Financial Statements

(Translation of financial statements originally issued in Spanish)

Report **Autoridad del Canal de Panamá**

Year ended September 30, 2017
with Independent Auditors' Report

Building a better
working world

Independent Auditors' Report and
Financial Statements as of September 30, 2017

Contents **Pages**

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To the Board of Directors of
The Panama Canal Authority

Opinion

We have audited the financial statements of the Panama Canal Authority (the Authority), which comprise the statement of financial position as of September 30, 2017, and the income statement, the statement of comprehensive income, the statement of changes in shareholder equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of September 30, 2017, its financial performance and cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS).

Basis for the Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described in the section Responsibilities of the Auditor with regards to the audit of the financial statements in our report. We are independent from the Authority, per the Code of Ethics for Accounting Professionals of the International Ethics Standard Board for Accountants (IESBA), together with ethical requirements that are relevant to our audit of the financial statements in Panama, and we complied with all other ethics responsibilities per these requirements and the IESBA Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters. For each key matter outlined below, we describe how this matter has been addressed in the context of our audit.

We have fulfilled the responsibilities described in the "Auditor's Responsibilities Regarding the Audit of the Financial Statements" section of our report, including those related to key audit matters. Accordingly, our audit included the execution of procedures designed to respond to our assessment of risks of material misstatement in the financial statements. The results of our audit procedures, including the procedures performed to address the key audit matters detailed below, provide the basis for our audit opinion on the accompanying financial statements.

Advances and Other Accounts Receivable from Contractors, net

As mentioned in notes 5, 6, and 26 as of September 30, 2017, the Authority maintains advances and other accounts receivable from contractors, net for B/.858 million. Advances and other accounts receivable from contractors are considered one of the significant issues because the recoverability assessment and determination of the recoverable amount of advances and other accounts receivable includes a high level of judgment and estimation by the Authority's Management.

Our audit procedures to cover the significant risk in relation to advances and other accounts receivable, net, including the following, among others:

- Submission of balance confirmations.
- Evaluation of the Authority's process to determine the recoverability of advances and other accounts receivable.
- We analyzed the classification of current and non-current balances.
- We evaluated the validity of bank guarantees.
- We evaluated the model, approach, and method used by Management to determine the recoverable amount.
- We evaluated the disclosures made by Management.

Contingencies for Contractor Claims

According to note 29, as of September 30, 2017, the Authority maintains claims presented by the contractor for B/.5,863 million. The evaluation of provisions and contingencies requires important judgments and analysis by Management due to this we consider that it is one of the significant issues.

Our audit procedures to cover the significant risk in relation to disclosures for contingencies and/or provisions, included the following, among others:

- We obtained the analysis made by Management and its legal advisors.
- Together with our construction and legal specialists, we evaluated the conclusions reached by Management and its legal advisors.
- We sent confirmations to the Authority's legal advisors.
- We evaluated the disclosures made by Management.

Other Information

The other information consists of information included in the annual report which is different from the financial statements and our corresponding audit report. Management is responsible for the other information.

The Authority's annual report is expected to be available to use after the date of that audit report. Our opinion on the annual reports does not cover the other information and we do not express an opinion or any other type of assurance in that regard.

Regarding our audit of the financial statements, our responsibility is to read that other information as soon as it becomes available, and while doing to consider whether there is a material deviation between that other information and the financial statements, or the knowledge that we obtained during the audit. If we determine that the other information contains material deviations, we are required to report this.

Responsibilities of Management and Those Charged with the Authority's Corporate Governance for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with the Authority's Management are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a significant error when it exists. Misstatements can arise from fraud or error and are considered significant if, individually or in the aggregate, they could be reasonably expected to influence the economic decisions made by users taken on the basis of these financial statements.

As part of an audit under ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

As auditors, we also:

- Identify and assess the risk of material misstatement in the financial statements, due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of a material misstatement due to fraud going undetected is higher than one due to error, since fraud may involve collusion, forgery, intentional omissions, intentionally mistaken statements, or the circumvention of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are adequate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to call attention in our audit report to the corresponding disclosures in the financial statements, or if those disclosures are not adequate, to express a modified opinion. Our conclusions are based on audit evidence obtained as of the date of our audit report. However, future events or conditions may cause the Authority not to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether those statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Authority's Management regarding, among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that we have identified during our audit.

We also provided the Authority's Management with a statement that we have met the applicable ethical requirements regarding independence and communicate all relationships and other matters that may reasonably be thought to bear our independence and, where applicable, related safeguards.

From the matters communicated with those charged auditor's with governance, we determine those that were the most significant in the audit of financial statements as of September 30, 2017, and therefore constitute key audit matters. We described those key audit matters in our auditor's report, unless a law or regulation precludes a public disclosure about the matter, or, in extremely rare circumstances, if we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit, who has prepared this independent auditors' report, is Víctor M. Ramírez.

Ernst & Young.

Panama, Republic of Panama
December 14, 2017

Autoridad del Canal de Panamá
Statement of Financial Position
September 30, 2017

(In thousands of balboas B/.)

Notes	Assets:		**2017**		2016
	Non-current assets:				
	Properties, plant, and equipment:				
4	Properties, plant, and equipment, net	**B/.**	**8,420,016**	B/.	8,386,759
4	Construction in progress		**558,595**		532,208
	Total properties, plant, and equipment, net		**8,978,611**		8,918,967
5	Advances to contractors		**7,828**		887,081
6	Advances and other receivable to contractor, net		**309,727**		-
25	Reimbursement right to ACP		**328,611**		308,568
8	Investment properties		**89,831**		89,831
	Total non-current assets		**9,714,608**		10,204,447
	Current assets:				
9	Inventories, net		**72,729**		69,947
6	Advances and other receivable to contractor, net		**547,959**		-
7, 26, 27	Trade and other receivable		**49,213**		28,084
10, 26	Other financial assets		**2,562,817**		2,250,416
11	Accrued interest receivable and other assets		**21,809**		17,192
12, 26	Cash and cash equivalents		**528,293**		314,407
	Total current assets		**3,782,820**		2,680,046
	Total assets	**B/.**	**13,497,428**	B/.	12,884,493

The accompanying notes are an integral part of these financial statements.

Notes	Equity and liabilities:		**2017**		2016
	Equity:				
13	Contributed capital	**B/.**	**1,906,193**	B/.	1,906,193
14	Investment programs contibutions		**5,985,835**		6,000,030
14	Reserves		**924,089**		905,089
15	Other equity accounts		**(118,449)**		(175,593)
16	Unappropriated retained earnings		**1,193,809**		630,765
	Total equity		**9,891,477**		9,266,484
	Non-current liabilities:				
18, 26	Bonds payable		**450,000**		450,000
	Less: discount and issuing costs		**9,643**		10,208
	Bonds payable, net		**440,357**		439,792
17, 26	Borrowings		**2,300,000**		2,300,000
25	Employee benefits		**340,036**		319,463
19, 26	Other financial liabilities		**115,087**		176,034
	Total non-current liabilities		**3,195,480**		3,235,289
	Current liabilities:				
20, 26, 27	Trade and other payables		**222,416**		201,800
21	Provision for marine accidents claims		**14,045**		20,054
	Accrued salaries and vacation payable		**135,748**		128,292
19, 26	Other financial liabilities		**7,722**		11,450
22	Other liabilities		**30,540**		21,124
	Total current liabilities		**410,471**		382,720
	Total equity and liabilities	**B/.**	**13,497,428**	B/.	12,884,493

Autoridad del Canal de Panamá
Income Statement
For the year ended September 30, 2017
(In thousands of balboas B/.)

Notes			**2017**		2016
	Revenues:				
	Toll revenues	**B/.**	**2,238,035**	B/.	1,933,114
	Other Canal transit services		**468,811**		430,858
			2,706,846		2,363,972
	Other revenues:				
	Sales of electricity		**84,634**		66,813
27	Sale of potable water		**28,337**		28,967
	Miscellaneous		**33,130**		23,605
	Total other revenues		**146,101**		119,385
	Total revenues		**2,852,947**		2,483,357
	Expenses:				
23	Salaries and wages		**577,060**		485,896
23, 27	Employee benefits		**75,534**		68,442
23	Materials and supplies		**60,127**		58,538
23	Fuel		**74,585**		51,205
	Transportation and allowances		**2,121**		2,164
	Contracted services and fees		**109,287**		102,330
	Insurance		**21,306**		15,195
21	Provision for marine accidents		**(3,425)**		903
9	Provision for obsolete inventory		**66**		2,569
4, 23	Depreciation		**202,828**		132,392
16, 20, 27	Fees paid to the Panamanian Treasury		**456,569**		382,365
23	Other expenses		**17,857**		15,855
	Total expenses		**1,593,915**		1,317,854
	Results of operations		**1,259,032**		1,165,503
	Finance income		**33,045**		19,693
17	Finance costs		**(80,304)**		(21,759)
6	Loss in financial instruments		**(13,159)**		-
	Finance costs, net		**(60,418)**		(2,066)
	Profit for the year	**B/.**	**1,198,614**	B/.	1,163,437

The accompanying notes are an integral part of these financial statements.

Autoridad del Canal de Panamá
Statement of Comprehensive Income
For the year ended September 30, 2017
(In thousands of balboas B/.)

Note		**2017**	2016
	Profit for the year	**B/. 1,198,614**	B/. 1,163,437
	Other comprehensive income		
	Other comprehensive income to be reclassified to net profit of subsequent periods:		
10	Unrealized loss on securities available for sale	**(1,220)**	-
	Net income (loss) in cash flow hedges - interest rate swap contracts	**58,413**	(1,803)
	Net other comprehensive income to be reclassified to the net profit of subsequent periods	**57,193**	(1,803)
	Other comprehensive income not to be reclassified to the net profit of subsequent periods:		
	Net remeasurement losses of employee defined benefit plans	**(49)**	(1,401)
	Net other comprehensive income not to be reclassified to the net profit of subsequent periods	**(49)**	(1,401)
15	Other comprehensive income (loss) for the year	**57,144**	(3,204)
	Total comprehensive income for the year	**B/. 1,255,758**	B/. 1,160,233

The accompanying notes are an integral part of these financial statements.

Autoridad del Canal de Panamá
Statement of Changes in Equity
For the year ended September 30, 2017
(In thousands of balboas B/.)

Notes		Contributed capital	Contributions	Reserves	Other equity accounts	Unappropriated retained earnings	Total equity
Notes	**Balance as of September 30, 2015**	**B/. 1,906,193**	**B/. 5,457,968**	**B/. 914,479**	**B/. (172,389)**	**B/. 649,613**	**B/. 8,755,864**
	Profit for the year	-	-	-	-	1,163,437	1,163,437
15	Other comprehensive income:						
	Cash flow hedges	-	-	-	(1,803)	-	(1,803)
	Net remeasurement losses of employees defined plans actuarial loss	-	-	-	(1,401)	-	(1,401)
	Comprehensive income of the year	-	-	-	(3,204)	1,163,437	1,160,233
16	Transfer to the Panamanian Treasury	-	-	-	-	(649,613)	(649,613)
14	Net increase in contributions	-	542,062	-	-	(542,062)	-
14	Net decrease in equity reserves	-	-	(9,390)	-	9,390	-
	Balance as of September 30, 2016	**B/. 1,906,193**	**B/. 6,000,030**	**B/. 905,089**	**B/. (175,593)**	**B/. 630,765**	**B/. 9,266,484**
	Profit for the year	-	-	-	-	1,198,614	1,198,614
15	Other comprehensive income:						
	Unrealized loss on securities available for sale	-	-	-	(1,220)	-	(1,220)
	Cash flow hedges	-	-	-	58,413	-	58,413
	Net remeasurement losses of employees defined plans actuarial loss	-	-	-	(49)	-	(49)
	Comprehensive income of the year	-	-	-	57,144	1,198,614	1,255,758
16	Transfer to the Panamanian Treasury	-	-	-	-	(630,765)	(630,765)
14	Net decrease in contributions	-	(14,195)	-	-	14,195	-
14	Net increase in equity reserves	-	-	19,000	-	(19,000)	-
	Balance as of September 30, 2017	**B/. 1,906,193**	**B/. 5,985,835**	**B/. 924,089**	**B/. (118,449)**	**B/. 1,193,809**	**B/. 9,891,477**

The accompanying notes are an integral part of these financial statements.

Autoridad del Canal de Panamá
Statement of Cash Flows
For the year ended September 30, 2017
(In thousands of balboas B/.)

Notes			**2017**		2016
	Cash flows from operating activities:				
	Profit for the year	**B/.**	**1,198,614**	B/.	1,163,437
4, 23	Depreciation		**202,828**		132,392
6	Loss in financial instruments		**13,159**		-
25	Net movement in defined benefit plans, net of reimbursement right		**482**		21
4	Loss on disposal of fixed asset		**477**		896
9	Estimation for inventory obsolescense		**66**		2,569
21	Provision for marine accidents		**(3,425)**		903
	Amortized discount in bonds payable		**565**		564
	Changes in working capital:				
	(Increase) decrease in trade and other receivable		**(21,129)**		1,751
	(Increase) decrease in inventories		**(2,848)**		4,200
	Increase in accrued interest receivable and other assets		**(4,617)**		(4,895)
	Increase (decrease) in trade and other payable		**20,616**		(71,437)
21	Payments of marine accidents claims		**(2,584)**		(1,890)
	Increase in accrued salaries and vacation payable		**7,456**		6,506
	Decrease in other current financial liabilities		**(3,728)**		(1,594)
	Increase (decrease) in other liabilities		**9,416**		(1,596)
	Net cash provided by operating activities		**1,415,348**		1,231,827
	Cash flows from investing activities:				
	Purchase of properties, plant, and equipment		**(254,542)**		(728,764)
	Purchase of other financial assets		**(3,072,964)**		(3,150,072)
	Maturities of other financial assets		**2,756,809**		2,699,486
	Net cash used in investing activities		**(570,697)**		(1,179,350)
	Cash flows from financing activities:				
18, 26	Proceeds from collections of bonds issuance		**-**		441,042
16	Transfer to Panamanian Treasury		**(630,765)**		(649,613)
	Net cash used in financing activities		**(630,765)**		(208,571)
	Net increase (decrease) in cash and cash equivalents		**213,886**		(156,094)
	Cash and cash equivalents at the beginning of the year		**314,407**		470,501
12	Cash and cash equivalents at the end of the year	**B/.**	**528,293**	B/.	314,407
	Interests:				
	Received	**B/.**	**63,141**	B/.	38,715
	Paid	**B/.**	**79,753**	B/.	72,167

The accompanying notes are an integral part of these financial statements.

Explanation Added for Translation into English

The accompanying financial statements have been translated from Spanish into English for international use. These financial statements are presented in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. Certain accounting practices applied by Autoridad del Canal de Panamá (the ACP) which are in conformity with International Financial Reporting Standards may differ from accounting principles generally accepted in some countries where the financial statements may be used.

1. General information

The financial statements of the Autoridad del Canal de Panamá (the ACP), for the year ended as of September 30, 2017, were approved by the Board of Directors and authorized for issuance on December 14, 2017.

The ACP is an autonomous legal entity of public law established by Article 316 of Title XIV of the Constitution of the Republic of Panama and subject to special arrangements made by the provisions of that Title, of Law No. 19 of June 11, 1997 and regulations that dictates the Board of Directors as mandated by articles 319 and 323 of the same Title. This scheme provides, inter alia, that corresponds to the ACP exclusively the administration, operation, conservation, maintenance and modernization of the Canal de Panamá (the Canal) and its related activities, for which it establishes a special labor regime applicable to the ACP and its workforce, and provides it with its own patrimony and the right to its administration.

The ACP, in coordination with government entities designated by law, is also responsible for the management, maintenance, use and conservation of the water resources of the Canal watershed, including lakes and their tributary streams. As part of this responsibility, the ACP optimizes these resources through the sale of water, energy and tourism related activities in the Canal.

With the expiration of the 1977 Torrijos-Carter Treaty at noon on December 31, 1999, the Canal reverted to the Republic of Panama free of debts and liens, becoming an inalienable patrimony of the Republic of Panama, open to the peaceful and uninterrupted transit of vessels of all nations and whose use will be subject to the requirements and conditions established by the Political Constitution of Panama, the Organic Law of the ACP and its management.

The main ACP offices are located at the Administration Building No. 101, Balboa, Corregimiento de Ancón, Republic of Panama.

2. Basis of preparation

The financial statements of the ACP, including the comparatives, for the year ended September 30, 2017, have been prepared in accordance with the International Financial Reporting Standards (IFRS), disseminated by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis, except for certain assets and liabilities measured at fair value, which are described in the significant accounting policies.

3. Summary of significant accounting policies

Functional currency

The ACP maintains its accounting records in U.S. dollars (USD $), which is its functional currency, and the financial statements are presented in balboas (B/.). The balboa, monetary unit of the Republic of Panama, is at par and of free exchange with the U.S. dollar. The Republic of Panama does not issue paper currency and instead uses the U.S. dollar as legal tender.

Transactions with related parties

All transactions with related parties are disclosed based on the criteria established in the International Accounting Standard (IAS 24) - "Related Party Disclosures". The ACP considers as a related party, all Governmet entities and any individual or legal entity that could be significantly influenced by key ACP personnel or could significantly influence key ACP personnel that participate in operational or financial decisions, or have representation from the ACP in other decision-making bodies, which may affect the preparation and results of the ACP's financial statements. This definition includes and considers as a related party, members of the board of directors and Administration key personnel of the ACP, their relatives, dependents or close persons, which include the spouse, their children or children of the spouse, or persons of analogous relationship of affectivity.

Revenue recognition

Revenues are recognized to the extent that it is probable that economic benefits will flow to the ACP and revenues can be reliably measured, regardless of when the payment is being received. Specific recognition criteria described below must be met before the revenue is recognized:

Toll revenue

Toll revenue is recognized once vessels complete their transits through the Canal.

3. Summary of significant accounting policies (continued)

Sale of electricity

Revenues from the sale of electricity is recognized based on contractual and physical delivery of energy and installed capacity valued at contractual rates or at prevailing spot market rates. Revenue includes unbilled amounts for electricity sales and installed capacity supplied but not liquidated at the end of each period which are recorded at contractual rates or at estimated prices in the spot market at the end of each period.

Sale of potable water

Revenues from the sale of potable water is recognized when treated water is delivered based on prices contracted with the Instituto de Acueductos y Alcantarillados Nacionales.

Services rendered

Revenues from other services are recognized when such services are rendered.

Interests

Interest earned on financial instruments measured at amortized cost and financial assets classified as available for sale are recognized using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument to the carrying amount of the financial asset or liability. Interest income is included in a separate line in the income statement.

Transfer to Panamanian Treasury

Transfer to Panamanian Treasury corresponds to net profit minus the funds required for the investment projects reserves and for other equity reserves approved by the Board of Directors according to the ACP Organic Law.

Fees paid to the Panamanian Treasury

Fees paid to the Panamanian Treasury, which correspond to fees paid by the ACP in concept of per ton transit right, and public services fees as mandated by the Panamanian Constitution, are recognized when incurred. By Constitutional mandate, the ACP is not subject to the payment of taxes, duties, tariffs, charges, rates or tribute of a national or municipal nature, with the exception of employer Panama Social Security payments, educational insurance, workmen’s compensation of employees, public utilities, and the per ton transit right of the Canal.

3. Summary of significant accounting policies (continued)

Borrowing and bonds issuance costs

Borrowing and bonds issuance costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time for their intended use are capitalized as part of the cost of the assets, until all or practically all activities necessary to prepare the asset for its use are completed. All other borrowing costs are recognized as expenses in the period they are incurred. Borrowing costs consist of interests and other costs that ACP incurs in connection with the borrowing contract.

Properties, plant, and equipment

The Panama Canal as an entity defined by the Constitution, which, according to Chapter I of Law No. 19 of 1997, is the inalienable patrimony of the Panamanian nation and includes (i) the waterway itself, (ii) its anchorages, berths, and entrances, (iii) lands and marine waters, river, and lake waters, (iv) locks, (v) auxiliary dams, (vi) dikes and water control structures. The ACP owns Canal installations, buildings, structures and equipment that support the operation of the Panama Canal. In addition, pursuant to Article 49 of Law No. 19 of 1997, the ACP is entitled to dispose of these assets to the extent they are not necessary for the functioning of the Panama Canal. These assets currently include electrical power plants and water purification plants, piers and docks, dry docks, radio stations, telemetric and hydro-meteorological stations, dredge spoil areas, spillways, lighthouses, buoys and navigation aids and pipelines.

Properties, plant, and equipment held for use, the production or supply of goods or services, or for administrative purposes, are presented in the statement of financial position at their acquisition cost or production cost, net of accumulated depreciation and impairment that would have occurred.

Replacements and improvements of complete elements that increase the useful life of the asset or its economic capacity are accounted as properties, plant, and equipment, with the respective retirement of any replaced element. Parts of properties, plant, and equipment, with different useful lives, are accounted separately.

Periodic maintenance, preservation and repair costs are recognize in profit and loss when incurred.

Depreciation is calculated on the cost values following a straight-line method over the estimated useful life of the assets, with the understanding that the land on which buildings and other constructions are settled have an indefinite useful life and, therefore, are not subject to depreciation.

3. Summary of significant accounting policies (continued)

The following estimated useful lives were used to calculate depreciation:

Years	Buildings	Structures	Equipments
3 -15	-	Asphalt roads	Automobiles, trucks, personal computers, servers
20 - 50	Concrete, steel	Water tanks, Floating piers, concrete streets	Locomotives, tugs, dredges, floating cranes
75	-	Concrete piers, bridges, range towers	Gates, cranes
100	-	Locks structures, dams, dry-dock	-

Constructions in progress include all direct charges for materials, labor, research, equipment, professional fees and indirect costs related to the works. Once these works are concluded, the construction value will become part of the properties, plant, and equipment and its depreciation will begin.

Items of properties, plant, and equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the disposal proceeds and carrying amount of the asset) is included in the income statement when the asset is derecognized.

Investment properties

Investment properties are measured at acquisition cost, including transaction costs. Subsequent to initial recognition, investment properties are stated by the ACP at its cost value, applying the same requirements as for properties, plant, and equipment.

Transfers by investment properties to or from owner-occupied properties are made only when there is a change in use of the asset.

Depreciation is calculated following a straight-line method over the estimated useful life of the assets, with the understanding that the land on which buildings and other constructions are settled have an indefinite useful life and, therefore, are not subject to depreciation.

Disbursements due to repairs and maintenance that do not meet the conditions for asset recognition, are recognized as expense when incurred.

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets

The ACP assesses, at each reporting period date, whether there is an indication that a nonfinancial asset may be impaired. If any indication exists, the ACP estimates the asset's recoverable amount, defined as the higher of an asset's fair value less costs to sell and its value in use. When the asset's carrying amount exceeds its recoverable value, the asset is consider as impaired and it is adjusted to its recoverable value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Impairment losses are recognized in the income statement in the year they are determined.

Cash and cash equivalent

Cash and cash equivalent comprises cash and highly liquid short term investments which their maturity are equal or less than three months since the acquisition date as of the date of the financial position. For cash flows purposes, ACP presents the cash and cash equivalent net of overdrafts, if any.

Inventories

Inventories of materials, operating supplies, and fuel are valued at the lower of cost or net realizable value. Inventories are valued using the average cost method based on purchase cost to suppliers, not exceeding the realizable value, net of allowance for obsolescence of supplies and materials.

Provisions

Provisions are recognized when the ACP has a present obligation, either legal or constructive in nature, 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 obligation amount.

The amount recognized as a provision is the best estimate of the disbursement required to settle the present obligation at the end of the reporting period considering the corresponding risks and uncertainties. When a provision is measured using estimated cash flow to settle the present obligation, its carrying amount is the present value of such cash flow.

When the reimbursement of some or all economic benefits required to cancel a provision is expected, a receivable is recognized as an asset, but only when the reimbursement is a virtually a fact and the amount of the receivable can be reliably measure.

3. Summary of significant accounting policies (continued)

Provision for marine accidents and other claims

The ACP recognizes a provision for marine accidents and contract claims as soon as a known highly probable economic obligation is derived from any particular incident.

For marine accident claims, the ACP performs a detailed investigation to determine the cause of the accident. Based on the results of the investigation, if applicable, a provision is initially recorded based on the estimated cost of permanent or temporary repairs and other related costs that the Administration considered to be ACP's responsibility. The amount of the provision is reviewed at each date of the stament of financial position, and if necessary, adjusted to reflect the best estimate at that time.

For contractor and counterparty claims that arise during contract execution, as a result of contract interpretation or termination, the contracting officer first determines whether the claim has merit; if so, the contracting officer estimates ACP liability and tries to reach a settlement with the contractor. If unsuccessful, the contracting officer documents the circumstances, recognizes a provision for the estimated amount of the claim and the parties initiate the administrative resolution procedure established in the contract. Certain contracts include arbitration as the jurisdictional instance for dispute resolution.

The ACP will pay for claims that are properly supported and approved by ACP, in its administrative stage or judicial stage, according to Article 69 of the Organic Law or pursuant to a final ruling by the maritime tribunal. In those cases where the ACP may be liable as a result of a claim of a contract, if the contract contains an arbitration clause, the claim will be heard by the Arbitration Center established in the respective contract. If there is no arbitration clause, the case will be resolved by the Third Chamber of the Supreme Court.

Employee benefits

Ninety two percent (92%) of the workforce in the ACP is represented by six bargaining units (unions) that have collective agreements that are negotiated and their terms are adjusted periodically. During fiscal year 2016, four collective agreements were settled, the Non-professionals and the Professionals, which will be in effect until year 2019, the Board of Captains and Officials, that will be in effect until year 2020, and the Pilots until the year 2021. In fiscal year 2017, two collective agreements were settled: the firemen, in effect until year 2021, and the machine engineers, until year 2020.

In defined benefit plans for the voluntary retirement of employees, an actuarial liability is recognized not only for the legal obligation under the formal terms of the plan, but also for the implied projections of constructive nature arising from expectations created by informal practices as required under IAS 19. These actuarial projections, of constructive nature, do not constitute a legal obligation for the ACP.

3. Summary of significant accounting policies (continued)

Voluntary retirement plans

The ACP provides two unfunded defined benefit plans for voluntary retirement of employees. The cost of providing these benefits is determined using the projected unit credit method. Actuarial gains and losses are fully recognized in the period they occur in the statement of comprehensive income. The liability for defined benefits comprises the present value of both, the actual and constructive obligations of defined benefits. Under IAS 19, the ACP determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the year, taking into consideration any changes in the benefit liability during the period as a result of benefit payments.

Defined benefit contribution plan

Retirement benefits for employees are provided through a defined contribution plan through the Caja de Seguro Social which assumes responsibility for retirement. Contributions are made based on parameters set by the Organic Law of that institution. The ACP does not assume responsibility or obligation other than the payment determined by Law.

Reimbursement right to ACP

The right to reimbursement to ACP is an insurance policy in which the indemnities return to the ACP to reimburse all the benefits paid to employees as an incentive for voluntary retirement. In accordance with IAS 19, it is recognized at fair value as a separate asset when it is virtually certain that a third party will reimburse some or all of the disbursements required to settle a defined benefit obligation. Changes in the fair value of the right to reimbursement are disaggregated and recognized in the same way as for changes in the fair value of plan assets. The components of defined benefit cost are recognized net of changes in the carrying amount of the right to reimbursement.

The fair value of the right to reimbursement to the ACP arising from an insurance policy that exactly matches the amount and timing of some or all defined benefits payable in terms of a defined benefit plan, is considered the present value of related constructive actuarial obligation, subject to any reduction required if the reimbursement is not fully recoverable.

Financial assets

Financial assets are classified in the following specific categories: held-to-maturity investments, securities available for sale, trade accounts receivables, advances and other receivable to contractor, and hedging financial instruments recorded at fair value. Classification depends on the nature and purpose of the financial asset and is determined at initial recognition.

3. Summary of significant accounting policies (continued)

Trade and other receivable

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, trade accounts receivables are measured at amortized cost using the effective interest rate method, less any impairment.

Advances to contractors and advances and other accounts receivable to contractors

Advances to contractors for the acquisition of physical assets, such as property, plant and equipment, are initially classified as a non-financial asset because the recovery is expected to be made through work and not with cash or another financial instrument. When these advances are expected to be settled in cash or through the execution of third-party guarantees, the ACP reclassifies the advance as a financial instrument to the advances and other receivable to contractor.

Held-to-maturity investments

Investments in time deposits with maturities greater than 90 days and in commercial paper with fixed or determinable payments and with a defined maturity date are classified as held-to-maturity-investments when the ACP has both the intention and the ability to maintain them until its maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest rate method less any impairment. The amortized cost is calculated considering any premium or discount at the time of purchase and the wages or fees that belong to the effective interest rate.

Securities available for sale

Consist of securities acquired with the intention of keeping them for an indefinite period of time, which can be sold in response to liquidity needs or changes in interest rates. After their initial recognition, the securities available for sale are measured at their fair value. Gains or losses arising from changes in the fair value of the securities available for sale are directly recognized in equity until the financial assets have been written off or an impairment is being determined. At that time, the accumulated gain or loss, previously recognized in the equity, is recognized in the income statement. The fair value of an investment in securities is generally determined based on the quoted market price at the date of the statement of financial position. If a reliable quoted market price is not available, the fair value of the instrument is estimated using models for price calculation or discounted cash flows techniques.

3. Summary of significant accounting policies (continued)

Derecognition of financial assets

The ACP derecognizes a financial asset only when the contractual rights to receive the cash flows from the asset have expired; or when the ACP has transferred substantially all the risks and rewards of ownership of the financial asset. If the ACP neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but keeps control of the transferred asset, then it recognizes retained interest in the asset as well a liability for the amounts it may have to pay. If the ACP retains substantially all the risks and rewards of ownership of the financial asset transferred, the ACP continues to recognize the financial asset and also recognizes a liability secured by the amount received.

Impairment of financial assets

The ACP assesses whether there is objective evidence that a financial asset is impaired at each statement of financial position date. A financial asset is impaired if there is evidence that as a result of one or more events that occurred after the initial recognition of the asset, there has been a negative impact on its estimated future cash flows.

Recognition of financial instruments

The ACP utilizes the trade date for the recognition of financial instruments transactions.

Financial liabilities

The ACP, at initial recognition, measures its financial liabilities at fair value in addition to the direct transaction costs. After initial recognition, the financial liabilities are measured at amortized cost using the effective interest rate method. The ACP recognizes the profit or loss in the income statement when a financial liability is derecognized as well as through the amortization process.

The ACP financial liabilities include borrowings and bonds issued, trade and other payables, and other financial liabilities.

Borrowings and bonds issued

Borrowings and bonds issued are initially recognized at fair value at their respective contractual dates, including the costs attributable to the transaction. After its initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method. The amortized cost is calculated considering any premium or discount at the time of purchase and the wages or fees that belong to the effective interest rate.

Trade and other payable

Accounts payable do not earn interest and are booked at their face value. The ACP is exempt from the payment of any national or municipal levy, tax, duty, fee, rate, charge or contribution, with the exemption of Social Security payments, educational insurance, workmen’s compensation, and fees for public services.

3. Summary of significant accounting policies (continued)

Other financial liabilities

The ACP subscribes a variety of financial instruments to manage its exposure to the interest rate risk, foreign currency risk and commodity price risk.

Financial instruments are initially recognized at fair value at the date the hedge contract is entered into, and are subsequently measured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately, except for the effective portion of a hedging instrument for which the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The ACP designates certain financial instruments as hedges of the exposure to changes in fair value of a recognized asset or liability or a previously unrecognized firm commitment (fair value hedge) or hedges of the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecast transactions, or the foreign currency risk of firm commitments (cash flow hedge).

A financial instrument with a positive fair value is recognized as a financial asset, while a financial instrument with a negative fair value is recognized as a financial liability. A financial instrument is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other financial instruments are presented as current assets or current liabilities.

Hedge accounting

The ACP designates certain financial instruments as either fair value hedges or cash flow hedges. Hedges of foreign exchange on firm commitments are accounted for as cash flow hedges.

At inception date of the hedge, the ACP documents the hedging relationship and the objective and risk management strategy to undertake the hedging transaction. At inception of the hedge, and ongoing basis, the documentation shall include the identification of the hedge instrument, the transaction or instrument covered, the nature of the risk covered and the manner in which the ACP would measure the effectiveness of the hedge instrument to compensate the exposure to changes in the fair value of the item covered or the changes in the cash flows of the covered risk. These hedges are expected to be highly effective in order to mitigate changes in cash flows of the hedged item and are periodically evaluated to determine if they had been highly effective during the financial reporting periods for which they were designated.

Cash flow hedges

The effective portion of changes in the fair value of financial instruments that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

3. Summary of significant accounting policies (continued)

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, within the same line of the income statement as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or the non-financial liability.

The ACP discontinues hedge accounting, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Derecognition of financial liabilities

The ACP derecognizes a financial liability when it expired, cancelled, or met ACP's obligations.

Changes in accounting policies

The accounting policies used in preparing the financial statements for the year ended September 30, 2017 are the same as those applied in the financial statements for the year ended September 30, 2016.

New International Financial Reporting Standards (IFRS) and Interpretations not adopted

Standards issued effective for annual periods beginning on or after January 1, 2016 that have not been adopted:

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, when is adopting IFRS for the first time and whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances.. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the income statement and in the statement of other comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. The application of this standard is not expected to have an impact on the ACP.

3. Summary of significant accounting policies (continued)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in a joint operation

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. So it is not expected that they will have an impact on the ACP.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and it is not anticipated that they will have an impact on the ACP.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

These amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are applied retrospectively and it is not anticipated that they will have an impact on the ACP.

3. Summary of significant accounting policies (continued)

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments are not anticipated that they will have an impact on the ACP.

Standards issued but not yet in force

Standards issued but not yet in force at the date of issuance of the financial statements are listed below. This list of standards and interpretations issued are those that the ACP anticipates could have an effect on the disclosures, financial position or results when they are applied at a future date. The ACP intends to adopt these standards when they become effective:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 that replaces the previous versions of 2009 and 2010, the Amendments to IFRS 7 and 9, Mandatory Effective Date and Transition Disclosures, and IFRS 9 of 2013, Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39. IFRS 9 of 2014 is effective for annual periods beginning on or after January 1, 2018. However, for annual periods beginning before January 1, 2018, the entity may early adopt the previousversions instead of applying the final version of 2014. This can be done, as long as the initial application date is before February 1, 2015.

Amendments to IFRS 4 - Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued the amendments to IFRS 4 to address the issues that arose as a result of the different dates of application of IFRS 9 and the new IFRS 17 on insurance contracts that is about to be issued (previously Phase II of IFRS 4).

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or afterJanuary 1, 2018, allowing its early adoption. In April 2016, amendments to IFRS 15 were issued, which are effective for annual periods beginning on or after January 1, 2018. Early application of this standard is allowed.

3. Summary of significant accounting policies (continued)

IFRS 16 Leases

A lease is defined as a contract or part of a contract that entails the right to use an asset for a period of time in exchange for remuneration. IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. The standard is effective for annual periods beginning on or after 1 January 2018. Early application of this standard is permitted.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted.

3. Summary of significant accounting policies (continued)

Amendments to IFRS 2 Classification and Measurement of Share-based Payment

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Improvement to IFRS

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

IFRS 7 Financial Instruments: Disclosures

- Servicing contracts
  The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be made retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

- Applicability of the amendments to IFRS 7 to condensed interim financial statements
  The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

3. Summary of significant accounting policies (continued)

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These amendments do not have any impact on the ACP.

Amendments to IAS 1: Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

3. Summary of significant accounting policies (continued)

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities - Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

Critical accounting judgments and key sources of estimation uncertainty

These financial statements are prepared in conformity with IFRS which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Future actual results could differ from those estimates. Significant estimates for these financial statements include, but are not limited to the:

- determination of the useful life of fixed assets (note 4);
- recoverability of advances made and the related accounting and disclosure for claims to and from ACP’s main contractors. Such amounts are mostly secured by bank guarantees (notes 5, 6 and 26);
- recoverability of property, plant, and equipment, including construction in progress balances (note 4);
- fair value of financial instruments (note 26);
- estimated actuarial liability for the defined benefit plans for employee retirement and the right to reimbursement on these plans (note 25); and
- estimates for the provision for marine accident claims and contingent liabilities (notes 21 and 29, respectively).

(In thousands of balboas B/.)

4. Properties, plant, and equipment, net

Properties, plant, and equipment, net are detailed as follows:

Cost	**Buildings**	**Structures**	**Equipment**	**Land**	**Construction in progress**	**Total**
At the beginning of fiscal year 2016	B/. 120,380	B/. 1,057,897	B/. 1,589,630	B/. 1,023,137	B/. 5,571,187	B/. 9,362,231
Additions	81,982	4,363,390	1,327,143	-	(5,038,979)	733,536
Retirements	(6)	-	(8,510)	-	-	(8,516)
At the end of fiscal year 2016	202,356	5,421,287	2,908,263	1,023,137	532,208	10,087,251
Additions	7,374	193,802	38,388	-	26,387	265,951
Retirements	(2,929)	(1)	(15,032)	-	-	(17,962)
At the end of fiscal year 2017	B/. 206,801	B/. 5,615,088	B/. 2,931,619	B/. 1,023,137	B/. 558,595	B/. 10,335,240
Accumulated Depreciation	**Buildings**	**Structures**	**Equipment**	**Land**	**Construction in progress**	**Total**
At the beginning of fiscal year 2016	B/. (42,099)	B/. (329,103)	B/. (670,154)	-	-	B/. (1,041,356)
Depreciation	(3,148)	(50,463)	(81,782)	-	-	(135,393)
Retirements	6	-	8,459	-	-	8,465
At the end of fiscal year 2016	(45,241)	(379,566)	(743,477)	-	-	(1,168,284)
Depreciation	(4,001)	(93,076)	(109,003)	-	-	(206,080)
Retirements	2,839	1	14,895	-	-	17,735
At the end of fiscal 2017	B/. (46,403)	B/. (472,641)	B/. (837,585)	B/. -	B/. -	B/. (1,356,629)
Net Book Value						
At the end of fiscal year 2017	B/. 160,398	B/. 5,142,447	B/. 2,094,034	B/. 1,023,137	B/. 558,595	B/. 8,978,611
At the end of fiscal year 2016	B/. 157,115	B/. 5,041,721	B/. 2,164,786	B/. 1,023,137	B/. 532,208	B/. 8,918,967

(In thousands of balboas B/.)

4. Properties, plant, and equipment, net (continued)

		Investment Program - Canal Expansion		Investment Program - Others		Construction in progress total
Balance as of October 1, 2015	B/.	5,248,051	B/.	323,136	B/.	5,571,187
Additions		411,887		246,687		658,574
Transfers to property, plant and equipment		(5,676,283)		(97,076)		(5,773,359)
Interests, commissions and other financing expenses		54,403		21,403		75,806
Balance as of September 30, 2016		38,058		494,150		532,208
Additions		18,332		226,107		244,439
Transfers to property, plant and equipment		(50,709)		(189,106)		(239,815)
Interests, commissions and other financing expenses		-		21,763		21,763
Balance as of September 30, 2017	B/.	5,681	B/.	552,914	B/.	558,595

In compliance with Law 28 of July 17, 2006, issued by the Executive Branch, the proposal for the construction of the Panama Canal third set of locks was approved. On October 22, 2006, the people of Panama approved the Canal Expansion Program (the Program) through a national referendum in accordance with the constitutional requirement. The project for the Design and Construction of the Third Set of Locks was the main component of the Program.

The ACP started commercial operations of the third set of locks in the third quarter of 2016. During 2017, the Panama Canal Expansion Program capitalized B/.50,709 (2016: B/.5,676,283). The assets of the program were composed as follows: B/.76,551 for 102 buildings; B/.4,377,731 for 100 structures and B/.1,272,711 for 351 equipments. Additionally, during the construction period and previous to fiscal year 2016, costs from this program in the amount of B/.3,517 were capitalized in 32 assets of common use in ACP. In total, an amount of B/.5.730,510 was capitalized in 585 assets.

The ACP keeps in effect a Payment Bond of B/.50,000 issued by an insurance company which guarantees payment from GUPCSA, of labor, materials and equipment used for the execution of the contract for Design and Construction of the Third Set of Locks. Also, a Performance and Defects Guarantee for a total of B/.200,000, consisting of a Bond B/.50,000 issued by an insurer, and joint and several corporate guarantees for a total of B/.150,000. Both insurers have international investment grade granted by Standard & Poors.

As of September 30, 2017, the total amount of construction in progress for the Investment Program – Others was B/.552,914, standing out the project for the design and construction of the bridge in the Atlantic side of the Canal with an amount of B/.379,031.

(In thousands of balboas B/.)

4. Properties, plant, and equipment, net (continued)

During 2017, the ACP recorded losses of B/.477 (2016: B/.896) as a result of the derecognition of assets. Main assets derecognized included patrol boat, hydrometric station and power transformer. During fiscal year 2016, main assets retired included chimney, bunker burners and soot blower unit.

As of September 30, 2017, depreciation corresponding to equipment used in projects of the investment program that were capitalized in property, plant and equipment was B/.3,252 (2016: B/.3,001).

5. Advances to contractors

		2017		2016
Grupo Unidos Por El Canal, S.A.	**B/.**	**847,630**	B/.	868,247
Puente Atlántico, S.A.		**7,828**		18,834
		855,458		887,081
Less: reclassification		**(847,630)**		-
	B/.	**7,828**	B/.	887,081

Puente Atlántico, S.A. is the contractor company for the construction of a bridge across the Canal at the Atlantic side. According to the contract, the ACP paid to the contractor advances for an amount of B/.35,000 that were programmed in three payments; the first for B/.20,000, a second for B/.10,000 subdivided into two sub-payments of B/.5,000 each, and the third for B/.5,000.

The advance is guaranteed by (4) irrevocable letters of credit in force between January 20 until May 19, 2018, issued by a bank with investment grade A + from Standard & Poors, for the entire advance amount which decreases as repayments are made. In the event that advances have not been recovered by the ACP 45 days before the expiration of the corresponding irrevocable letters of credit, the Contractor shall extend, at the latest 30 days prior to the expiration of the letters, the validity thereof for a period not less than one year or the ACP may request the bank for the payment of corresponding letters. According to the contract, this advance payment will be repaid by withholdings from each payments from the ACP to the contractor for work performed. The discounts related to the repayment of advances for B/.35,000 began after the project progress exceeded 10% of the contract awarded. As of September 30, 2017, the amount withheld from payments to the contractor is B/.27,172 (2015: B/.16,166), leaving a balance of B/.7,828.

(In thousands of balboas B/.)

5. Advances to contractors (continued)

Change in advances to contractors is as follows:

		2017		2016
Balance at the beginning of the year	**B/.**	**887,081**	B/.	889,697
Additions		**-**		34,354
Amortizations		**(31,623)**		(36,970)
Reclassification		**(847,630)**		-
Balance at the end of the year	**B/.**	**7,828**	B/.	887,081

As of September 30, 2017, the ACP reclassified the advances granted to the contractor GUPCSA to the account advances and other receivable to contractor as it is expected that these advances will be recovered with other financial instruments. The ACP is pursing to recover the portion of the advance secured by corporate guarantees through actions in the English Courts.

6. Advances and other receivables to contractor, net

		2017		2016
Advances with bank guarantees:				
Mobilization	**B/.**	**247,959**	B/.	-
Plant		**300,000**		-
		547,959		-
Advances with corporate guarantees:				
Specified suppliers		**66,979**		-
Lock gates		**12,754**		-
Specified expenditures		**99,995**		-
Subcontractors and suppliers		**119,943**		-
		299,671		-
Plus: reimbursement for legal expeditures		**23,215**		-
		870,845		-
Less: financial ajustment to be amortized		**13,159**		-
Total for advances and other receivable to contractor, net	**B/.**	**857,686**	B/.	-

(In thousands of balboas B/.)

6. Advances and other receivables to contractor, net (continued)

The ACP maintains as non-current assets the portion of the advances guaranteed by corporate guarantees, which it is seeking to recover through actions in the English Courts. As of September 30, 2017, the ACP recognized a loss in the recoverable value of these advances for B/.13,159 due to an adjustment for the time value of money.

The expected maturity of the advances and other receivable to contractor is as follows:

		2017		2016
Current asset	**B/.**	**547,959**	B/.	-
Non-current asset		**309,727**		-
	B/.	**857,686**	B/.	-

GUPCSA is the contractor project company which is responsible of the contract for the Design and construction of the third set of locks of the Panama Canal, and its shareholders are Sacyr Vallehermoso, S.A., Jan de Nul N.V., Salini-Impregilo S.p.A, and Constructora Urbana, S.A. (CUSA).

The Third Set of Locks Project has started operations since June 26, 2016. Several disputes related to the works are currently subject to dispute resolution procedures. The parties can raise additional disputes only if they are related to the maintenance works that the Contractor is currently performing or in regards to any notification of defects and minor works that are in the process of being completed by the contractor. In accordance with the terms of the Contract, 50% of the amounts arising from dispute decisions issued in favor of GUPCSA are mandatorily applied under the Contract for the payment of the advances that are covered by corporate guarantees and that are: advances for specified suppliers, lock gates, and for subcontractors and suppliers, in that order. Once these Advances have been payed, any remaining amount of 50% of these amounts arising from dispute decisions issued in favor of the contractor, may be applied, at the option of GUPCSA, for the repayment of the amounts pending payment of the Other Advances (which are the advances that are secured by letters of credit: Mobilization and Plant).

In addition to any specific security instruments identified in the following summary, the ACP holds Joint and Several Guarantees issued by Sacyr, Impregilo, Jan De Nul and CUSA; and, a Parent Company Guarantee signed by SOFIDRA, which is the parent company of Jan De Nul (such companies, collectively, the “Guarantors”), which were submitted to the ACP in compliance with the contractual requirements for ACP to grant its consent for the assignment of the contract from the consortium Grupo Unidos por el Canal (GUPC) to their project company GUPCSA (current contractor).

6. Advances and other receivables to contractor, net (continued)

Under these joint and several guarantees, the guarantors, are jointly and severally liable for the compliance of GUPCSA with all the terms and conditions of the contract, including the repayment in full of all of the advances discussed in this Note.

The following is the detail of the advances:

Mobilization:

The advance payment for mobilization was made for the amount of B/.300,000, and as of September 30, 2017, has an outstanding amount of B/.247,959. The repayment of this advance is secured by an irrevocable letter of credit issued by a bank with a credit rating of A+ granted by Standard & Poors. The due date of this advance is June 1, 2018.

Plant:

The advance payment for plant was made for the amount of B/.300,000 and its repayment is secured by two irrevocable letters of credit, one for B/.100,000 issued by a bank with investment grade A+ of Standard & Poors and the other one for B/.200,000 issued by a bank with investment grade of BBB- of Standard & Poors. The outstanding amount of this advance is B/.300,000 and the due date for the repayment of this advance is June 1, 2018.

Specified suppliers:

The advance payment for specified suppliers was made for a maximum amount of B/.150,000. As of September 30, 2017, the outstanding amount of this advance is B/.66,979. This advance is secured by joint and several corporate guarantees issued by the guarantors, including an Other Existing Advances Joint and Several Guarantee, governed by English law and subject to the jurisdiction of the English Courts. This advance came due for repayment in full on December 31, 2016 and has not been repaid. ACP is pursuing collection of this advance through actions in the English Courts.

Lock gates:

The advance payment for lock gates was made for the Contractor to pay outstanding amounts payable to the lock gates fabricator. Its original maximum amount was B/.19,132. As of September 30, 2017, the outstanding amount of this Advance Payment is B/.12,754. This advance is secured by Other Existing Advances Joint and Several Guarantee governed by English law and subject to the jurisdiction of the English Courts, as well as a bond issued by Nacional de Seguros de Panama y Centroamerica in respect to B/.12,000 of the outstanding amount. This advance came due for repayment in full on December 31, 2016 and has not been repaid. ACP is pursuing collection of this Advance.

(In thousands of balboas B/.)

6. Advances and other receivables to contractor, net (continued)

Specified expenditures:

The advance payment for specified expenditures was made for the maximum amount of B/.100,000. As of September 30, 2017, the outstanding amount of this Advance Payment is B/.99,995. The repayment of this advance is secured by joint and several corporate guarantees issued by the Guarantors, including the Advance Payment for Specified Expenditures Joint and Several Guarantee, governed by the English law and subject to the jurisdiction of the English Courts. This Advance came due for repayment in full on December 31, 2016 and has not been repaid. ACP is pursuing collection of the Advance through actions in the English Courts.

Subcontractors and suppliers (Suppliers - VO 149):

Advance payment for subcontractors and suppliers was made up to a maximum amount of B/.120,000. As of September 30, 2017, the outstanding amount of this Advance Payment is B/.119,943. This Advance is secured by joint and several corporate guarantees issued by the Guarantors, including the Joint and Several Guarantee governed by English law and subject to the jurisdiction of the English Courts. This Advance came due for repayment in full on December 31, 2016 and has not been repaid. ACP is pursuing collection of the advance through actions in the English Courts.

7. Trade and other receivables

Trade and other current receivables are detailed as follows:

		2017		2016
Transits	**B/.**	**19,726**	B/.	8,310
Sale of electricity		**10,046**		9,216
Instituto de Acueductos y Alcantarillados Nacionales (IDAAN)		**5,054**		5,301
Other government entities		**9,664**		1,964
Other services		**4,723**		3,293
	B/.	**49,213**	B/.	28,084

Accounts receivable do not generate interest and the maturity term is 30 days.

Aging of past due but not impaired receivables:

		2017		2016
60 - 90 days	**B/.**	**19**	B/.	80
90 - 180 days		**226**		85
	B/.	**245**	B/.	165

(In thousands of balboas B/.)

8. Investment properties

As of September 30, 2017 investment properties are detailed as follows:

	2017	2016
Lands and buildings	**B/. 89,831**	B/. 89,831
Balance	**B/. 89,831**	B/. 89,831

As of September 30, 2017, ACP investment properties presented no changes compared to fiscal year 2016. They are composed of:

- An area of 180,345 square meters of land, water surface and underwater background, granted in concession to the PSA Panama International Terminal, S.A. for a period of 20 years (with option of extension for the same period subject to ACP determination) to develop, build, operate and manage a container yard and two docks with a total length of 797 linear meters, with a book value of B/.52 and fair value of B/.51,944. Upon termination of the contract, all facilities such as docks, buildings and other improvements constructed within the port will be property of the ACP free of any debt and lien. The ACP may terminate this concession contract early, if it determines that the use or activity is no longer compatible with the operation of the Canal, or the area is required for the operation or expansion of the Canal. Upon termination of the contract under these circumstances, the ACP will be obliged to pay the Concessionaire a compensation limited to the total amount of the cost of design and construction of the installations and dredging works made in the area of the concession, which has been previously authorized by the ACP. To the amount of the cost of the facilities built and dredging works made, the ACP will deduct a proportional depreciation leading to zero the value of the compensation, within a period not to exceed twenty (20) years from the start of operations of the container terminal.

- An area of 1,499.95 square meters granted in concession to Large Screen Cinema Corp., for the construction of a large format cinema, for a period of 10 years, renewable for another 10 years period with a book value of B/.22 and fair value of B/.6,283. The concessionaire will transfer to the ACP both, the building and the additional assets, upon completing the construction phase of the theater. The concessionaire is responsible for the design, construction, operation and maintenance of a large-format film theater that will be located at the adjacent area of the Miraflores Visitor Center.

- An area of 464,759.71 square meters, located on the east bank to the south end (Pacific) of the Canal that adjoins the complex of buildings of the ACP in Corozal, with a book value of B/.89,757 and fair value of B/.90,628, estimated based on an independent appraisal made in 2015. The ACP purchased the land for its strategic value for the development of commercial activities complementary to the operation of the Canal.

(In thousands of balboas B/.)

8. Investment properties (continued)

The land's fair value given in concession is calculated on the discounted operating cash flow analysis, using a representative of each business discount rate.

During fiscal year 2017, twenty-five buildings, which ACP is currently renting, were transferred from property, plant and equipment to investment properties. These buildings are fully depreciated and have a fair value of B/.24,965, which was estimated based on a discounted operating cash flow analysis at a representative rate for this type of business.

9. Inventories, net

Inventories are detailed as follows:

		2017		2016
Supplies and materials	**B/.**	**67,531**	B/.	66,585
Fuel		**9,198**		7,862
Provision for inventory obsolescence		**(4,000)**		(4,500)
	B/.	**72,729**	B/.	69,947

The change of obsolescence estimation for supplies and materials inventory is as follows:

		2017		2016
Balance at the beginning of the year	**B/.**	**4,500**	B/.	5,000
Increase		**66**		2,569
Write-off		**(566)**		(3,069)
Balance at the end of the year	**B/.**	**4,000**	B/.	4,500

The amount of material and supplies recognized during fiscal year 2017 in the income statement was B/.36,290 (2016: B/.33,516).

The amount of fuel recognized during fiscal year 2017in the income statement was B/.74,585 (2016: B/.51,205).

(In thousands of balboas B/.)

10. Other financial assets

Other financial assets are detailed as follows:

	2017		2016	
	Book value	**Fair value**	Book value	Fair value
Investments held to maturity, measured at amortized cost:				
Time deposits over 90 days	**B/. 1,105,000**	**B/. 1,105,000**	B/. 984,000	B/. 984,000
Investment grade corporate bonds	-	-	1,263,161	1,262,104
Securites available for sale, measured at fair value:				
Investment grade corporate bonds	**1,457,096**	**1,457,096**	-	-
Financial instruments designated as hedge instruments, measured as fair value:				
Interest rate swap	**721**	**721**	3,255	3,255
	B/. 2,562,817	**B/. 2,562,817**	B/. 2,250,416	B/. 2,249,359

The Organic Law establishes that the ACP's funds must be placed in short-term investment grade debt instruments and may not be used to buy other types of investment financial instruments issued by Panamanian or foreign public or private entities, neither to grant loans to said entities nor to the National Government.

During fiscal year 2017, the ACP reclassified the portion of the portfolio of securities held to maturity, made up of bonds listed on the stock exchange, to the portfolio of securities available for sale, generating an unrealized loss of B/.1,220 that was recognized in other comprehensive income.

Investments in securities and time deposits are performed and recorded in US dollars. All the ACP's investments were placed in instruments with an investment grade and have a short-term maturity.

At September 30, 2017, the annual interest rate of return of others instruments was 1.47% (September 30, 2016: 1.01%) paid at the end of each term and with a maximum maturity of a year.

Financial instruments designated as hedge instruments:

With the objective of transferring the risk of variability of future cash flows attributable to the volatility of interest rates applied to the financing of the Canal Expansion Program, the ACP subscribed an interest rate swap contract where it pays a fixed rate and receives a variable rate.

(In thousands of balboas B/.)

11. Accrued interest receivable and other assets

Accrued interest receivable and other assets are detailed as follows:

		2017		2016
Interest receivable	**B/.**	**21,734**	B/.	16,959
Prepayments		**75**		233
	B/.	**21,809**	B/.	17,192

12. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

		2017		2016
Cash on hand	**B/.**	**37**	B/.	34
Deposits in current accounts		**155,633**		29,365
Deposits in saving accounts		**222,623**		46,006
Time deposits with original maturities under 90 days		**150,000**		239,002
Total cash and cash equivalents	**B/.**	**528,293**	B/.	314,407

Cash deposit in bank accounts earns interest based on daily rates determined by corresponding banks. At September 30, 2017, the investment of these resources has the priority to cover all ACP obligations and earns interest rates which vary between 0.1% and 1.4% (September 30, 2016: 0.1% and 0.8%)

As of September 30, 2017 and September 30, 2016, there were no restrictions over the balance of cash and cash equivalents.

13. Contributed capital

Article 316 of the Political Constitution of the Republic of Panama states that the ACP has its own patrimony and the right to manage it. Upon the transfer of the Canal to the Republic of Panama at noon on December 31, 1999, the ACP became the administrator of all goods and real estate property identified in the Organic Law of the ACP as the patrimony necessary to operate and maintain the Canal.

This patrimony is divided into two groups: the inalienable patrimony, comprised of land, lakes, rivers, dams, locks and anchorages, as established in Article 2 of the Organic Law; and the economic patrimony, comprised of all those installations, buildings, structures and equipment that support the operation of the Canal, as established in Article 33 of the same Law.

(In thousands of balboas B/.)

14. Reserves and contributions for investment programs

Changes in investment programs contributions and reserves as of September 30, 2017 are detailed as follows:

	September 30, 2017	**Increase (decrease)**	September 30, 2016	Increase (decrease)	September 30, 2015
Contributions:					
Investment programs	**B/. 5,985,835**	**B/. (14,195)**	B/. 6,000,030	B/. 542,062	B/. 5,457,968
	5,985,835	**(14,195)**	6,000,030	542,062	5,457,968
Reserves:					
Catastrophic risks	**36,000**	**-**	36,000	-	36,000
Contingencies and working capital	**223,120**	**19,000**	204,120	(9,390)	213,510
Enterprise capitalization	**274,969**	**-**	274,969	-	274,969
Strategic for investment programs	**390,000**	**-**	390,000	-	390,000
	924,089	**19,000**	905,089	(9,390)	914,479
Total	**B/. 6,909,924**	**B/. 4,805**	B/. 6,905,119	B/. 532,672	B/. 6,372,447

Investment programs

At September 30, 2017, the ACP decreased the funds of the investments programs by B/.14,195 (2016: B/.542,062) for a contributed total of B/.1,725,460 (2016: B/.1,681,722) for the Investment program – Others and B/.4,260,375 (2016: B/.4,318,308) for the Investment program – Canal expansion. This contribution includes a contingency amount for regular investment program, which is set each year; the unused balance is transfer to surplus at end of period.

Catastrophic Risks

The ACP maintains an equity reserve to cover the deductibles of the catastrophic risks insurance policies of B/.36,000.

Contingencies and working capital

The ACP maintains an equity reserve for contingencies and working capital which is calculated based on the ACP's level of revenues and is defined as 30 days of average revenues or billing of the Canal. During fiscal year 2017, it was approved to increase this reserve by B/.19,000 while in 2016, it was approved to decreased it by B/.9,390 for a total reserve of B/.223,120 (2016: B/.204,120).

14. Reserves and contributions for investment programs (continued)

Enterprise capitalization

The ACP maintains an equity reserve for capitalization with the purpose to ensure and facilitate the long-term financial projection of the ACP. During fiscal year 2017 and fiscal year 2016, this reserve was not adjusted so it keeps a total reserved of B/.274,969.

Strategic for investment programs

In fiscal year 2014, the ACP established an equity reserve to maintain strategic sustainability and competitiveness of the Canal, ahead ensuring the availability of funds to meet additional needs of existing investment projects and to take advantage of growth opportunities requiring the implementation of new investment projects. During fiscal year 2017 and fiscal year 2016, this reserve was not adjusted so it keeps a total reserved of B/.390,000.

The Organic Law establishes that, after covering the costs for operation, investment, modernization, and expansion of the Canal, as well as the necessary reserves provided by the Law and Regulations, any surplus shall be forwarded to the National Treasury in the following fiscal period.

15. Other equity accounts – components of other comprehensive income

Other equity accounts are composed entirely by the unrealized gain (loss) for the evaluation of the cash flows hedging instruments and for the unrealized (loss) in actuarial valuations of the defined post-employment benefit plans.

(In thousands of balboas B/.)

15. Other equity accounts – components of other comprehensive income (continued)

Adjustments during the year to the Other equity accounts - other comprehensive income are as follows:

		2017		2016
Balance at the beginning of the year	**B/.**	**(175,593)**	B/.	(172,389)
Securitites available for sale:				
Net unrealized loss		**(1,220)**		-
Cash flow hedges:				
Interest rate swap contracts:				
Reclassification of losses to construction in progress		**-**		24,319
Reclassification of losses to income statement		**23,656**		8,023
Net income (loss) of not-yet matured contracts		**34,757**		(34,145)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**57,193**		(1,803)
Actuarial valuations:				
Net remeasurement losses of employe defined benefit plans		**(49)**		(1,401)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**(49)**		(1,401)
Income (loss) during the year		**57,144**		(3,204)
Balance at the end of the year	**B/.**	**(118,449)**	B/.	(175,593)

16. Unappropriated retained earnings

The Organic Law establishes that after covering the costs for the investment program and the reserves detailed in note 14, any surplus shall be remitted to the Panamanian Treasury in the following fiscal period. Therefore, the ACP should transfer the total amount of B/.1,193,809 to the Panamanian Treasury which corresponds to the year ended September 30, 2017 (2016: B/.630,765). (See note 30).

(In thousands of balboas B/.)

16. Unappropriated retained earnings (continued)

Detail of payments to the Panamanian Treasury is as follows:

		2017		2016
Payments to the Panamanian Treasury				
Fees per net ton	**B/.**	**454,558**	B/.	379,973
Public service fees		**2,011**		2,392
Sub-total		**456,569**		382,365
Unappropriated retained earnings (See note 30)		**1,193,809**		630,765
Total	**B/.**	**1,650,378**	B/.	1,013,130

17. Borrowings

Financing received for the Canal Expansion Investment Program, presented at amortized cost as of September 30, is detailed as follows:

Credit Facilities	Interest Rate %	Maturity Date		**Sep. 30-17**		Sep. 30-16
European Investment Bank (BEI)	LIBOR 6 months + 0.811	Nov. 15-28	**B/.**	**100,000**	B/.	100,000
European Investment Bank (BEI)	LIBOR 6 months + 0.824	Nov. 15-28		**300,000**		300,000
European Investment Bank (BEI)	5.196	Nov. 15-28		**100,000**		100,000
Development Bank of Latin America (CAF)	LIBOR 6 months + 1.20	Nov. 15-28		**150,000**		150,000
Development Bank of Latin America (CAF)	LIBOR 6 months + 1.40	Nov. 15-28		**150,000**		150,000
International Finance Corporation (IFC)	LIBOR 6 months + 1.30	Nov. 15-28		**300,000**		300,000
Inter-American Development Bank (IADB)	LIBOR 6 months + 1.05	Nov. 15-28		**400,000**		400,000
Japan Bank for International Cooperation (JBIC)	LIBOR 6 months + 0.75	Nov. 15-28		**800,000**		800,000
			B/.	**2,300,000**	B/.	2,300,000

These credit facilities were subscribed under the Common Terms Agreement, which financed part of the Canal Expansion Program. These borrowings will have semi-annual payments to principal beginning on May 15, 2019, due in November 2028.

The ACP complies with the obligation to report annually to the five multilateral agencies that gave loans, the situation of the following two financial ratios: Total Debt to EBITDAand the Debt Service Coverage.

	2017	2016
Total Debt to EBITDA Ratio	**1.9**	2.14
Debt Service Coverage Ratio	**56.3**	62.1

(In thousands of balboas B/.)

17. Borrowings (continued)

- Before the completion of the Expansion Program, the total debt to EBITDA ratio should maintain as of the end of each semi-annual fiscal period of the borrower, a ratio of less than 3.0 for such measurement period.

  Total debt to EBITDA ratio, after completion of the Expansion Program, should maintain, as of the end of each semi-annual fiscal period of the borrower, a ratio less than 2.5 for such measurement period.

- Before the completion of the Expansion Program, the debt service coverage ratio should maintain at the end of every semi-annual fiscal period of the borrower, a ratio of no less than 5.0 for each measurement period.

  Debt service coverage ratio, after completion of the Expansion Program, should maintain at the end of every semi-annual fiscal period of the borrower, a ratio of no less than 3.0 for each measurement period.

Debt service means, for any period or at any time, as the context may require, the sum of regularly scheduled interest payable on and amortization of debt discount in respect of all debt for borrowed money, plus regularly scheduled principal amounts of all debt for borrowed money payable.

As of September 30, 2017, the ACP was in compliance with the aforementioned restrictive financial covenants.

The interests, cash flow hedges and other financing costs for the year ended September 30, 2017, are detailed as follows:

		2017		2016
Interest on loans	**B/.**	**77,668**	B/.	64,561
Cash flow hedges		**23,656**		32,342
Other expenses		**743**		662
Total interests, cash flow hedges and other financing costs		**102,067**		97,565
Less: amount of capitalized financing costs		**(21,763)**		(75,806)
Net financing costs	**B/.**	**80,304**	B/.	21,759

(In thousands of balboas B/.)

18. Bonds payable, net

On September 24, 2015, the ACP issued bonds for B/.450,000 to partially finance the construction of a new bridge on the Atlantic side of the Canal, with trading date October 1, 2015.

	Interest Rate %	Maturity Date	**2017**	2016
Bond 2035	4.95	29-Jul-35	**B/. 450,000**	B/. 450,000

These bonds were issued under rule 144A of Regulation S of the U.S. Securities and Exchange Commission, with a fixed annual rate of 4.95%, payable in four semi-annual installment payments to principal of B/.112,500, from January 29, 2034, and maturing on July 29, 2035. The effective interest rate is 5.17%.

As part of the obligations of the issuance, the ACP presents audited financial statements for each fiscal year and unaudited financial statements at the end of the first, second, and third quarter of each fiscal year.

19. Other financial liabilities

Other financial liabilities are detailed as follows:

	2017	2016
Financial instruments designated as hedging instruments carried at fair value:		
Interest rate swaps	**B/. 122,809**	B/. 187,484
	B/. 122,809	B/. 187,484
Current	**B/. 7,722**	B/. 11,450
Non-current	**115,087**	176,034
	B/. 122,809	B/. 187,484

In order to transfer the variability risk of the future cash flows related to the volatility of the interest rate paid in the borrowing associated to the Canal Expansion Program, the ACP subscribed an interest rate swap contract which pays at a fixed rate and receives at a floating rate.

(In thousands of balboas B/.)

20. Trade and other payables

Trade and other payables are as follows:

		2017		2016
Panamanian Treasury	**B/.**	**37,873**	B/.	32,563
Suppliers and others		**184,543**		169,237
	B/.	**222,416**	B/.	201,800

The balances payable to the Panamanian Treasury correspond to the fees per net ton pending for payment.

The Organic Law establishes that the ACP shall annually pay the Panamanian Treasury a fee per net ton, or its equivalent, collected from vessels paying tolls for use of the Canal. This fee shall be set by the ACP. At September 30, 2017, the total of such fees amounted to B/.454,558 (2016: B/.379,973).

21. Provision for marine accident claims

The provision for marine accident claims represents the estimated value of filed or anticipated claims for accidents in Canal waters for which the ACP expects to be liable.

Changes in the provision for marine accident claims are detailed, as follows:

		2017		2016
Balance at beginning of the year	**B/.**	**20,054**	B/.	21,041
(Reversion) provision for the year		**(3,425)**		903
Payments made		**(2,584)**		(1,890)
Balance at end of the year	**B/.**	**14,045**	B/.	20,054

The (reversion) increase in the provision is included as an expense of the current period under Provision for marine accidents.

(In thousands of balboas B/.)

22. Other liabilities

		2017		2016
Inventories – in transit	**B/.**	**5,331**	B/.	3,790
Miscellaneous claims		**1,876**		13,238
Advance payment of Ministerio de Obras Públicas (MOP)		**20,198**		-
Others		**3,135**		4,096
	B/.	**30,540**	B/.	21,124

During 2017, the ACP and MOP subscribed an agreement for the transfer of particular and totally depreciated buildings and other facilities used in the operation of the Canal,which are required for the construction of the fourth bridge over the Panama Canal. In exchange, MOP promised to pay ACP B/.33,663, of which B/.20,198 has already been advanced. As soon as the ACP transfers the control of these facilities to MOP, they will be derecognized from the properties, plant and equipment account and the corresponding profit will be recognized in the results of that period. According to the agreement, the facilities will be transferred to MOP, but ACP will maintain control and ownership of the land on which they are build.

(In thousands of balboas B/.)

23. Labor, materials and other capitalized costs

The investments programs have been executed partially or totally with ACP own resources and equipment. The operating costs that apply to investments programs are capitalized. Detail of the operating expenses and capitalized costs are as follows:

	September 30, 2017					
		Total expenses		Capitalized costs		Net operating expenses
Salaries and wages	**B/.**	**610,793**	**B/.**	**33,733**	**B/.**	**577,060**
Employee benefits		**77,237**		**1,703**		**75,534**
Materials and supplies		**66,886**		**6,759**		**60,127**
Fuel		**79,840**		**5,255**		**74,585**
Depreciation		**206,080**		**3,252**		**202,828**
Other expenses		**17,962**		**105**		**17,857**
	B/.	**1,058,798**	**B/.**	**50,807**	**B/.**	**1,007,991**

	September 30, 2016					
		Total expenses		Capitalized costs		Net operating expenses
Salaries and wages	B/.	530,883	B/.	44,987	B/.	485,896
Employee benefits		70,373		1,931		68,442
Materials and supplies		65,927		7,389		58,538
Fuel		57,478		6,273		51,205
Depreciation		135,393		3,001		132,392
Other expenses		16,048		193		15,855
	B/.	876,102	B/.	63,774	B/.	812,328

(In thousands of balboas B/.)

24. Income taxes

The ACP is not subject to income taxes, as stated in Article 43 of the Organic Law which exempts it from the payment of all national or municipal taxes, except for the employer's contribution of social security, educational insurance, workmen's compensation, fees for public services, and the fee per net ton.

25. Employees benefits

The constructive and formal liability of the employee benefit programs was as follows:

	2017	2016
Benefit for employment retirement	**B/. 340,036**	B/. 319,463

In July 2012, the ACP established the Voluntary Retirement Incentive program (VRI) at the required retirement age for permanent employees and managers of the ACP. Before the establishment of the VRI, there was another program named the Labor Retirement Benefit (LRB) which continues to be active. The employee shall select between one program and the other, but in no case will be able to choose both. These programs were established for an indefinite period of time and could be suspended or modified by the Board of Directors. The LRB remains an option because it is included as such in collective bargaining agreement of the ACP, however, the probability that the employees choose the LRB is very low since the benefits provided by VRI are higher.

The requirements and criteria under the LRB are: 1) it applies to permanent employees in positions of trust and those permanent employees covered by collective bargaining agreement from the moment in which they complies with the required retirement age, according to the standards of the Caja de Seguro Social (regular and early retirement). Temporary employees, officials or permanent employees covered canal pilots' collective agreements are not eligible, 2) eligible employees must retire from the ACP within the period of time between the age of early retirement (55 years old for women and 60 years old for men), and 60 days after the regular retirement age (57 years old for women and 62 years for men), and 3) file "Termination of Employment Relationship Form" at least 30 calendar days before retirement, but not beyond the date you meet the regular retirement age.

(In thousands of balboas B/.)

25. Employees benefits (continued)

The requirements and criteria under the VRI are: 1) the employee receives the benefit of VRI only if complies with 10 years of service and retires at the required age (early or regular) as may be he or she established by the Caja del Social Social, 2) be not less than 10 years working in the Canal; 3) the employee accepts the IRV offer, 4) the employee terminates work no later than 60 calendar days after completing the required age, and 5) files the termination of employment form through voluntary resignation.

The ACP contracted independent actuarial services in order to estimate the present value of the total cash flow expected to be paid by the ACP in the event that the plan is maintained through the years and to determine the accrued liability at September 30, 2017. This estimate was made using the projected unit credit method and actuarial assumptions were considered, such as: statistics for age average of personnel, frequency of dismissals, retirements, early retirements, mortality, salary increase and plan acceptance rates, among other related factors which allow to reliably estimate, in accordance with IFRS, the present value of the liabilityfor both retirement plans.

During the actuarial study, the fair value of the liability was calculated as required by the IFRS at different interest rates and at different case scenarios which included historical data provided by the ACP to the independent actuary at September 30, 2017 using a discount rate equal to the yield curve for corporate bonds for investment grade securities issued by companies in the United States of America (AAA, AA, A).

The components recognized in the statement of financial position, the income statement and statement of comprehensive income, for both retirement plans, are detailed as follows:

	Statement of Financial Position	Income Statement			Statement of Comprehensive Income	Statement of Financial Position
	Oct. 1, 2016	Benefits costs	Net interest	Benefits paid	Actuarial adjustments	Sept. 30, 2017
Fair value of the benefits	B/. 319,463	B/. 36,578	B/. 6,306	B/. 23,781	B/. 1,470	B/. 340,036

(In thousands of balboas B/.)

25. Employees benefits (continued)

The principal actuarial assumptions used are shown below:

	Age	**2017**	2016
		%	%
Discount rate		**3.7**	3.1
Salary increase		**3.5**	5.0
Mortality			
Female	57 years old	**2.8**	2.8
Male	62 years old	**5.9**	5.9
Disability			
Female	57 years old	**1.2**	1.2
Male	62 years old	**1.9**	1.9

Following are the projected disbursements of voluntary retirement benefits expected in future years:

	2017
Maturity of the obligation:	
From 0 to 1 year	**B/.23,633**
From 1 to 5 years	**B/.123,772**
From 5 to 10 years	**B/.193,763**
From 10 to 25 years	**B/.357,389**
Beyond 25 years	**B/.78,468**

At September 30, 2017, the average duration of the obligation for the defined benefit plans for voluntary retirement of employees (VRI/LRB) is approximately 8.07 years at a discount rate of 3.7%.

A quantitative sensitivity analysis for significant assumptions as of September 30, 2017 is as follows:

Assumption	**Discount rate**		**Cost of Salaries**	
	Increase	**Decrease**	**Increase**	**Decrease**
Sensitivity level	**25 pbs**	**25pbs**	**25 pbs**	**25pbs**
Impact on defined benefit obligation	(B/.7,017)	B/.7,485	B/.6,818	(B/.6,818)

(In thousands of balboas B/.)

25. Employees benefits (continued)

Reimbursement right to ACP

The ACP contracted a reimbursement policy, in accordance with IAS 19, to cover the defined benefit plans for voluntary retirement of employees.

The policy ensures the ACP reimbursement of all payments made by the ACP in respect of defined benefit plans for voluntary retirement of employees during the term of the plan as long as the ACP makes annual installments to the insurance company as a guarantee deposit equal to the probable amount that the ACP would pay during the year for the retirement benefit plans. In addition, the reimbursement policy provides protection in each year of its term against the risk that the ACP suffers any financially incapacitating event to meet payment of obligations to its employees, for any reason, including illiquidity, if occurred during the term of the policy, as long as the ACP is current in the payments of the premium and the defined benefit plans for voluntary retirement are in effect. The policy does not cover the risk of default of the ACP that could arise from internal fraud, catastrophic physical risks, nuclear war, terrorism, and epidemics, which has been estimated at 3.41% of the total insured amount.

Changes in the reimbursement right to ACP during fiscal year 2017 are detailed as follows:

	Statement of Financial Position	Income Statement			Stament of Comprehensive Income	Statement of Financial Position
	Oct. 1, 2016	Reimbursement right cost of the year	Net interest	Reimbursements during the year	Actuarial adjustments	September 30, 2017
Reimbursement right to ACP	B/.308,568	B/.35,703	B/.6,094	B/.23,175	B/.1,421	B/.328,611

At September 30, 2017, the ACP paid the insurer B/.24,300 (2016: B/.15,200) in premiums of the reimbursement policy.

26. Risk management

The ACP maintains a conservative and prudent financial policy oriented to preserve its capital and generate optimal performance with low risk, for which various risk management activities are performed throughout the year, including: analysis, evaluation and risk mitigation. This allows management to plan and make decisions that enhance the economic contribution and operational excellence, improving the chances of achieving the strategic goals.

The ACP's capital structure consists of net debt (borrowings and bonds as detailed in notes 17 and 18), compensated by cash and bank deposit balances, other financial assets (See note 10) and equity of the enterprise (consisting of contributed capital, reserves, other equity accounts, and unappropriated retained earnings, as disclosed in notes 13, 14, 15 and 16, respectively).

(In thousands of balboas B/.)

26. Risk management (continued)

Historically, the ACP has operated with its own resources due to its high levels of cash generated by its operations to afford its costs of operation, investment, functioning, maintenance and modernization up to December 2008, when the ACP subscribed to a common term financing agreement with five development agencies which committed to grant borrowings totaling B/.2,300,000 to partially finance the Canal Expansion Program, and more recently, in September 2015, when it issued bonds in the international market totaling B/.450,000 in order to partially finance the building of the bridge on the Atlantic side of the Canal. (See note 18)

Categories of financial instruments

		2017		2016
Financial assets				
Cash and cash equivalents (Note 12)	**B/.**	**528,293**	B/.	314,407
Advances and other receivables to contractor, net (Note 6)		**857,686**		-
Trade and other receivables (Note 7)		**49,213**		28,084
Other financial assets (Note 10)		**2,562,817**		2,250,416
	B/.	**3,998,009**	B/.	2,592,907
Financial liabilities				
Financial instruments designated as hedging instruments (Note 19)	**B/.**	**122,809**	B/.	187,484
Trade and other payables (Note 20)		**222,416**		201,800
Borrowings (Note 17)		**2,300,000**		2,300,000
Bonds payable (Note 18)		**440,357**		439,792
	B/.	**3,085,582**	B/.	3,129,076

Financial risk management objectives

ACP's main financial liability consists of borrowings, bonds payable and trade accounts payable. The main purpose of these financial liabilities is to finance the Canal Expansion Program and the new bridge at the Atlantic side of the Canal. The ACP also has cash, bank deposits, operations with settlement in progress, trade and other receivables, and funds invested in short term debt instruments held until maturity. The ACP also contracts hedging instruments.

The ACP is exposed to credit, market and liquidity risks.

26. Risk management (continued)

ACP's administration monitors and manages these risks. ACP's Treasury coordinates the access to international financial markets, monitors and manages the financial risks related to ACP's operations through internal risk reports, which analyze the exposures depending on their degree and magnitude. These risks include market risk (exchange risk and price risk), credit risk, liquidity risk, and interest rate risk. Teams of specialists with the appropriate knowledge, experience and supervision perform all the activities related to risk hedging.

The ACP maintains policies that provide written principles about foreign exchange risk management, interest rate risk, credit risk, and the use of hedge financial instruments and liquidity investment. Internal auditors periodically monitor the compliance with the policies and exposure limits. The ACP does not subscribe or negotiate financial instruments for speculative purposes.

The ACP's treasury quarterly updates the Board of Directors Finance Committee and follows up the risks and the implemented policies to mitigate risk exposure. The Office of Inspector General periodically audits treasury operations and reports to the Board of Directors.

The Board of Directors revises and approves the policies for managing each of the following risks:

Market risk

ACP activities are primarily exposed to financial risks due to variations of currency exchange, interest rates, and commodity prices out of its control. With the purpose of managing these risks exposure, the ACP subscribes a variety of hedge financial instruments approved by its Board of Directors based on the recommendations of the Liquidity and Hedging Committee, including:

- Interest rate swaps to mitigate the risk of increases in interest rates.
- Diesel price swaps to mitigate the risk of fluctuations in the price of this commodity, which is required for the regular Canal's operations.

Exchange rate risk management

The ACP has established a policy to manage foreign currency risk related to its functional currency. The ACP only accepts payments in dollars of the United States of America and the investment criteria and applicable guidelines require that all deposits and investments inbanks, shall be in the dollarsof the United States of America or in other currencies authorized by the Board of Directors.

As of September 30, 2017 and September 30, 2016, the ACP does not maintain commitments in other currencies. It only maintains deposits in the currency of the United States of America.

26. Risk management (continued)

Interest rate risk management

The ACP is exposed to interest rate risk because it borrowed funds through financings and bond issuances at both fixed and floating interest rates. The ACP manages this risk with interest rate swap contracts. Given market conditions, hedging activities are evaluated regularly to consider interest rate volatility and risk tolerance, ensuring that the most conservative hedging strategies are applied.

Interest rate swap contracts

Starting on March 2010, the ACP established, without collateral, interest rate swap contracts, to fix the interest rate on B/.800,000 variable rate loans. The notional amount and principal amortizations on the swap instruments coincide with the dates, disbursements and amortizations of the underlying loans: B/.200,000 were disbursed on March 1, 2010, B/.300,000 on October 29, 2010, and B/.300,000 on April 13, 2011. Semi-annual amortizations for B/.40,000 are programmed to begin on May 15, 2019 until their maturityon November 15, 2028.

On July 2016 the ACP contracted an additional interest rate swap contract, without collateral, to fix the interest rate on B/.1,400,000 variable rate loans, even though this transaction would be effective starting on November, 2016.

Later, on June 2017, the ACP contracted an additional interest rate swap contract, without collateral, to fix the interest rate on B/.1,400,000 variable rate loans, even though this transaction would be effective starting on November 15, 2017 up to November 15, 2018.

Principal amortizations would be B/.70,000 semi-annually starting on May 15, 2019 until its maturity on November 15, 2028.

According to interest rate swap contracts, the ACP agreed to swap the difference between the fixed and floating interest rate amounts calculated on the agreed notional principal amounts. Such contracts allow the ACP to mitigate the risk of interest rate changes over the cash flow of part of the hedged debt, agreed at a floating interest rate. The fair value of interest rate swaps at the end of the reporting period is determined by discounting future cash flows using the curves at the end of the period in question and the inherent credit risk in the contract, as it is detailed further ahead.

The following table details the notional principal amounts and the remaining terms of the outstanding interest rate swap contracts at the end of the reporting period:

(In thousands of balboas B/.)

26. Risk management (continued)

Cash flow hedges
(Notional: B/.800,000, effective date: May 17, 2010, maturity: November 15, 2028)
(Notional: B/.1400,000, effective date: November 15, 2016, maturity: November 15, 2017)

Contracts with floating interest rates and outstanding fixed payment rates	Average contracted fixed interest rate		Notional principal value				Fair value			
	2017	2016		**2017**		2016		**2017**		2016
Less than 5 years	**1.03%**	1.03%	**B/.**	**1,400,000**	B/.	1,400,000	**B/.**	**2,899**	B/.	3,255
5 years or more	**4.67%**	4.67%	**B/.**	**800,000**	B/.	800,000	**B/.**	**(124,988)**	B/.	187,484

The interest rate swaps are paid semi-annually. The floating rate on the interest rate swaps is at 6-month LIBOR rate. The ACP will pay or receive the difference between the floating and the fixed interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the ACP's cash flow exposure resulting from floating interest rates on borrowings.

Interest rate sensitivity analysis

The following sensitivity analyses have been determined based on the financial instruments exposure to interest rates at the end of the reporting period.

As of September 30, 2017, for each basis point increase/decrease in the LIBOR rate curve through the remaining term of the contract, the unrealized loss on the interest rate swap contract would decrease/increase by B/.561.08. This amount was calculated based on the DV01 indicator generated by Bloomberg's valuation model tool used in the valuation of interest rate swap contracts.

Fuel price risk

The ACP is exposed to commodity price fluctuations risk, mainly from the fuel used in its transit and dredging operations, as well as in its power generation activities for its operations and for the sale of surplus energy to Panama's National Grid ("Sistema Integrado Nacional"), to the extent that such variations cannot be transferred to ACP's customers.

26. Risk management (continued)

Maritime operations

The ACP uses approximately from 10 to 12 million gallons of light diesel on its vessel transit operations. Since October 20, 2009, risk management for price fluctuations on this commodity is performed mainly within the fiscal year, period that is considered representative for the implementation of appropriate commercial policies. The risk management is performed through specific hedging transactions that covers approximately 80% of expected volume.

For fiscal year 2017, the ACP purchased a hedge instrument (cap) establishing a maximum price of B/.1.56 per gallon for 8.10 million gallons for the year in order to hedge the price fluctuation risk for the diesel used in operations. At the end of fiscal year 2017, an accumulated fuel consumption of 13.45 million of gallons was registered.

Energy generation

The ACP generates power for the consumption of the Canal operations, while excess capacity is sold in the domestic electricity market. Until September 2017, the ACP consumed 17% of the generated power, while the remaining 83% was sold to the electricity market. Power generated by hydroelectric plants was 18% and by thermal plants was 82%.

Thermal plant generation is exposed to the risk of fuel price volatility. However, this price is indexed to the energy sale rate. This indexing is defined in contractual clauses when the energy is sold under previously defined contracts or in weekly reports when energy is not sold under contracts, namely, in the spot market.

Operational fuel price risk sensitivity analysis

As of September 30, 2017, the current price index for light diesel purchases made by the ACP was B/.1.69 per gallon. Fuel expenses registered an increase of B/.4.15 million. As of September 30, 2017, no hedging instrument has been contracted for fiscal year 2018.

Credit risk management

It refers to the risk that the borrower or issuer of a financial asset may not comply, completely and on time, with any payment to be made in accordance with the terms and conditions agreed upon when the obligation was acquired. To mitigate the credit risk, the liquidity investment policy set limits by industry and by issuer as a result of the categorization of the Risk Assessment System adopted by the ACP, which includes the following factors: short-term risk rating, issuer leverage index, economic factor, liquidity index, and deterioration index.

(In thousands of balboas B/.)

26. Risk management (continued)

Counterparty risk refers to the risk of a counterparty defaulting in the payment of a security purchase transaction. The ACP does not have counterparty risk, as it buys all of its securities using the method of payment on delivery ("delivery versus payment") through payment systems, using a custodian account.

Credit risk refers to the risk that one of the parties does not comply with its contractual obligations, resulting in financial loss to the ACP. To address this risk, ACP's policies only allow depositing funds in banking institutions and financial instruments that have more than one short-term international investment quality risk rating not less than the following: A-2 by Standard & Poors, P-2 by Moody's Bank Deposit Ratings, or F-2 by Fitch Ratings; and up to seven percent of the portfolio in financial instruments that have more than one short-term international investment quality risk rating not less than the following: A-3 by Standard & Poors, P-3 by Moody's Bank Deposit Ratings, or F-3 by Fitch Ratings.

Investment credit quality

Financial instruments available for sale were classified according to their international credit rating assigned by the rating firms.

	2017		
	Fair Value	Amortized Cost	Unrealized Gain or Loss
Aaa to Aa3	B/. -	B/. -	B/. -
A1 to A3	264,435	264,546	(111)
Baa1	476,339	476,770	(431)
Baa2	580,762	581,247	(485)
Baa3	132,575	132,753	(178)
Ba1	-	-	-
WR	2,985	3,000	(15)
NR	-	-	-
	B/. 1,457,096	**B/. 1,458,316**	**B/. (1,220)**

(In thousands of balboas B/.)

26. Risk management (continued)

Credit risk concentration

The ACP monitors credit risk concentration by industry sector according to the "Bloomberg Industry Classification Standard".

		2017
Basic Materials	B/.	132,622
Communications		169,660
Consumer, Cyclical		169,993
Consumer, Non-Cyclical		210,700
Energy		292,835
Financials		324,202
Industry		27,850
Technology		75,237
Services		53,997
Total	**B/.**	**1,457,096**

The ACP is not allowed to place its funds in banks or financial instruments when one of its ratings is lower than what is indicated herein, except for the Banco Nacional de Panamá (National Bank of Panama). ACP's exposure and the credit ratings of its counterparties are reviewed continuously. The credit exposure is controlled by counterparty limits that are reviewed quarterly through the use of an own financial model called "Risk Assessment System for Banking Institutions and Financial Instruments".

The maximum limits for credit exposure in financial instruments by bank institution or issuer are assigned considering the assessment of the following weighted factors:

1. External rating
2. Capital coverage
3. Country risk
4. Liquidity index
5. Deterioration index
6. Performance index
7. Credit risk

Banking institutions are classified within three categories in the ACP's risk system:

A. Up to B/.100,000
B. Up to B/.80,000
C. Up to B/.60,000

26. Risk management (continued)

In addition to the credit risk of the treasury portfolio, the ACP maintains a credit risk from advanced payments and other receivables made to GUPCSA under the Contract for the Design and Construction of the Third Set of Locks, as explained in note 6, for a total amount of B/.857,686, net of financial instrument losses for B/.13,159. ACP has bank and insurance guarantees totaling B/.547,959, which account for 64% of the exposure. The remaining unsecured balance is covered under a joint and several guarantee issued by each of the four companies in the consortium for B/.309,727, which make these companies accountable and obliges each of them for the outstanding advanced balances as if they were acquired on an individual basis. Furthermore, the ACP holds a Joint and Several Guarantee issued by Sacyr, Impregilo, Jan De Nul and CUSA and a Parent Company Guarantee signed by SOFIDRA, parent company of Jan De Nul, which were submitted to the ACP as part of its requirements to give its consent for the assignment of the Contract for the Design and Construction of the Third Set of Locks to GUPCSA (current contractor). Under these guarantees, the companies mentioned above, undertake before ACP, the joint and several liability, as main debtor, to guarantee to the ACP the compliance of all obligations, guarantees and commitments assumed by the Contractor (GUPCSA) in accordance with the terms and conditions of the contract. The fundamental analysis applied to the four companies in the consortium indicated that one or more of these companies are able to repay the total of this obligation.

Also, the ACP has an advance payment balance to contractor Puente Atlántico, S.A. for B/.7,828 for the construction of the bridge across the Atlantic side of the Canal, as explained in note 5. This advance is guaranteed by five letters of credit issued by a bank with a credit risk rating of A+ granted by Standard & Poors.

Liquidity risk management

The ACP manages the liquidity risk through continuous monitoring of the forecasted and actual cash flows, and reconciling the maturity profiles for the financial assets and liabilities.

Historically, the cash generated by the ACP's operations has been enough to cope with its operations and the requirements of its investments program, while generating adequate returns to the ACP. However, on December 2008 the ACP obtained financing in order to complement the necessities of the Canal Expansion Program. Subsequently, in September 2015, the ACP issued bonds in the capital markets in order to partially finance the new bridge across the Canal on the Atlantic Side. The credit facilities available to the ACP to reduce the liquidity risk are detailed afterwards.

Interest and liquidity risk tables

To finance the Canal Expansion Program for B/.2,300,000, the ACP has a Common Terms Agreement with five multilaterals agencies. Currently 4.3% of the debt is contracted at a fixed effective rate of 5.31%, and the remaining 95.7% has a moving average effective rate of 2.56%. The effective rate for the financing is 2.68%.

(In thousands of balboas B/.)

26. Risk management (continued)

For the financing of the new bridge across the Atlantic Side of the Canal, bonds were sold at a fixed rate of 4.95% (effective rate of 5.14%) payable semi-annually in January and July of each year.

	Weighted average effective interest rate (%)	1 month or less	1 - 3 months	3-12 months	1 - 5 years	More than 5 years	Total
September 30, 2017							
Variable interest loan	2.57%	B/. -	B/. -	B/. -	B/. 770,000	B/. 1,430,000	B/. 2,200,000
Fixed interest loan	5.31%	-	-	-	35,000	65,000	100,000
Fixed interest rate Bonds	5.14%	-	-	-	-	450,000	450,000
		B/. -	B/. -	B/. -	B/. 805,000	B/. 1,945,000	B/. 2,750,000

The following table details the ACP's expected cash flows for its main financial assets:

Sep-30-17

	Up to 1 month	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Time deposits	B/. 15,000	B/. 810,000	B/. 430,000	B/. -	B/. -	B/. 1,255,000
Demand deposits and others	379,014	-	-	-	-	379,014
Advances and other receivables to contractor, net	-	-	547,959	309,727	-	857,686
Securities available for sale	31,556	343,270	1,082,270	-	-	1,457,096
	B/. 425,570	B/. 1,153,270	B/. 2,060,229	B/. 309,727	B/. -	B/. 3,948,796

Sep-30-16

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Time deposits	B/. 90,002	B/. 508,000	B/. 625,000	B/. -	B/. -	B/. 1,223,002
Demand deposits and others	78,660	-	-	-	-	78,660
Investment held to maturity	136,954	38,774	1,087,433	-	-	1,263,161
	B/. 305,616	B/. 546,774	B/. 1,712,433	B/. -	B/. -	B/. 2,564,823

The ACP has used all of the creditors' financing for the Canal Expansion Program totaling B/.2,300,000. Funds from the bond issuance for B/.450,000 were used in the construction of the bridge on the Atlantic side of the Canal.

(In thousands of balboas B/.)

26. Risk management (continued)

The following table details the ACP's liquidity analysis for its financial instruments. The table has been designed based on contractual net cash flows that are paid on a net basis. Cash flows are based on the contractual maturities of the financial instruments.

	Less than 3 months		3 a 12 months		1 - 5 years		More than 5 years		Total	
September 30, 2017										
Trade and other payables	B/.	222,416	B/.	-	B/.	-	B/.	-	B/.	222,416
Other financial liabilities		7,722		-		-		115,087		122,809
Borrowings		-		-		805,000		1,495,000		2,300,000
Bonds payables		-		-		-		450,000		450,000
	B/.	230,138	B/.	-	B/.	805,000	B/.	2,060,087	B/.	3,095,225
September 30, 2016										
Trade and other payables	B/.	201,800	B/.	-	B/.	-	B/.	-	B/.	201,800
Other financial liabilities		11,450		-		-		176,034		187,484
Borrowings		-		-		575,000		1,725,000		2,300,000
Bonds payables		-		-		-		450,000		450,000
	B/.	213,250	B/.	-	B/.	575,000	B/.	2,351,034	B/.	3,139,284

All subscribed contracts with the different ACP counterparties have a clause that prevents the ACP from having to provide collateral guarantees for any unrealized loss resulting from the periodic valuations of these financial instruments.

Fair value of financial instruments measured at amortized cost

Except for what is detailed in the following table, the ACP considers that the carrying amounts of financial assets and financial liabilities recognized at amortized cost in the financial statements approximate their fair values:

(In thousands of balboas B/.)

26. Risk management (continued)

	2017				2016			
	Carrying Amount		**Fair Value**		Carrying Amount		Fair Value	
Financial assets								
Financial assets measured at amortized cost:								
Advances and other receivables to contractor, net	**B/.**	**857,686**	**B/.**	**857,686**	B/.	-	B/.	-
Investments held to maturity		**-**		**-**		1,263,161		1,262,104
	B/.	**857,686**	**B/.**	**857,686**	B/.	1,263,161	B/.	1,262,104
Financial liabilities								
Financial liabilities measured at amortized cost:								
Floating rate borrowings	**B/.**	**2,200,000**	**B/.**	**2,226,508**	B/.	2,200,000	B/.	2,126,161
Fixed rate borrowings		**100,000**		**115,263**		100,000		115,758
Fixed rate bonds		**440,357**		**501,840**		439,792		508,154
	B/.	**2,740,357**	**B/.**	**2,843,611**	B/.	2,739,792	B/.	2,750,073

Valuation techniques and assumptions applied in order to measure fair value

The fair value of financial assets and financial liabilities is determined in the following manner:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

- The fair value of advances and other receivable to contractor and of other financial assets and financial liabilities (excluding hedging instruments) is determined in accordance with general acceptance pricing models based on discounted cash flow analysis using yield curves applicable for the duration of these instruments.

- The fair value of derivative instruments is calculated using quoted prices. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

(In thousands of balboas B/.)

26. Risk management (continued)

Fair value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequently to initial recognition at fair value, grouped into levels from 1 to 3 based on the degree to which the fair value is observed:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value measurements are those derived from indicators other than quoted prices included within Level 1 which are observable for the assets or liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include indicators for the assets or liabilities that are not based on observable market data (unobservable indicators).

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS:				
Financial assets at fair value with changes in other comprehensive income				
Investments available for sale	**B/. 1,457,096**	**B/. -**	**B/. -**	**B/. 1,457,096**
Hedged financial instruments	**B/. -**	**B/. 721**	**B/. -**	**B/. 721**
LIABILITIES:				
Financial liabilities at fair value with changes in other comprehensive income				
Hedged financial instruments	**B/. -**	**B/. 122,809**	**B/. -**	**B/. 122,809**

	2016			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Finncial assets at fair value with changes in other comptehensive income				
Hedged financial instruments	B/. -	B/. -	B/. -	B/. -
LIABILITIES:				
Financial liabilities at fair value with changes in other comprehensive income				
Hedged financial instruments	B/. -	B/. 187,484	B/. -	B/. 187,484

(In thousands of balboas B/.)

27. Related party transactions

Commercial transactions

During the year, the ACP executed the following commercial transactions with the Government of Panama institutions:

	Sale of goods and services				Purchase of goods and services			
	Year ended				Year ended			
		2017		2016		**2017**		2016
Sale of potable water to the Instituto de Acueductos y Alcantarillados Nacionales (IDAAN)	**B/.**	**28,337**	B/.	28,967	**B/.**	**-**	B/.	-
Other government entities		**20,091**		3,978		**-**		-
Caja de Seguro Social		**-**		-		**77,237**		70,373
Fees paid to Panamanian Treasury		**-**		-		**456,569**		382,365
	B/.	**48,428**	B/.	32,945	**B/.**	**533,806**	B/.	452,738

The following balances were outstanding at the end of the reporting period:

	Amounts owed by the Republic of Panama				Amounts owed to the Republic of Panama			
		2017		2016		**2017**		2016
Sale of potable water to the Instituto de Acueductos y Alcantarillados Nacionales (IDAAN)	**B/.**	**5,054**	B/.	5,301	**B/.**	**-**	B/.	-
Other government entities		**9,664**		1,964		**-**		-
Advance payment from Ministerio de Obras Publicas (MOP)		**-**		-		**20,198**		-
Caja de Seguro Social		**-**		-		**18,462**		20,436
Public service fees		**-**		-		**157**		174
Panamanian Treasury - fees per net ton		**-**		-		**37,873**		32,563
	B/.	**14,718**	B/.	7,265	**B/.**	**76,690**	B/.	53,173

Amounts owed by and owed to the Republic of Panama are classified as accounts receivable and accounts payable, respectively.

Sales of goods and services to the Republic of Panama were made at ACP's usual list prices without discount.

The outstanding amounts are unsecured and will be settled in cash. No guaranties have been given or received. No expense has been recognized in the current or prior period for bad or doubtful debts with respect to the amounts owed by related parties.

(In thousands of balboas B/.)

27. Related party transactions (continued)

Compensation and benefits to key executives

The ACP paid as of September 30, 2017 a total of B/.3,068 (2016: B/.2,929) for remuneration and benefits to its key management personnel. It is the responsibility of the Administration to determine the salaries of key management personnel in conformity with the Personnel Administration Regulations, subject to the Board of Directors ratification. It is the Board of Directors' responsibility to determine the salaries of the Administrator, Deputy Administrator, Inspector General and the Secretary of the Board of Directors.

28. Commitments

As of September 30, 2017, commitments from construction in progress contracts and undelivered purchase orders amounted to approximately B/.271,659 (2016: B/.343,256), as follows:

		2017		2016
Investment programs:				
Canal Expansion	**B/.**	**28,136**	B/.	52,528
Others		**173,300**		228,315
Sub-total		**201,436**		280,843
Operations		**70,223**		62,413
	B/.	**271,659**	B/.	343,256

Commitment of the investment program – canal expansion include the contract awarded to GUPCSA for the design and construction of the third set of locks project totaling B/.24,737 (2016: B/.43,195). The awarded contracts during the twelve months ending September 30, 2017 amounted to B/.5,479 (2016: B/.4,709).

Commitment of the investment program – others include those granted to Puente Atlántico, S.A. for the construction of a bridge through the Canal on the Atlantic side totaling B/.79,897 (2016: B/.168,161), to Consorcio COPISA-COCIGE-PUENTES for the rehabilitation of the Gatun highway, parking lots and bridge over the Gatun landfill totaling B/.31,000 (2016: B/.-), and to Auxiliar Naval del Principado, S.A. for the acquisition of aluminum boats/pilot– linehandler launches totaling B/.15,120 (2016: B/.-).

The operations commitments include awarded contracts for inventory purchases totaling B/.30,403 (2016: B/.38,735), to Willis Limited for the three-year multi-risk insurance policy totaling B/.13,013 (2016: B/.11,728), to Mayer Brown LLP for legal advice in the Canal expansion program totaling B/.10,086 (2016: B/.-), and to Ingenieros Consultores Civiles y Electricos, S.A. for the studies and conceptual design for a multipurpose reservoir in the basin of Rio Indio totaling B/.2,584 (2016: B/.-).

28. Commitments (continued)

Bonds:

The ACP has outstanding contracts for the purchase of energy which are guaranteed with a compliance bond issued by a bank with investment grade A+ of Standards & Poors. ACP and Gas Natural Fenosa totaling B/.3,859, ACP and ENSA totaling B/.2,815, and ACP and ETESA totaling B/.83.

29. Contingent liabilities

As of September 30, 2017, GUPCSA has filed 119 Claims (117 formal claim notifications), of which 41 have been resolved or canceled. According to the latest revision of the Statement at Completion and recent updates, the total amount sought is B/.5,863,983. Out of this total, the ACP has paid a total of B/.378,263 to date. As of September 30, 2017, the contingent liability of the ACP resulting from the claims of GUPCSA, in relation to the Third Set of Locks, is B/.5,209,028. This contingent liability does not have provisioned funds. Claims filed have been submitted to arbitration. The following describes general information about the status of these claims:

The Cofferdam Arbitration
GUPCSA has filed seven arbitration proceedings against the ACP, all governed by the Arbitration Rules of the International Chamber of Commerce (ICC) and seated in Miami, United States. The first arbitration identified as CCI 19962/ASM, was filed in December 2013, and was related to the temporary cofferdam on the Pacific side. Claims filed against the ACP, subject to this arbitration, were analyzed and denied by the Dispute Adjudication Board (DAB). GUPCSA filed a Notice of Dissatisfaction and, then, a request for arbitration in December 2013. The amount in dispute was B/.194,067 and GUPCSA also requested 246 days of extension to the date of termination of the contract. The arbitration hearing was held in July 2016 and the final hearing, scheduled by the arbitral tribunal, was held in January 2017. The arbitral tribunal issued its final award on July 31, 2017, rejecting all of GUPCSA's claims and ordering GUPCSA to pay more than B/.22,544 for legal expenses and B/.900 for reimbursement of expenses paid by the ACP to the ICC.

The Concrete Arbitration
Two of the claims, on concrete mixtures and aggregates, were denied by the ACP and subsequently submitted by GUPCSA to the Dispute Adjudication Board (DAB), which, in deciding the case in December 2014, ordered the ACP to pay B/.233,234 plus interest, out of the B/.463,935 sought by GUPCSA (updated at the time of the decision). The ACP paid this amount, and subsequently paid B/.10,827 for additional costs incurred by GUPCSA after September 2014 until the concrete works were completed, in conformity with DAB No. 11 decision. Both sides have referred this dispute to arbitration in March 2015, in two separate arbitration proceedings, which resulted in a consolidated arbitration Case CCI No. 20910/ASM//JPA (C-20911/ASM//JPA). Subsequently, GUPCSA requested the inclusion, in this second arbitration, of Dispute 13A for B/.99,000, previously decided and rejected in its entirety in favor of the ACP by the DAB. GUPCSA expects to recover from the ACP a total of B/.347,079 and the ACP, is in turn calling for the return of the amount that was paid pursuant to DAB decision in Dispute 11 for B/.244,061, Dispute 10 for B/.14,823 and Dispute 14B for B/.6,415. The Jurisdiction Award on this case was delivered on May 22, 2017 and the ACP is preparing the response to the claim, which must be submitted on December 18, 2017.

29. Contingent liabilities (continued)

In Arbitration 20910/ASM/JPA (C-20911/ASM), the ACP claims compliance with Subclause 8.7 of the delay damages in the amount of B/.54,600 corresponding to 182 days. GUPCSA filed objections alleging that the claim is premature, inadmissible and beyond the jurisdiction of the arbitral tribunal, stating that the date of delivery of the works depends on the confirmation of the requests for extension of time presented in the other arbitrations and that any determination of the arbitral tribunal would be provisional.

The arbitral tribunal rejected GUPCSA's jurisdictional objections, declaring that it does have jurisdiction to resolve the ACP's claims in relation to the delay damages and, therefore, the arbitral tribunal will decide the merits of this claim in the respective phase.

The Lock Gate Arbitration
In December 2016, GUPCSA submitted two arbitrations: (i) CCI No.22465/ ASM//JPA, related to disputes 15, 6 and 13C regarding the design of gates and labor cost adjustments and, (ii) CCI No.22466/ASM//JPA that includes all of GUPCSA's claims that have not already been included in arbitration, among which is the claim for disturbances (Claim 78) and some new claims that had not been announced or decided by the ACP and that have not been decided by the DAB. The amount in dispute of these two arbitrations were estimated by the ACP using the amounts presented by GUPCSA in its Statement at Completion and subsequent updates, in B/.506,907 the first and B/.4,355,042 the second, and both are pending president designation of their respective arbitration courts.

The Arbitration of Advance Payments
Subsequently, GUPCSA filed the arbitration CCI No. 22588/ASM/JPA, requesting that it declare that the Advances have not expired and that it is in the process of establishing its procedural calendar.

The Disruption and other claims arbitration
In February 2017, GUPCSA filed Dispute 16 before the DAB for an amount of B/.2,510,255. Dispute 16 mainly included part of the claims that GUPCSA had filed in arbitration CCI No.22466/ ASM/JPA, such as Disruption (Claim 78) and some new claims that had not been announced or decided by the ACP. Dispute 16 was withdrawn from DAB by GUPCSA and submitted again directly to arbitration, that is, without a DAB decision, like Dispute 15, given that, according to GUPCSA the DAB did not meet the 84-day deadline to resolve these disputes.

Duplicated Arbitrations
In July 2017, GUPCSA filed two new arbitrations identified as CCI No. 22966/JPA and CCI No. 22967/JPA related exactly to the same claims that make up Disputes 15 and 16, already submitted by GUPCSA to arbitration (cases CCI No. 22465/ASM//JPA and 22466/ASM//JPA) as GUPCSA itself declares in the arbitration requests presented.

29. Contingent liabilities (continued)

During fiscal period 2017, GUPCSA has presented claims for a total amount of B/.2,230,619, which are part of the current total claimed by GUPCSA and which, as indicated above, amounts to B/.5,863,983.

In the opinion of the Administration and its legal advisors, the determination of said conditions will not have significant negative effects on the financial position of the ACP.

Others:

The ACP has a claim in the Third Chamber of the Supreme Court of Justice such as the related to the Contractor Grupo Howard, S. A. for B/.30,684; this contract corresponds to the Panama Canal Expansion Program. Also, there are seven claims related to the Contract for the Construction of a Bridge across the Canal at the Atlantic Side of which six are compiled in a single arbitration process for an amount of B/.155,156 including process costs, and a claim that is in the administrative stage for an amount of B/.2,765 making a total amount of B/.157,921, claimed under this project.

On November 18, 2016, the ACP learned that a bailiff of the Republic of France had ordered a cautionary measure on a time deposit of approximately B/.49,356 owned by the ACP, deposited in the New York branch, of a bank whose head office is in the United Kingdom. The measure imposed was based on an arbitration award issued on January 27, 2005 in favor of a French individual against the Transit and Land Transportation Authority of Panama and the Republic of Panama. The French individual alleges in his claim that the ACP was jointly and severally liable with the Republic of Panama for this obligation.

The ACP, which is an autonomous legal entity, as established by the Political Constitution of the Republic of Panama, is not part of the controversy that originated this award, nor in solidarity with the Republic of Panama; therefore, the ACP, challenged the legitimacy of the cautionary measure and filed a request to lift the measure, as it is not a part of the dispute.

On April 26, 2017, a French judge of first instance issued his decision ordering the lifting of the cautionary measure. As a result of the foregoing, the counterpart filed with the Court of Appeals of the Republic of France a request for suspension of this order and announced the filing of an appeal against this decision. On July 20, 2017, the Court of Appeals of the Republic of France rejected the request for suspension of the order issued by the judge of the first instance on April 26, so that all of the funds subject to the cautionary measure were released and transferred to the ACP.

Nevertheless, the appeal is still pending to be resolved in a hearing to be conducted by the Court of Appeals of the Republic of France for May 3, 2018.

The notes contained herein relate to claims against the ACP and cannot, nor should not, be considered as support or proof of acceptance of responsibility on the part of the ACP. In the opinion of the Administration and its legal counsel, the determination of these matters will not have adverse effects of a significant nature on the financial position of the ACP.

30. Events that occurred after the reporting period

On October 31, 2017, GUPCSA and one of its shareholders filed a request for annulment of the final award, related to the CCI 19962/ASM arbitration that was issued on July 31, 2017, at the courts of Miami, United States. The ACP considers that the likelihood of the result of this annulment request impacting the arbitration award of the cofferdam is very remote.

The Board of Directors approved at its meeting on December 14, 2017, the transfer to the Treasury of the operating and functioning economic surplus corresponding to fiscal year 2017 by the amount of B/.1,193,809. (See note 16).