinand Marcos Jr.

To streamline the operations of the Authority, the management implemented an 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	Bohol-Panglao	5
CLUSTER 3		
Area 5	Bicol	8
Area 8	Tacloban	10
Area 12	Butuan	5
CLUSTER 4		
Area 9	Pagadian	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, 2022, 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. CAAP and Bangsamoro Airport Authority (BAA) agree that the transition period is January 2021 to December 31, 2022. The Official Turnover Date of all assets, powers and functions to the BAA pertaining to the landside operations of the airports shall be on January 1, 2023. 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 2022 Financial Statements

The financial statements of CAAP for the years ended December 31, 2022 and 2021 were approved and authorized for issue by the Chairman of the Board of Directors on June 7, 2023, 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 2022 that are relevant to CAAP

The new and amended PFRS which are effective for the year ended December 31, 2022 and have been applied in preparing the financial statements are summarized below.

- 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 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.

b. Effective in 2022 that are not relevant to CAAP

- 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 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 PFRSs.

- 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.

c. New and amended PFRS issued but not yet effective

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 aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or will apply it when they apply IFRS 17.

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.

Adoption of International Public Sector Accounting Standard (IPSAS) 32 - Service Concession Arrangements - Grantor

- PPSAS 32 sets out the accounting requirements of the grantor in a service concession arrangement. The Standard was adopted in the absence of a specific PFRS to address the specific transactions of the Authority pursuant to Paragraph 10 to 12 of PAS 8.

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 amortized 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.

<u>Impairment of financial assets</u>

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.

Assets provided by operators in a service concession arrangement which satisfy the requirements of IPSAS 32 are recognized as service concession assets and are initially measured at fair value. Meanwhile, existing assets of the grantor which meets the conditions set under IPSAS 32 are reclassified as service concession assets. Service concession assets are depreciated based on the existing depreciation policy of the Authority.

Impairment of Non-financial Assets

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

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

Derecognition of Non-financial Assets

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

Financial Liabilities and Equity Instruments

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

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

Financial Liabilities

<u>Initial recognition</u>

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.

Deferred Credits/Unearned Revenue/Income

Liabilities resulting from the recognition of assets from operators under service concession arrangements are recognized as deferred revenue and are initially measured based on the fair value of the assets recognized. Subsequently, the recognized liability is amortized on a straight-line basis over the economic substance of the service concession arrangement.

Liabilities arising from transfer of properties from other government entities are recognized as deferred revenue and are initially measured based on the fair value of the assets recognized. Subsequently, the recognized liability is amortized on a straight-line basis over the useful life of the asset, except land.

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 of receivable services provided in the normal course of business.

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

<u>Rendering of Services</u>

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

- the amount of revenue can be measured reliably;

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

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

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

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 the 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.

The increase in capitalization threshold of Property and Equipment from P15,000 to P50,000 shall be considered as change in Accounting policy and shall be applied retrospectively pursuant to COA Circular No. 2022-004 dated May 31, 2022.

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:

	2022	2021
Current Account - Peso	**4,488,780,561**	3,615,298,743
Time Deposit - Dollar	**557,550,000**	409,789,714
Time Deposit - Peso	**500,000,000**	0
Savings Account - Dollar and Peso	**472,769,008**	281,267,868
Cash on Hand (Collecting officers / Petty cash)	**9,539,298**	6,760,980
	6,028,638,867	4,313,117,305

Foreign currency deposits were translated into Philippine Peso using the Bankers Association of the Philippines closing rates of P55.755 and P50.999 to US$1.00 as of December 31, 2022 and 2021, respectively. The increase in *Cash and Cash Equivalents* is due to the increase in revenue brought about by the lifting of travel restrictions, along with the efficient collection of receivables during the year.

7. FINANCIAL ASSETS

This account pertains to placements of Treasury Bills amounting to P 1.187 billion with interest rates ranging from 3.7 per cent to 4.2 per cent and a maturity period ranging from 93 days to 174 days. Interests amounting to P7.245 million were earned and rolled over to the account during the year.

8. OTHER INVESTMENTS

This account consists of the following:

	2022	2021
Current		
Investment in Time Deposits - Local Currency	**424,043,129**	668,044,206
Non-Current		
Other Investments	**472,544,188**	539,230,388
	896,587,317	1,207,274,594

Investment in Time Deposits - Local Currency are measured at amortized cost. The decrease is due to the maturity and the subsequent non-renewal of the investment.

Other Investments refers to investments that are managed by the United Coconut Planter's Life Assurance Corporation, otherwise known as 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 fair value through other comprehensive income. The decrease is due to the claim for death benefit over the life insurance policies of CAAP over its key men, as part of the Authority's investment program.

9. RECEIVABLES

This account consists of the following:

	2022	2021 (As Restated)
Loans and Receivable		
Accounts Receivable	**5,783,176,269**	5,032,574,503
Interests Receivable	**22,493,982**	22,668,048
	5,805,670,251	5,055,242,551
Allowance for Impairment	**(1,631,271,934)**	(1,622,400,682)
	4,174,398,317	3,432,841,869
Lease Receivables		
Operating Lease Receivable	**305,534,721**	193,021,325
Allowance for Impairment	**(10,818,580)**	(9,122,317)
	294,716,141	183,899,008
Inter-Agency Receivables		
National Government Agencies (NGAs)	**70,503,172**	80,093,426
Local Government Units (LGUs)	**4,930,170**	4,930,170
Due from Government-Owned or Controlled Corporations (GOCCs)	**2,849,616**	0
	78,282,958	85,023,596
Allowance for Impairment	**(29,098,887)**	(29,098,887)
	49,184,071	55,924,709
Other Receivables		
Receivables-Disallowances/Charges	**97,961,288**	102,871,212
Insurance Claims Receivable	**62,500,000**	0
Due from Officers and Employees	**477,282**	464,238
Others	**58,867,648**	58,441,965
	219,806,218	161,777,415
Allowance for Impairment	**(9,207,320)**	(9,207,320)
	210,598,898	152,570,095
	4,728,897,427	3,825,235,681

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. The return of normal flight operations in various airports results in the increase of recorded income and receivables.

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 2022 and 2021 is shown below.

	2022	2021 (As Restated)
Beginning Balance	**1,622,400,682**	1,618,157,266
Impairment loss during the year	**8,871,252**	4,378,162
Accounts Written-off	**0**	(134,746)
	1,631,271,934	1,622,400,682

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 ten years. The lessee renewed its contract of lease on June 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 ten per cent per annum. The non-imposition of rental-holiday as authorized in CY 2020 to CY 2021 resulted in the increase in the account.

A reconciliation of the allowance for impairment on Lease Receivables at the beginning and end of 2022 and 2021 is shown below.

	2022	2021 (As Restated)
Beginning Balance	**9,122,317**	3,334,999
Impairment loss during the year	**1,696,263**	5,787,318
	10,818,580	9,122,317

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. The decrease is due to the refund made by Procurement Service - Department of Budget and Management amounting to P10.1 million.

Due from LGUs pertains to fund transfers to the provincial government of Misamis Oriental for the development of the Laguindingan Airport. Full provision for impairment for this account has been made.

Due from GOCCs pertains to fund transfers to APO Production Unit Inc. for the printing of VAT Registered Accountable Forms.

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

Insurance Claims Receivable refers to the amount due to CAAP arising out of its death benefit claim from COCOLIFE due to the untimely death of one of its key men, as part of the investment program of CAAP.

Others pertains to unliquidated cash advances of CAAP employees/disbursing officers who are separated, retired, resigned, and/or deceased. No provision for impairment was recognized for CY 2022. The account also includes unpaid charges from operators for daily subsistence allowances of authorized officers and employees conducting inspections.

10. INVENTORIES

This account consists of the following:

	2022	2021 (As Restated)
Inventories held for consumption		
Fuel, Oil and Lubricants Inventory	**40,961,095**	24,998,877
Accountable Forms, Plates and Stickers Inv.	**22,991,956**	26,463,592
Office Supplies Inventory	**21,931,980**	21,666,956
Housekeeping/Cleaning Supplies	**1,703,902**	1,539,599
Medical, Dental & Lab. Supplies Inv.	**1,501,923**	6,905,921
Construction Materials Inventory	**1,401,751**	595,543
Electrical Supplies and Materials Inventory	**630,781**	425,803
Drugs & Medicines Inventory	**501,406**	175,053
Non-Accountable Forms Inventory	**21,003**	21,003
Other Supplies and Materials Inventory	**61,996,707**	67,334,677
	153,642,504	150,127,024
Semi-Expendable Machinery and Equipment		
Semi-Expendable Information and Communication Technology Equipment	**1,966,605**	585,473
Semi-Expendable Office Equipment	**1,481,907**	943,347
Semi-Expendable Electrical Equipment	**512,878**	160,847
Semi-Expendable Communication Equipment	**495,337**	54,786
Semi-Expendable Disaster Response and Rescue Equipment	**400,607**	21,518
Semi-Expendable Construction and Heavy Equipment	**138,552**	47,430
Semi-Expendable Medical Equipment	**96,918**	163,684
Semi-Expendable Airport Equipment	**60,714**	0
Semi-Expendable Other Machinery and Equipment	**1,580,996**	1,589,926
	6,734,514	3,567,011
Semi-Expendable Furniture and Fixtures		
Semi-Expandable Furniture and Fixtures	**3,047,344**	6,562,161
	3,047,344	6,562,161
	163,424,362	160,256,196

Semi-Expendable Machinery and Equipment/Furniture and Fixtures refer to tangible assets with a cost below P50,000 but not less than P15,000. The increase is due to the implementation of COA Circular No. 2022-004 dated May 31, 2022, increasing the capitalization threshold from P15,000 to P50,000.

11. OTHER CURRENT ASSETS

This account consists of the following:

	2022	2021 (As Restated)
Prepayments	**738,027,221**	687,824,485
Advances	**7,364,499**	2,805,414
	745,391,720	690,629,899

11.1 Breakdown of *Prepayments* account is as follows:

	2022	2021 (As Restated)
Creditable Input Tax	**328,413,634**	295,739,825
Input Tax	**223,185,976**	202,160,397
Withholding Tax at Source	**47,417,196**	27,495,172
Prepaid Insurance	**26,111,770**	12,878,169
Advances to Contractors	**7,219,967**	7,930,432
Other Prepayments	**105,678,678**	141,620,490
	738,027,221	687,824,485

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 paid to GSIS for the insurance of CAAP properties. The increase was due to the shift of insurance policy with regards to the Authority's properties, from a maximum of two billion coverage to full coverage.

Advances to Contractors pertains to advances for mobilization funds of contractors.

Other Prepayments refers to advance payments for the provision of aviation fuel for aircrafts and diesel fuel for generators of CAAP.

11.2 Breakdown of *Advances* account is as follows:

	2022	2021 (As Restated)
Advances to Special Disbursing Officer	**4,769,400**	1,207,129
Advances to Officers & Employees	**1,524,600**	527,786
Advances for Payroll	**1,070,499**	1,070,499
	7,364,499	2,805,414

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

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

12. PROPERTY AND EQUIPMENT

This account consists of the following:

	Land	**Land Improvements**	**Buildings and Other Structures**	**Furniture and Equipment**	**Service Concession Assets**	**Construction in Progress**	**TOTAL**
Balance, December 31, 2021							
Cost	36,721,386,073	30,695,867,811	6,148,469,583	6,647,462,867	306,151,060	642,888,144	81,162,225,538
Accumulated Depreciation/ Adjustment	0	(22,929,790,063)	(2,458,212,793)	(3,874,302,318)	(169,456,019)	0	(29,431,761,193)
Net Carrying Amount December 31,2021 (As restated)	**36,721,386,073**	**7,766,077,748**	**3,690,256,790**	**2,773,160,549**	**136,695,041**	**642,888,144**	**51,730,464,345**
Cost:							
Balance, January 1, 2022	36,721,386,073	30,695,867,811	6,148,469,583	6,647,462,867	306,151,060	642,888,144	81,162,225,538
Additions/Acquisition	10,121,800	3,578,538,544	1,454,639,153	102,619,154	0	34,206,033	5,180,124,684
Adjustments/Disposal	0	0	(11,150,250)	(430,000)	0	0	(11,580,250)
Balance, December 31, 2022	36,731,507,873	34,274,406,355	7,591,958,486	6,749,652,021	306,151,060	677,094,177	86,330,769,972
Accumulated Depreciation:							
Balance, January 1, 2022	0	22,929,790,063	2,458,212,793	3,874,302,318	169,456,019	0	29,431,761,193
Depreciation Expense	0	773,896,754	206,988,160	421,880,955	1,969,930	0	1,404,735,799
Adjustments/Disposal	0	0	(3,636,879)	0	0	0	(3,636,879)
Balance, December 31, 2022	0	23,703,686,817	2,661,564,074	4,296,183,273	171,425,949	0	30,832,860,113
Balance, December 31, 2022							
Cost	36,731,507,873	34,274,406,355	7,591,958,486	6,749,652,021	306,151,060	677,094,177	86,330,769,972
Accumulated Depreciation	0	(23,703,686,817)	(2,661,564,074)	(4,296,183,273)	(171,425,949)	0	(30,832,860,113)
Net Carrying Amount December 31, 2022	**36,731,507,873**	**10,570,719,538**	**4,930,394,412**	**2,453,468,748**	**134,725,111**	**677,094,177**	**55,497,909,859**

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. The increase was due to the CNS-ATM transferred by DOTr in June 2022.

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.

Service Concession Assets pertains to property and equipment under service concession arrangements.

Caticlan Airport Development Project under Service Concession Arrangement

On June 22, 2009, the Government of the Republic of the Philippines, acting through the Department of Transportation and Communications (now Department of Transportation) and the Civil Aviation Authority of the Philippines, the “Grantor”, has entered into a Service Concession Agreement (SCA) with Caticlan International Airport and Development Corporation, now Trans Air Development Holding Corporation (TADHC), the “Operator”, to rehabilitate and operate the Caticlan Airport.

Under the terms of the SCA, the Operator will finance the cost to construct and rehabilitate the Caticlan Airport and in return, it can charge the users a terminal fee based on the provisions of the SCA. The concession period is for twenty five (25) years, and may be renewed or extended for another twenty five (25) years.

The Grantor is responsible for:

1. Regulating the Terminal Fee, based on the SCA, that can be charged to its customers;
2. Approving the Drawing and Design of the Rehabilitation Plan;
3. Assisting the Operator in obtaining consents and exemptions for the importation and transport of equipment as well as compliance with regulations;
4. Providing the Operator an access to existing assets of the Caticlan Airport for use in the airport operation; and
5. Monitoring the Operator’s plans and programs for the development, rehabilitation, construction, and completion of the Project.

The Operator is responsible for:

1. Preparing the Drawing and Design of the Rehabilitation Plan;
2. Constructing, supplying, completing, and commissioning the Caticlan Airport;
3. Financing the cost of rehabilitation and operation of the Caticlan Airport;
4. Obtaining consent from Competent Authority for the removal of buildings, structures, and other impediments at the site;

5. Paying the Grantor a Concession Fee of Eight Million Pesos (P8,000,000.00) annually;
6. Providing a Right of Way Fund for the acquisition of land/site; and
7. Ensuring a safe and secure environment within the Caticlan Airport.

The increase in the *Land*, *Land Improvements, Buildings and Other Structures and Furniture and Equipment* accounts is due the transfer of the Communication, Navigation and Surveillance/Air Traffic Management facilities from the DOTr to the Authority amounting to P4.833 billion.

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.

13. INTANGIBLE ASSETS

This account consists of the following:

	Intangible Asset – Computer Software
Balance, December 31, 2021	
Cost	10,870,570
Accumulated Amortization/Adjustment	(4,819,286)
Net Carrying Amount December 31,2021 (As restated)	6,051,284
Cost:	
Balance, January 1, 2022	10,870,570
Additions/Acquisition	0
Adjustments/Disposal	0
Balance, December 31, 2022	10,870,570
Accumulated Amortization:	
Balance, January 1, 2022	4,819,286
Amortization	2,065,408
Adjustments/Disposal	0
Balance, December 31, 2022	6,884,694
Balance, December 31, 2022	
Cost	10,870,570
Accumulated Depreciation	(6,884,694)
Net Carrying Amount December 31, 2022	**3,985,876**

Intangible assets refers to the Instrument Flight Rule Procedure Flight Design Software used by the Aerodrome Air Navigation Safety Oversight Office for validation of flight procedure design made by Air Traffic Service.

14. DEFERRED TAX ASSET

Deferred Tax Asset pertains to the payment of excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT). This also pertains to unexpired Net Operating Loss Carry-over that may be utilized based on a five (5) projected income statement.

		Tax Benefit from NOLCO				Excess MCIT over RCIT		Deferred Tax Asset
YEAR	**NOLCO**	**Amount**	**Expiry**	**MCIT**	**RCIT**	**Amount**	**Expiry**	**(NOLCO + Excess MCIT)**
2020	2,807,600,384	**701,900,097**	**2025**	29,815,606	0	**29,815,606**	**2023**	**731,715,703**
2021	2,310,000,000	**577,500,000**	**2026**	9,787,784	0	**9,787,784**	**2024**	**587,287,784**
2022				22,545,005	0	**22,545,005**	**2025**	**22,545,005**
	5,117,600,384	**1,279,400,096**		**62,148,395**	**0**	**62,148,395**		**1,341,548,492**

Tax credits from the CY 2022 NOLCO amounting to P325.149 million, which will expire in 2025, was not recognized in the account as projected income of the Authority did not show convincing evidence that sufficient taxable profit will be available against which the unused tax losses may be utilized before it expires.

15. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2022	2021 (As Restated)
Deposits	**29,502,415**	29,502,415
Other Assets, net	**13,605,755**	13,554,993
	43,108,170	43,057,408

15.1 Breakdown of Deposits account is as follows:

	2022	2021 (As Restated)
Deposits on Letters of Credit	**18,332,140**	18,332,140
Guaranty Deposits	**11,170,275**	11,170,275
	29,502,415	29,502,415

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 refundable security deposits in relation to the provision for connectivity and data communication of Air Navigation facilities. This also includes refundable security deposits in connection with the energization of various airports/facilities of CAAP.

15.2 Breakdown of Other Assets account is as follows:

	2022	2021 (As Restated)
Deferred Charges/Losses	**13,605,755**	13,554,993
Other Assets	**2,167,477,213**	2,167,477,213
	2,181,082,968	2,181,032,206
Less: Accumulated Impairment Losses	**(2,167,477,213)**	(2,167,477,213)
	13,605,755	13,554,993

Deferred Charges/Losses includes payment to Federal Aviation Administration amounting to P10.156 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.

16. FINANCIAL LIABILITIES

Financial Liabilities 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 increase was due to the higher volume of transactions processed by CAAP.

17. INTER-AGENCY PAYABLES

This account consists of the following:

	2022	2021 (As Restated)
Due to National Government Agencies	**1,693,980,335**	1,506,387,846
Due to Bureau of Internal Revenue	**128,623,750**	121,168,022
Due to Government Service Insurance System	**57,096,676**	19,142,613
Due to Philippine Health Insurance Corporation	**13,241,111**	5,408,754
Due to Home Development Mutual Fund	**4,640,443**	5,107,783
Due to Social Security System	**242,780**	265,095
Due to Government-Owned or Controlled Corporations	**70,559**	74,892
Due to Local Government Units	**15,652**	15,652
Income Tax Payable	**0**	16,868,580
	1,897,911,306	1,674,439,237

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

	2022	2021 (As Restated)
Funds from DOTr for downloaded INFRA projects	**1,635,072,608**	1,447,445,940
Prior years' ATO account balances for undocumented/ unsupported transactions transferred to CAAP books	**50,472,589**	50,472,589
Funds received by ATO from DOT for asphalt paving of runway shoulder at Kalibo Airport transferred to CAAP books with supporting documents	**5,000,000**	5,000,000
Fund received from DOTr for land titling expense for the Laguindingan Airport Development Project	**2,725,510**	2,759,689
Amount garnished by the National Labor Relations Commission (NLRC) and Security Fee for reconciliation from Area 02	**709,628**	709,628
	1,693,980,335	1,506,387,846

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 amounting to P50.473 million and P5 million are fund transfers carried over from ATO accounts subject for reconciliation with the concerned NGAs.

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

Due to Government Service Insurance System (GSIS), Philippine Health Insurance Corporation (PhilHealth) and *Home Development Mutual Fund (Pag-IBIG)* accounts represent premiums and loan amortization deductions from the employees' salaries for remittance to the concerned offices. The increase *in Due to GSIS* and *Due to Philhealth* accounts is due to the implementation of Compensation and Position Classification System (CPCS) effective October 5, 2021.

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 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.

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.

18. PROVISIONS

This account consists of the following:

	2022		2021 (As Restated)	
	Current	**Non-Current**	Current	Non-Current
Leave Benefits Payable	**180,597,786**	**793,788,518**	125,432,865	786,591,882

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

19. TRUST LIABILITIES

This account consists of the following:

	2022	2021 (As Restated)
Guaranty Deposits Payable	**99,426,892**	107,947,453
Trust Liabilities - Disallowances/Charges	**28,785,665**	56,013,252
Customers' Deposits Payable	**5,080,649**	7,857,033
Trust Liabilities	**1,176,246**	972,920
	134,469,452	172,790,658

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

Trust Liabilities-Disallowances/Charges refers to settlement of disallowances/charges pending finality of decision of the Commission on Audit. The decrease is due to refunds of previous settlements of disallowances pursuant to CAAP Memorandum dated April 8, 2022.

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.

20. DEFERRED CREDITS

This account consists of the following:

	2022	2021 (As Restated)
Deferred Revenue from Grants and Donations	**5,226,519,116**	790,192,788
Output Tax	**284,680,010**	149,755,008
Other Unearned Revenue	**280,135,590**	226,225,301
Other Deferred Credits	**1,407,745**	4,617,271
	5,792,742,461	1,170,790,368

Deferred Revenue from Grants and Donations pertains to unearned income from assets transferred by the DOTr to CAAP. This account is amortized over the useful life of the asset.

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

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

Other Deferred Credits pertains to advance payment from Concessionaires/ Customers in Area Centers not yet earned as of December 31, 2022.

21. OTHER PAYABLES

This account consists of the following:

	2022	2021 (As Restated)
Undistributed Collections	**792,262,872**	347,374,655
Due to Officers and Employees	**103,589,925**	110,607,068
Other Payables	**25,075,295**	23,563,526
	920,928,092	481,545,249

Undistributed Collections pertains to unidentified collections directly deposited to the bank account of CAAP. The increase was due to the voluminous collections received without proper notification from the payors.

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.

Other Payables pertains to deductions from salaries due to loans from various institutions granted to CAAP employees due for remittance in the following month.

22. 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.

23. CONTRIBUTED CAPITAL

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

24. DEFICIT

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

25. DIVIDENDS

Excluding subsidies from the National Government, the Authority incurred a net loss, in the amount of P2.526 billion in CY 2021 which resulted in zero remittance of dividends.

26. 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 P16.686 million, which includes insurance expenses of P4.146 million for CY 2022 and P2.617 million for the realized portion of the account due to the insurance claim of CAAP.

27. INCOME

This account consists of the following:

	2022	2021 (As Restated)
Business Income	**5,755,714,431**	3,013,830,466
Service Income	**182,251,898**	136,985,684
Gain/Loss on Foreign Exchange (FOREX)	**23,706,300**	(17,834,152)
Other Non-Operating Income	**37,831,597**	7,497,804
	5,999,504,226	3,140,479,802

The overall increase in income is due to the steady return to normal operations of airlines and CAAP brought about by the continuous easing of travel restrictions.

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:

	2022	2021 (As Restated)
Income from Communication Facilities	**3,579,011,785**	2,289,172,124
Transportation System Fees	**1,345,535,097**	346,354,425
Landing and Parking Fees	**425,747,740**	180,742,545
Rent/Lease Income	**166,868,497**	69,526,931
Fines and Penalties - Business Income	**46,844,067**	26,661,648
Interest Income	**24,414,427**	19,464,427
Communication Network Fees	**22,195,079**	18,109,866
Service Concession Revenue	**7,142,857**	7,142,857
Other Business Income	**137,954,882**	56,655,643
	5,755,714,431	3,013,830,466

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

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

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

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

CAAP (lessor) is under a lease agreement with Alphaland Corporation (lessee) classified as operating lease for the lease of the CAAP hangar with a land area of 1,580 square meters. The lease is for a period of 10 years and the lessee shall pay on a monthly basis, the amount of P200.00 per square meter subject to an escalation rate of ten per cent per annum. The lessee renewed its contract of lease in June 2021.

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

	2022	2021
Not later than 1 year	**4,694,683**	4,672,088
Later than 1 year but not later than 5 years	**11,444,628**	16,139,311
	16,139,311	20,811,399

The non-cancellable operating lease contract with Alphaland Corporation will be terminated on May 31, 2026.

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 P42.679 million and P25.592 million in CY 2022 and CY 2021, 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.

Total interests earned on deposits and investments are as follows:

	2022	2021 (As Restated)
Other Investments	**14,008,018**	15,440,881
Financial Assets	**8,947,497**	0
Cash and Cash Equivalents	**1,458,912**	4,023,546
	24,414,427	19,464,427

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.

Service Concession Revenue pertains to revenue arising from the grant of CAAP to TransAir Development Holdings Corporation the right to operate the Godofredo P. Ramos Airport. The concession agreement began in 2010 and will continue until 2035.

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:

	2022	2021 (As Restated)
Vehicular Parking	**64,704,085**	24,395,221
Weighing Conveyor and Check-in Charges	**33,488,105**	10,704,376
Aerobridge	**24,220,732**	4,152,841
Bid Documents	**6,578,344**	12,103,416
Access Pass/ID	**3,226,711**	2,105,217
Aeronautical Information Publication (AIP)	**3,166,364**	729,076
Garbage Collection	**2,197,533**	1,735,410
Records (authentication/photocopy/verification)	**373,008**	730,086
	137,954,882	56,655,643

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

	2022	2021 (As Restated)
Clearance & Certification Fees	**29,548,903**	24,891,786
Permit Fees	**24,058,826**	14,785,688
Licensing Fees	**10,897,517**	10,535,590
Fines and Penalties - Service Income	**3,942,325**	2,970,877
Other Service Income	**113,804,327**	83,801,743
	182,251,898	136,985,684

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:

	2022	2021 (As Restated)
Flight inspector Fee	**62,560,977**	45,628,489
Water/Electricity/Tel/Cable	**42,796,330**	28,627,573
Course Fee	**2,991,676**	2,668,083
Energy Fee	**2,765,034**	201,950
Medical Examination	**1,348,260**	5,392,878
Dental Examination	**513,050**	354,220
Laboratory	**400,230**	805,450
Inspection Fee	**315,370**	29,850
Change Form	**46,920**	26,900
Medical Procedures/Treatment	**31,500**	30,000
Transfer Fee	**18,250**	18,300
De-Registration	**16,730**	18,050
	113,804,327	83,801,743

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

Gain/Loss on Foreign Exchange consists of the amount of gain/loss in the conversion of foreign currency in accordance with paragraph 23 of Philippine Accounting Standards (PAS) 21. A foreign exchange rate difference of P4.756, P50.999 in 2021 and P55.755 in 2022, was used in recognizing foreign exchange gain for CY 2022.

Other Non-Operating Income pertains to the following:

	2022	2021 (As Restated)
Liquidated damages imposed to erring suppliers and contractors	**27,446,848**	7,497,804
Proceeds from insurance claim	**10,384,749**	0
	37,831,597	7,497,804

28. ASSISTANCE AND SUBSIDIES

This account consists of the following:

	2022	2021 (As Restated)
Assistance from Department of Budget and Management to cover for the operating requirements of CAAP	**2,439,279,000**	1,533,190,000
Transfer from DOTr of New Communication, Navigation Surveillance/Air Traffic Management System (CNS/ATM) and Information and Communication Technical Equipment	**351,051,161**	
Five (5) sets of Contactless Common Use Self Service Kiosk at Bicol International Airport	**10,727,753**	
Construction of Barbed Wire Fence and Site Grading at Landside Area	**1,297,150**	1,297,150
Rehabilitation of Passenger Terminal Building	**1,040,212**	1,040,212
Dipolog Development Project - Drainage System	**673,138**	673,138
Expansion of Apron with Ramp, Construction of River Protection with Shoulder Grade Correction, Widening of Taxiway	**4,743,618**	4,743,618
Turnover of Runways, Taxiways and Apron of New Bicol International Airport from DOTr	**38,536,691**	38,536,691
Asphalt Overlay of Runway, Widening of Runway, Construction of CHB Fence and Relocation of runway lights in Cotabato Airports from DOTr		129,616,452
K9 Dogs donated by various donors		12,040,000
	2,847,348,723	1,721,137,261

29. PERSONNEL SERVICES

This account consists of the following:

	2022	2021 (As Restated)
Salaries and Wages	**1,514,963,259**	1,405,600,498
Other Compensation		
Overtime and Night Pay	**156,543,704**	77,361,903
Year End Bonus	**128,711,566**	122,047,543
Mid Year Bonus	**122,152,527**	113,080,166
Other Bonuses and Allowances	**71,241,326**	42,918,394
Personnel Economic Relief Allowance	**67,439,259**	68,638,981
Hazard Pay	**39,134,861**	58,929,980
Clothing/Uniform Allowance	**16,760,132**	17,210,464
Cash Gift	**13,824,387**	14,085,500
Representation Allowance	**7,716,250**	7,945,625
Transportation Allowance	**7,203,500**	7,466,541
Honoraria	**5,146,466**	2,494,895
Subsistence Allowance	**170,350**	165,125
Laundry Allowance	**24,829**	27,242
Longevity Pay	**15,000**	217,699
	636,084,157	532,590,058
Personnel Benefit Contributions		
Retirement and Life Insurance Premiums	**172,441,029**	164,537,709
PhilHealth Contributions	**27,925,644**	18,892,647
Employees Compensation Insurance Premiums	**3,350,488**	3,466,653
Pag-IBIG Contributions	**3,298,914**	3,763,196
	207,016,075	190,660,205
Other Personnel Benefits		
Terminal Leave Benefits	**180,597,786**	130,508,459
	2,538,661,277	2,259,359,220

The increase in *Overtime and Night Pay* is due to the steady return to normal operations of CAAP.

The increase in *Other Bonuses and Allowances* is a result of the increase in the amount of Service Recognition Incentive granted by the President of the Philippines to government employees from P10,000 to P20,000.

30. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2022	2021 (As Restated)
General Services	**1,182,485,394**	1,231,289,061
Utility Expenses	**506,283,433**	325,717,160
Professional Services	**360,787,040**	352,179,158
Repairs and Maintenance	**253,612,538**	285,183,402
Supplies and Materials Expenses	**218,914,303**	206,399,408
Taxes, Insurance Premiums and Other Fees	**94,668,336**	78,501,938
Communication Expenses	**61,362,195**	63,126,018
Traveling Expenses	**60,030,411**	29,909,518
Confidential, Intelligence and Extraordinary Expenses	**12,125,466**	15,370,126
Training and Scholarship Expenses	**7,369,707**	11,819,323
Other Maintenance and Operating Expenses	**174,444,722**	152,494,750
	2,932,083,545	2,751,989,862

30.1 Breakdown of *General Services* is as follows:

	2022	2021 (As Restated)
Other General Services	**544,377,464**	636,579,870
Security Services	**352,322,034**	353,677,858
Janitorial Services	**284,830,157**	241,031,333
Environment/Sanitary Service	**955,739**	0
	1,182,485,394	1,231,289,061

Environmental/sanitary services pertains to expenses incurred by airports for the hauling and disposal of garbage collected from various CAAP offices, buildings and facilities.

31. FINANCIAL EXPENSES

This account consists of the following:

	2022	2021 (As Restated)
Bank Charges	**230,960**	263,065
Other Financial Charges	**49,692,692**	21,807,919
	49,923,652	22,070,984

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.

32. NON-CASH EXPENSES

This account consists of the following:

	2022	2021 (As Restated)
Depreciation	**1,404,735,799**	1,169,082,200
Impairment	**10,567,515**	38,845,950
Losses	**7,943,371**	480,898
Amortization	**2,065,408**	2,065,408
	1,425,312,093	1,210,474,456

32.1 Breakdown of *Depreciation* is as follows:

	2022	2021 (As Restated)
Land Improvements and Infrastructure Assets	**773,896,754**	469,691,386
Furniture and Equipment	**421,880,955**	515,173,357
Buildings and Other Structures	**206,988,160**	182,247,527
Service Concession Asset	**1,969,930**	1,969,930
	1,404,735,799	1,169,082,200

32.2 Breakdown of *Impairment* is as follows:

	2022	2021 (As Restated)
Loans and Receivables	**8,871,252**	4,378,162
Lease Receivables	**1,696,263**	5,787,318
Other Receivables	**0**	28,680,470
	10,567,515	38,845,950

The Authority recognized full provision of impairment for ATO - Other Receivable Account.

32.3 Breakdown of *Losses* is as follows:

	2022	2021 (As Restated)
Loss of Assets	**430,000**	430,000
Loss on Sale of Unserviceable Property	**0**	50,898
Other Losses	**7,513,371**	0
	7,943,371	480,898

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

Loss on Sale of Unserviceable Property pertains to the disposal of unserviceable equipment.

Other Losses pertain to the demolition of terminal building, ATO administration office, Crash, Fire and Rescue Building, staff house and old control tower in Caticlan Airport in relation with the rehabilitation of the airport through Service Concession Agreement.

33. NET OPERATING LOSS CARRY OVER

CAAP has incurred a loss before tax amounting to P1.322 billion, of which the amount of P1.301 billion 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.

YEAR	NOLCO AMOUNT	TAX LOSSES UTILIZED	UNUSED TAX LOSSES	EXPIRY
2020	2,807,600,384	0	2,807,600,384	2025
2021	2,845,137,249	0	2,845,137,249	2026
2022	1,300,595,510*	0	1,300,595,510	2025
	6,953,333,143	**0**	**6,953,333,143**	

*subject for amendment

Based on a 5-year projection, only P5.118 billion out of P6.953 billion worth of NOLCO may be utilized as a deduction in future taxable income before the unused tax losses expire. Consequently, only P1.279 billion was recognized as deferred tax assets. (See Note 14)

34. RESTATEMENT OF ACCOUNTS

The 2021 financial statements were restated to reflect the following transactions/adjustments:

CY 2020 errors discovered in 2021 & 2022

	December 31, 2020 (As previously Reported)	Restatement / Adjustment	January 1, 2021 (As Restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net	**3,405,286,256**	**395,390,857**	**3,800,677,113**
Loans and Receivables, net	**3,048,134,570**	**373,059,030**	**3,421,193,600**
Unrecorded revenue of CY 2020 and prior years		*15,728,938*	
Correction of erroneous journal entries		*9,201,195*	
Bank Charges erroneously charged against clients' remittances/payments		*(632,204)*	
Reclassification of CY 2020 and prior years unidentified collection erroneously credited to the Accounts Receivable account instead of the Undistributed Collection account		*307,695,149*	
Reclassification of CY 2020 Allowance for Impairment from Accounts Receivable to Operating Lease Receivable		*1,094,592*	

	December 31, 2020 (As previously Reported)	Restatement / Adjustment	January 1, 2021 (As Restated)
Adjustment in the Allowance for Impairment of Accounts Receivable due to double recording		*39,971,360*	
Lease Receivables, net	**145,925,693**	**(514,863)**	**145,410,830**
Unbilled Rental Income for CY 2019 and 2020		*599,079*	
Reversal of 2020 Rental Income due to Rental Holiday		*(19,350)*	
Reclassification of CY 2020 Allowance for Impairment from Accounts Receivable to Operating Lease Receivable		*(1,094,592)*	
Inter-Agency Receivables	**57,700,601**	**29,018,958**	**86,719,559**
Correction of erroneous recording of expense in the Due from NGA account		*(2,362)*	
Correction on the recording of liquidation of expenses regarding Laguindingan Airport Development Project		*1,200,000*	
Refund from the PS-DBM which was erroneously recorded as an expense		*(469,680)*	
Receivable from a sale of land to the National Housing Authority - Land situated in Barangay San Jose Gusu, Zamboanga City		*28,291,000*	
Other Receivables	**153,525,392**	**(6,172,268)**	**147,353,124**
Cancellation of erroneous billings in prior years		*(12,034,259)*	
Liquidation of Confidential Expense		*(1,200,000)*	
Recording of receivables from overpayment of expenses refunded in 2022		*1,058,883*	
Unrecorded disallowance with Notice of Finality of Decision		*6,003,108*	
Inventories	**112,897,880**	**18,011,675**	**130,909,555**
Correction of journal entries which inadvertently recorded deliveries of supplies as expense		*19,485,021*	
Unrecorded issuance of inventory		*(1,515,132)*	
Reclassification of unissued semi-expendable asset from PE to Semi-Expendable - Machinery and Equipment due to the increase in capitalization threshold		*41,786*	

	December 31, 2020 (As previously Reported)	Restatement / Adjustment	January 1, 2021 (As Restated)
Other Current Assets	**326,165,239**	**160,508,106**	**486,673,345**
Correction on the erroneous recording of liquidation reports		*15,729*	
Adjustments due to the erroneous recording of input taxes		*414,160*	
Reclassification of overpayment of tax previously recorded under Deferred Tax Asset		*160,078,217*	
Property and Equipment	**50,177,105,752**	**2,153,922,079**	**52,331,027,831**
Adjustment in Land Account to correct double recording		*(119,572,228)*	
Adjustment in PE Accounts due to overvaluation during appraisal		*(6,957,261)*	
Unrecorded grants and donations of PE in kind from JICA re: Typhoon Yolanda		*115,127,880*	
Adjustment in Accumulated Depreciation due to unrecorded assets, overvaluation of PE and other errors		*1,797,342,716*	
Reclassification of unissued semi-expendable asset from PE to Semi-Expendable - Machinery and Equipment due to the increase in capitalization threshold		*(41,786)*	
Adjustment in PE, net due to the increase in capitalization threshold from P15,000 to P50,000		*(30,521,071)*	
Land Transferred to National Housing Authority - Land situated in Barangay San Jose Gusu, Zamboanga City		*(56,582,000)*	
Overstatement of Land due to Partition agreement between MIAA and CAAP dated January 11, 2016		*(678,195,000)*	
Recognition of PE transferred from DOTr		*1,193,297,297*	
Reclassification of PE to Service Concession Asset		*(306,151,060)*	
Recognition of Service Concession Asset from PE		*306,151,060*	
Reclassification of Accumulated Depreciation - PE to Accumulated Depreciation - Service Concession Asset		*(168,938,060)*	
Recognition of Accumulated Depreciation - Service Concession Asset from Accumulated Depreciation - PE		*168,938,060*	
Disposal of Property and Equipment		*(622,108)*	
Reclassification of IT Equipment to Intangible Assets (Computer Software)		*(10,870,570)*	
Recognition of Depreciation Expenses from transferred assets, previously completed projects reclassified from CIP		*(49,324,085)*	
Recognition of Depreciation Expense of assets previously recorded as expense		*(1,913,583)*	

	December 31, 2020 (As previously Reported)	Restatement / Adjustment	January 1, 2021 (As Restated)
Adjustment in the accumulated depreciation due to reclassification from IT Equipment to Intangible asset		*2,753,878*	
Intangible Assets	**0**	**8,116,692**	**8,116,692**
Reclassification of IT Equipment to Intangible Assets (Computer Software)		*10,870,570*	
Adjustment in the accumulated depreciation due to reclassification from IT Equipment to Intangible asset		(2,753,878)	
Deferred Tax Asset	**160,674,434**	**571,041,269**	**731,715,703**
Utilization of deferred tax asset against income tax expense		*(596,217)*	
Reclassification of overpayment of tax previously recorded under Deferred Tax Asset		*(160,078,217)*	
Recognition of Deferred Tax Asset - MCIT		*29,815,606*	
Recognition of Deferred Tax Asset - NOLCO		*701,900,097*	
Other Non-Current Asset	**37,360,349**	**(98,129)**	**37,262,220**
Liquidation of Expenses charged against Deferred Charges/Losses		*(98,129)*	
Financial Liabilities	**842,376,330**	**(2,906,391)**	**839,469,939**
Reversal of liabilities for 2 years or more		*(1,646,351)*	
Correction of erroneous recording of payables		*2,713,210*	
Disallowance with no NFD erroneously recorded as a credit to Due to Officers and Employees, Other Payables and Leave Benefits Payable		*(3,973,250)*	
Inter-Agency Payables	**1,250,799,712**	**(28,340,423)**	**1,222,459,289**
Adjustments in the recording of mandatory deductions		*(49,423)*	
Reclassification to Due from National Government Agency - Land Transferred to NHA		*(28,291,000)*	
Trust Liabilities	**197,982,162**	**44,956,637**	**242,938,799**
Reversal of long outstanding payables		*(86,385)*	
Disallowance with no NFD erroneously recorded as a credit to Due to Officers and Employees, Other Payables and Leave Benefits Payable		*45,043,022*	
Deferred Credits	**330,685,534**	**837,101,069**	**1,167,786,603**
To recognize unrecorded output tax on revenue		*617,472*	
Recognition of PE transferred from DOTr		*836,483,597*	

	December 31, 2020 (As previously Reported)	Restatement / Adjustment	January 1, 2021 (As Restated)
Provisions	**894,649,980**	**(9,887,452)**	**884,762,528**
Disallowance with no NFD erroneously recorded as a credit to Due to Officers and Employees, Other Payables and Leave Benefits Payable		*(9,887,452)*	
Other Payables	**54,737,034**	**278,358,501**	**333,095,535**
Correction of prior years' payables		*1,845,672*	
Reclassification of CY 2020 and prior years unidentified collection erroneously credited to the Accounts Receivable account instead of the Undistributed Collection account		*307,695,149*	
Disallowance with no NFD erroneously recorded as a credit to Due to Officers and Employees, Other Payables and Leave Benefits Payable		*(31,182,320)*	
Government Equity	**76,020,363,057**	**(120,110,849)**	**75,900,252,208**
Adjustment in Land Account to correct double recording		*(119,572,228)*	
Adjustments in PE, net due to the increase in capitalization threshold from P15,000 to P50,000		*(538,621)*	
Retained Earnings (Deficit)	**(19,190,371,871)**	**2,307,721,457**	**(16,882,650,414)**
Unrecorded revenue of CY 2020 and prior years		*15,728,938*	
Correction of erroneous journal entries		*9,201,195*	
Bank Charges erroneously charged against client's remittances/payments		*(632,204)*	
Unbilled Rental Income for CY 2019 and 2020		*599,079*	
Reversal of 2020 Rental Income due to Rental Holiday		*(19,350)*	
Correction in the recording of expenses regarding the Laguindingan Airport Development Project		*1,200,000*	
Refund from the PS-DBM which was erroneously recorded as an expense		*(469,680)*	
Cancellation of erroneous billings in prior years		*(12,034,259)*	
Liquidation of Confidential Expense		*(1,200,000)*	
Recording of receivables from overpayment of expenses refunded in 2022		*1,058,883*	
Unrecorded disallowance with Notice of Finality of Decision		*6,003,108*	
Correction of journal entries which inadvertently recorded deliveries of supplies as expense		*19,485,021*	
Unrecorded issuance of inventory		*(1,515,132)*	
Correction on the erroneous recording of liquidation reports		*15,729*	
Adjustments due to the erroneous recording of input taxes		*414,160*	

	December 31, 2020 (As previously Reported)	Restatement / Adjustment	January 1, 2021 (As Restated)
Adjustment in PE accounts due to overvaluation during appraisal		*(6,957,261)*	
Unrecorded grants and donations of PE in kind from JICA re: Typhoon Yolanda		*115,127,880*	
Adjustment in Accumulated Depreciation due to unrecorded assets, overvaluation of PE and other errors Adjustment in Accumulated Depreciation		*1,797,342,716*	
Adjustments in PE, net due to the increase in capitalization threshold from P15,000 to P50,000		*(29,982,450)*	
Utilization of deferred tax asset against income tax expense		*(596,217)*	
Liquidation of Expenses charged against Deferred Charges/Losses		*(98,129)*	
Reversal of liabilities for 2 years or more		*1,646,351*	
Correction of erroneous recording of payables		*(2,713,210)*	
Adjustments in the recording of mandatory deductions		*49,423*	
Reversal of long outstanding payables		*86,385*	
To recognize unrecorded output tax on revenue		*(617,472)*	
To recognize unrecorded payables		*(1,845,672)*	
Correction of erroneous recording of expense in the Due from NGA account		*(2,362)*	
Overstatement of Land due to Partition agreement between MIAA and CAAP dated January 11, 2016		*(678,195,000)*	
Adjustment in the Allowance for Impairment of Accounts Receivable due to double recording		*39,971,360*	
Recognition of PE transferred from DOTr - Realized portion		*356,813,699*	
Disposal of Property and Equipment		*(622,108)*	
Recognition of Depreciation Expenses from transferred assets, previously completed projects reclassified from CIP		*(49,324,084)*	
Recognition of Depreciation Expense of assets previously recorded as expense		*(1,913,583)*	
Recognition of Deferred Tax Asset - MCIT		*29,815,606*	
Recognition of Deferred Tax Asset - NOLCO		*701,900,097*	

CY 2021 errors discovered in 2022

	December 31, 2021 (As Adjusted)	Restatement / Adjustment	December 31, 2021 (As Restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net	**3,548,233,580**	**277,002,101**	**3,825,235,681**
Loans and Receivables, net	**3,144,285,648**	**288,556,221**	**3,432,841,869**
Recognition of unrecorded revenues		*239,046,746*	
Recognition of interest Income		*174,065*	
Correction of CY 2021 receivables		*130,974*	
Correction of Bank Charges erroneously charged against clients' remittances		*(65,745)*	
Adjustment in the allowance for impairment collection of previously impaired receivables		*15,823,252*	
Reclassification of CY 2021 unidentified collection erroneously credited to the Accounts Receivable account instead of the Undistributed Collection account		*33,446,929*	
Lease Receivables, net	**194,670,632**	**(10,771,624)**	**183,899,008**
Reversal of rent income due to rental holiday		*(14,051,722)*	
Unrecorded rent income		*3,280,098*	
Inter-Agency Receivables	**57,211,570**	**(1,286,861)**	**55,924,709**
Adjustment in the allowance for Impairment due to over provision of impairment		*(1,286,861)*	
Other Receivables	**152,065,730**	**504,365**	**152,570,095**
Unrecorded disallowance with Notice of Finality of Decision		*1,500*	
Recognition of Receivable from overpayment of expenses		*91,868*	
To adjust the Other Receivables that was set-up for advance payment of salaries of JOs in December		*(8,120)*	
Refund of excess Daily Travel Expense (DTE) reimbursed by an employee		*700*	
Adjustment in the Allowance for Impairment collection of previously impaired receivables		*418,417*	
Inventories	**153,634,285**	**6,621,911**	**160,256,196**
Various adjustments to Inventory account to correct erroneous recording of transactions		*2,885,656*	
Inventories erroneously recorded as outright expense		*4,818,362*	

	December 31, 2021 (As Adjusted)	Restatement / Adjustment	December 31, 2021 (As Restated)
Recording of issuance of Semi-Expendable properties		*(1,082,107)*	
Other Current Assets	**711,832,569**	**(21,202,670)**	**690,629,899**
Recording of liquidation of Cash Advances		*(5,423,098)*	
Utilization of prepaid insurance		*(9,007)*	
Correction of the erroneous recording of input taxes to various expense accounts		*3,703,852*	
Correction of erroneous capitalization of input taxes to PE account		*1,609,191*	
Adjustment in the Advances to Contractors previously recorded as expense		*20,000*	
Tax credits reclassified under Other Prepayments		*(71,998,707)*	
Adjustment due to erroneous computation of MCIT on CY 2021		*50,895,099*	
Property and Equipment	**51,859,122,861**	**(128,658,516)**	**51,730,464,345**
Adjustments in PE, net due to the increase in capitalization threshold from P15,000 to P50,000		*(24,005,914)*	
PE erroneously recorded as expense		*6,714,219*	
Adjustment in Accumulated Depreciation due to incorrect computation		*(73,401,945)*	
Unrecorded loss on sale of unserviceable property		*(50,898)*	
Unrecorded input taxes from purchase of PE		*(1,609,191)*	
Correction of double recording of progress billing		*(4,940,845)*	
Unrecorded Depreciation Expense for various PE transferred by DOTr		*(33,429,350)*	
Adjustment in the accumulated depreciation due to reclassification from IT Equipment to Intangible asset		*2,065,408*	
Intangible Asset	**8,116,692**	**(2,065,408)**	**6,051,284**
Adjustment in the accumulated depreciation due to reclassification from IT Equipment to Intangible asset		*(2,065,408)*	
Deferred Tax Asset	**662,329,129**	**656,674,358**	**1,319,003,487**
Utilization of Deferred Tax Asset		*(2,849,214)*	
Recognition of Deferred Tax Asset from over remittance of taxes due to double recording of progress billing		*237,081*	
Tax credits reclassified under Other Prepayments		*71,998,707*	
Recognition of Deferred Tax Asset - MCIT		*60,682,883*	

	December 31, 2021 (As Adjusted)	Restatement / Adjustment	December 31, 2021 (As Restated)
Recognition of Deferred Tax Asset - NOLCO		*577,500,000*	
Adjustment due to erroneous computation of MCIT charged against tax credits recorded in Other Prepayments account		*(50,895,099)*	
Other Non-Current Asset	**43,057,408**	**0**	**43,057,408**
Financial Liabilities	**557,816,555**	**184,235,730**	**742,052,285**
Recognition of unrecorded expenses		*126,491,244*	
Adjustments in personnel services due to implementation of Compensation and Position Classification System (CPCS), salary differential, and step increment		*62,399,322*	
Recognition of liquidated damages imposed from suppliers and/or contractors		*(188,558)*	
Reclassification of disallowances with no Notice of Finality of Decision to Trust Liabilities - Disallowances and Charges		*(431,919)*	
Correction of double recording of progress billing		*(4,034,359)*	
Inter-Agency Payables	**1,591,928,216**	**82,511,021**	**1,674,439,237**
Adjustments in personnel services due to implementation of CPCS, salary differential, and step increment		*3,163,672*	
Repairs and maintenance expense erroneously taken up as credit to Due to NGAs		*9,021,348*	
Reclassification of Guaranty/Security Deposits Payable to Due to NGAs due to erroneous recording		*70,326,001*	
Trust Liabilities	**232,815,834**	**(60,025,176)**	**172,790,658**
Reclassification of Guaranty/Security Deposits Payable to Due to NGAs due to erroneous recording		*(70,326,001)*	
Correction of double recording of progress billing		*(669,405)*	
Terminal Leave Differential due to CPCS Approval		*635,804*	
Reclassification of disallowances with no Notice of Finality of Decision to Trust Liabilities - Disallowances and Charges		*10,334,426*	
Deferred Credits / Unearned Income	**1,224,666,696**	**(53,876,328)**	**1,170,790,368**
Adjustment to output tax previously recognized due to the rental holiday in CY 2021		*(1,352,941)*	

	December 31, 2021 (As Adjusted)	Restatement / Adjustment	December 31, 2021 (As Restated)
Reclassification of CY 2021 unidentified collection erroneously credited to Other Deferred Credits account instead of the Undistributed Collection account		*(6,232,578)*	
Recognition of realized portion of deferred revenue from transferred asset from DOTr		*(46,290,809)*	
Provisions	**907,922,766**	**4,101,981**	**912,024,747**
Terminal Leave Differential due to CPCS Approval		*4,101,981*	
Other Payables	**341,161,181**	**29,777,000**	**370,938,181**
Reclassification of CY 2021 unidentified collection erroneously credited to Other Deferred Credits account instead of the Undistributed Collection account		*6,232,578*	
Reclassification of CY 2021 unidentified collection erroneously credited to the Accounts Receivable account instead of the Undistributed Collection account		*33,446,929*	
Reclassification of disallowances with no Notice of Finality of Decision to Trust Liabilities - Disallowances and Charges		*(9,902,507)*	
Statement of Changes in Equity	**57,650,407,175**	**601,647,548**	**58,252,054,723**
Retained Earnings	**(18,289,075,421)**	**601,647,548**	**(17,687,427,873)**

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, 2021 balances, as adjusted, are CY 2021 balances as previously reported including CY 2020 errors discovered in 2021 and 2022.

35. RESTATEMENT OF CY 2021 COMPREHENSIVE INCOME (LOSS)

Net Loss (As previously reported)		**1,406,425,007**
Adjustments		
Income:		
Recognition of unrecorded revenues	239,046,746	
Recognition of interest Income	174,065	
Correction of CY 2021 receivables	130,974	
Reversal of rent income due to rental holiday	(14,051,722)	

Unrecorded rent income	3,280,098	
Adjustment to Output tax previously recognized due to the rental holiday	1,352,941	
Unrecorded Income from imposed liquidated damages	188,558	230,121,660
Expenses:		
Correction of Bank Charges erroneously charged against clients' remittances	65,745	
Adjustment in the Allowance for Impairment	(14,954,808)	
Unrecorded disallowance with Notice of Finality of Decision	(1,500)	
Overpayment of expenses	(91,868)	
To adjust the Other Receivables that was set-up for advance payment of salaries of JOs in December	8,120	
Refund of excess DTE reimbursed by an employee	(700)	
Various adjustments to Inventory account to correct erroneous recording of transactions	(2,885,656)	
Assets erroneously recorded as outright expense	(4,818,362)	
Recording of issuance of semi-expendable properties	1,082,107	
Recording of liquidation of Advances to Officers and Employees and Advances to SDO	5,423,098	
Utilization of prepaid insurance	9,007	
Correction of the erroneous recording of input taxes to various expense accounts	(3,703,852)	
Adjustment in the Advances to Contractors previously recorded as expense	(20,000)	
Adjustments in PE, net due to the increase in capitalization threshold from P15,000 to P50,000	24,005,914	
PE erroneously recorded as expense	(6,714,219)	
Adjustment in Accumulated Depreciation	73,401,945	
Unrecorded loss on sale of unserviceable property	50,898	
Recognition of unrecorded expenses	126,491,244	
Adjustments in personnel services due to implementation of CPCS, salary differential, and step increment	65,562,994	
Repairs and Maintenance expense erroneously taken up as credit to Due to NGAs	9,021,348	
Terminal Leave Differential due to CPCS Approval	4,737,785	
Unrecorded Depreciation Expense for various assets transferred by DOTr	33,429,350	310,098,590
Income Tax Expense		
Income Tax Payment for CY 2021	2,849,214	
Recognition of Deferred Tax Asset - MCIT	(60,682,883)	
Recognition of Deferred Tax Asset - NOLCO	(577,500,000)	(635,333,669)
Assistance and Subsidies		
To correct the recognition of Assistance from NGAs incorrectly recorded in the current year		46,290,809
Net Adjustments		601,647,548
Net Loss (As restated)		**(804,777,459)**

36. 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)	467,566,120
Cash in Bank - Time Deposits (Dollar)	557,550,000
	1,025,116,120

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, 2022 and 2021 (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 2022**	**2021**
USD	+4.756	(87,444,216)	(32,415,007)
	-4.756	87,444,216	32,415,007
Increase in Exchange Rate		(87,444,216)	(32,415,007)
Decrease in Exchange Rate		87,444,216	32,415,007

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, 2022 and 2021, these amounted to P4.960 billion and P3.897 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, 2022 and 2021.

December 31, 2022

	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High grade	Standard grade	Substandard grade			
Cash and Cash Equivalents	6,028,638,867	0	0	0	0	6,028,638,867
Financial Assets	1,193,591,795	0	0	0	0	1,193,591,795
Other Investments	896,587,317	0	0	0	0	896,587,317
Receivables	0	4,174,398,317	0	0	1,631,271,934	5,805,670,251
Deposits	11,170,275	0	0	0	18,332,140	29,502,415
	8,129,988,254	**4,174,398,317**	0	0	**1,649,604,074**	**13,953,990,645**

December 31, 2021

	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High grade	Standard grade	Substandard grade			
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	3,432,841,869	0	0	1,622,400,682	5,055,242,551
Deposits	11,170,275	0	0	0	18,332,140	29,502,415
	5,531,562,174	**3,432,841,869**	0	0	**1,640,732,822**	**10,605,136,865**

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, 2022 and 2021 based on contractual undiscounted payments.

December 31, 2022

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Financial Liabilities	786,405,365	0	0	0	786,405,365
Inter-Agency Payables*	1,694,066,546	0	0	0	1,694,066,546
Trust Liabilities	0	0	0	134,469,452	134,469,452
Other Payables	895,852,797	0	0	25,075,295	920,928,092
	3,376,324,708	0	0	159,544,747	3,535,869,455

**Excludes government dues and remittances*

December 31, 2021

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Financial Liabilities	631,445,217	0	0	0	631,445,217
Inter-Agency Payables*	1,506,478,390	0	0	0	1,506,478,390
Trust Liabilities	0	0	0	172,790,658	172,790,658
Other Payables	457,981,723	0	0	23,563,526	481,545,249
	2,595,905,330	0	0	196,354,184	2,792,259,514

**Excludes government dues and remittances*

37. 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.

38. SUPPLEMENTARY INFORMATION ON TAXES

The total taxes withheld during the year by the Head Office and Area Centers amounted to P501.534 million, of which P488.047 million were remitted as follows:

	Restated Beginning Balance 2022	Adjustments During the Year	Tax Withheld	Tax Remitted	Balance, December 2022
Tax on Compensation	68,196,329	(3,021,429)	249,595,218	247,260,514	67,509,604
Creditable Withholding Tax	9,553,120	(1,998,191)	77,565,139	71,447,150	13,672,918
Final Withholding Tax	43,418,573	(1,011,748)	174,373,741	169,339,338	47,441,228
	121,168,022	**(6,031,368)**	**501,534,098**	**488,047,002**	**128,623,750**

OUTPUT TAX

	2022
Beginning Balance	**149,755,008**
Output Tax Recognized during the year	**362,846,099**
Output Tax Claimed/Collected during the year	**(227,921,097)**
Ending Balance	**284,680,010**

Zero-Rated Sales recognized during the year amount to P2.883 billion. These are services rendered to persons engaged in international shipping or air transport operations, including leases of property for use thereof; Provided, that these services shall be exclusively for international shipping or air transport operations. (Thus, the services referred to herein shall not pertain to those made to common carriers by air and sea relative to their transport of passengers, goods or cargoes from one place in the Philippines to another place in the Philippines, the same being subject to twelve per cent (12%) VAT under Sec. 108 of the Tax Code, as amended); Thus, International Air Navigational Charges to Air Operators are subject to Zero-Rated (0%) VAT.

INPUT TAX

	2022
Beginning Balance	**202,160,397**
Input Tax on Current Year Purchases	**296,208,867**
Claims for Credit	**(260,594,906)**
Adjustments	**(14,588,382)**
Ending Balance	**223,185,976**

Input Tax for the year includes VAT on purchases of services, capital goods and goods other than capital goods. The related input tax of these capital goods with aggregate acquisition cost exceeding P1 million threshold amounts, 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. However, upon issuance of Revenue Memorandum Circular No. 21-2022, all input tax on purchases of capital goods shall already be allowed upon purchase/payment, and shall no longer be deferred. Moreover, unutilized input VAT on capital goods purchased prior to January 1, 2022 shall be allowed to amortize the same as scheduled until fully utilized.

39. TAX ASSESSMENTS AND CASES

On November 24, 2022, 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 June 30, 2022 pursuant to eLA202000025516 AUDM19-00.8B-2022-016375.