AUTORIDAD DEL CANAL DE PANAMÁ
(Panamá, Republic of Panamá)

Financial Statements

September 30, 2021

(with Independent Auditors' Report thereon)

AUTORIDAD DEL CANAL DE PANAMÁ
(Panamá, Republic of Panamá)

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KPMG
Torre PDC, Ave. Samuel Lewis y
Calle 56 Este, Obarrio
Panamá, República de Panamá

Teléfono: (507) 208-0700
Website: kpmg.com.pa

INDEPENDENT AUDITORS´ REPORT

To the Board of Directors
Autoridad del Canal de Panamá

Opinion

We have audited the financial statements of the Autoridad del Canal de Panamá, (hereinafter, the "ACP"), which comprise the statement of financial position as of September 30, 2021, the statement of profit or loss, and statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ACP as of September 30, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the ACP in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Panamá and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 year. 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 provide a separate opinion on these matters.

Contingent liabilities for contractor claims
See Note 31 to the financial statements

The key audit matter	How the matter was addressed in our audit
Contractor' claims are considered as a key audit matter, because of the assessment of provisions and contingencies, which requires significant judgments and analysis by management. Contingencies for arbitration claims with a contractor amounted to B/.4,201 million for two (2) arbitrations and two (2) referrals.	Our procedures in this area included: • We assessed, with the assistance of our own legal specialists, the available evidence obtained and conclusions reached for each claim by management and its legal counsel. • We carried out confirmation procedures with internal and external legal counsel of ACP and we assessed the adequacy of disclosures.

Property, plant, and equipment, net
See Notes 3 (g) and 5 to the financial statements

The key audit matter	How the matter was addressed in our audit
• ACP is the owner of the Canal facilities, buildings, structures and equipment required to operate the Panamá Canal. The property, plant, and equipment (PPE) are considered a key audit matter for its high transactional volume that involves the assessment of capitalization of additions, designation of useful lives and judgment applied in the estimation of impairment losses based on the value in use of PPE. The total amount of property, plant, and equipment is B/.8,478 million, representing 58% of the total assets of ACP.	• We obtained an understanding and test the operational effectiveness of controls on the additions of PPE. • We obtained an understanding of how the ACP determines the useful life and residual value of each class of PPE and assessed reasonableness of such determination. • We performed test of additions during the year through selective sampling, and we inspected relevant documentation such as invoices, bank transfers and reports of staff assigned to the construction underway to assess if the additions have been capitalized in accordance with the policies established by ACP. • We visited and inspected the PPE according to selective sampling. • We assessed, with the assistance of our own valuation specialists, the impairment evaluation carried out by ACP on PPE to determine its reasonableness, including the methodology applied, and performed a recalculation of the value in use.

Other Information

Management is responsible for the other information. The other information comprises the annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such 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 ACP ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the ACP or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ACP financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether 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 not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ACP's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related 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 ACP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause ACP to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a 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 Luis G. Venegas R.

KPMG

Panama, Republic of Panama
December 15, 2021

AUTORIDAD DEL CANAL DE PANAMÁ
(Panama, Republic of Panama)

Statement of Financial Position

September 30, 2021

(In thousands of balboas B/.)

	Note	2021	2020
Assets:			
Non-current assets:			
Property, plant and equipment:			
Property, plant and equipment, net		8,335,257	8,382,350
Constructions in progress		143,094	178,371
Total property, plant and equipment, net	5	8,478,351	8,560,721
Investment properties	6	93,131	93,355
Reimbursement right of ACP	26	352,056	383,379
Inventories, net	7	63,927	64,094
Right-of-use assets	28	8,246	10,504
Trade and other receivables	8	354	16,765
Receivable from contractor	9	0	244,655
Total non-current assets		8,996,065	9,373,473
Current assets:			
Inventories	7	8,355	8,271
Securities investment and other financial assets	10, 27	5,057,097	3,801,690
Accrued interest receivable	11	10,856	5,340
Trade and other receivables	8, 27, 29	27,495	20,751
Other assets		482	863
Cash and cash equivalents	12, 27	626,173	965,541
Total current assets		5,730,458	4,802,456
Total assets		14,726,523	14,175,929

The statement of financial position must be read in conjunction with the notes that are an integral part of the financial statements.

	Note	2021	2020
Equity and liabilities:			
Equity:			
Contributed capital	13	1,906,336	1,906,336
Investment program contributions	14	6,387,625	6,197,479
Reserves	14	1,995,489	1,537,489
Other equity accounts	15	(82,430)	(113,821)
Earnings available for distribution	16, 33	1,487,818	1,281,448
Total equity		11,694,838	10,808,931
Non-current liabilities:			
Bonds payable:			
Bonds payable		450,000	450,000
Less: discount and issuing costs		7,383	7,948
Bonds payable, net	17, 27	442,617	442,052
Borrowings	18, 27	1,495,000	1,725,000
Employee benefits	26	362,944	395,236
Lease liabilities	28	4,125	6,604
Other financial liabilities	19, 27	77,451	115,313
Total non-current liabilities		2,382,137	2,684,205
Current liabilities:			
Provision for marine accidents	20	15,299	19,587
Accrued salaries and vacations payable		169,390	148,043
Borrowings	18, 27	238,738	243,507
Other liabilities	21	40,457	41,982
Lease liabilities	28	4,617	4,497
Accrued interest payable on bonds	17	3,712	3,712
Accrued interest payable on other financial liabilities	27	10,143	10,407
Trade and other payables	22, 27, 29	167,192	211,058
Total current liabilities		649,548	682,793
Total equity and liabilities		14,726,523	14,175,929

AUTORIDAD DEL CANAL DE PANAMÁ
(Panama, Republic of Panama)

Statement of Profit or Loss

For the year ended September 30, 2021

(In thousands of balboas B/.)

	Note	2021	2020
Revenues:			
Toll revenues		2,968,213	2,663,275
Other Canal transit services		874,677	675,496
		3,842,890	3,338,771
Other revenues:			
Sales of electricity and power		30,099	31,215
Sales of potable water	29	35,405	36,536
Miscellaneous	24	50,218	36,918
Total other revenues		115,722	104,669
Total revenues		3,958,612	3,443,440
Expenses:			
Salaries and wages	23	635,180	614,431
Employee benefits	23, 29	78,281	77,805
Materials and supplies	23	55,202	52,323
Fuel	7, 23	34,523	40,349
Transportation and allowances	23	988	1,099
Contracted services and fees	23	97,020	96,214
Insurance	23	24,692	20,850
Provision for marine accidents	20, 23	2,617	8,174
Provision for obsolete inventory	7, 23	290	2,506
Depreciation and impairment loss	5, 23	232,063	221,076
Amortization of right-of-use assets	23, 28	4,761	5,697
Fees paid to the Panamanian Treasury	16, 21, 23, 29	592,812	542,679
Other expenses	23	15,381	22,028
Total expenses		1,773,810	1,705,231
Results of operations		2,184,802	1,738,209
Finance income		39,737	74,278
Finance costs	18	(88,575)	(102,356)
Finance costs, net		(48,838)	(28,078)
Profit for the year		2,135,964	1,710,131

The statement of profit or loss must be read in conjunction with the notes that are an integral part of the financial statements.

AUTORIDAD DEL CANAL DE PANAMÁ
(Panama, Republic of Panama)

Statement of Comprehensive Income

For the year ended September 30, 2021

(In thousands of balboas B/.)

	Note	2021	2020
Profit for the year		2,135,964	1,710,131
Other comprehensive income (loss):			
Items that will not be reclassified to profit or loss:			
Net remeasurement of employee defined benefit plans' actuarial gain (loss)		580	(517)
		580	(517)
Items that are or may be reclassified to profit or loss:			
Reclassification of (loss) income on financial instruments to profit for the year		(2,924)	2,740
Unrealized loss on instruments at fair value with changes in other comprehensive income (FVOCI)	10, 15	(5,026)	(990)
Net income (loss) on cash flow hedges - light diesel purchase call options		1,093	(1,602)
Net income (loss) on cash flow hedges - interest rate swap contracts		37,668	(10,131)
		30,811	(9,983)
Total other comprehensive income (loss)	15	31,391	(10,500)
Total comprehensive income		2,167,355	1,699,631

The statement of comprehensive income must be read in conjunction with the notes that are an integral part of the financial statements.

Statement of Changes in Equity

For the year ended September 30, 2021

(In thousands of balboas B/.)

	Note	Contributed capital	Investment program contributions	Reserves	Other equity accounts	Earnings available for distribution	Total equity
Balance as of September 30, 2019		1,906,336	6,035,696	1,270,589	(103,321)	1,251,892	10,361,192
Profit for the year		0	0	0	0	1,710,131	1,710,131
Other comprehensive income (loss):							
Net remeasurement of employee defined benefit plans' actuarial loss		0	0	0	(517)	0	(517)
Reclassification of income on financial instruments to profit for the year		0	0	0	2,740	0	2,740
Unrealized loss on instruments at FVOCI		0	0	0	(990)	0	(990)
Cash flow hedges		0	0	0	(11,733)	0	(11,733)
Total other comprehensive loss		0	0	0	(10,500)	0	(10,500)
Total comprehensive income (loss) of the year		0	0	0	(10,500)	1,710,131	1,699,631
Transfer to the Panamanian Treasury	16	0	0	0	0	(1,251,892)	(1,251,892)
Net increase in contributions	14	0	161,783	0	0	(161,783)	0
Net increase in equity reserves	14	0	0	266,900	0	(266,900)	0
Balance as of September 30, 2020		1,906,336	6,197,479	1,537,489	(113,821)	1,281,448	10,808,931
Profit for the year		0	0	0	0	2,135,964	2,135,964
Other comprehensive income (loss):							
Net remeasurement of employee defined benefit plans' actuarial loss		0	0	0	580	0	580
Reclassification of loss on financial instruments to profit for the year		0	0	0	(2,924)	0	(2,924)
Unrealized loss on instruments at FVOCI		0	0	0	(5,026)	0	(5,026)
Cash flow hedges		0	0	0	38,761	0	38,761
Total other comprehensive income		0	0	0	31,391	0	31,391
Total comprehensive income of the year		0	0	0	31,391	2,135,964	2,167,355
Transfer to the Panamanian Treasury	16	0	0	0	0	(1,281,448)	(1,281,448)
Net increase in contributions	14	0	190,146	0	0	(190,146)	0
Net increase in equity reserves	14	0	0	458,000	0	(458,000)	0
Balance as of September 30, 2021		1,906,336	6,387,625	1,995,489	(82,430)	1,487,818	11,694,838

The statement of changes in equity must be read in conjunction with the notes that are an integral part of the financial statements.

AUTORIDAD DEL CANAL DE PANAMÁ
(Panama, Republic of Panama)

Statement of Cash Flows

For the year ended September 30, 2021

(In thousands of balboas B/.)

	Note	2021	2020
Cash flows from operating activities:			
Profit for the year		2,135,964	1,710,131
Adjustments to reconcile net income to cash from operating activities:			
Depreciation and impairment loss		232,063	221,076
Amortization of right-of-use assets		4,761	5,697
Amortization of diesel option premiun		(575)	510
Loss on disposal of property, plant and equipment	5	738	144
Realized gain on investment securities at FVOCI		4	10
Provision for marine accidents		2,617	8,174
Provision for obsolete inventory	7	290	2,506
Amortized discount on bonds payable		565	565
Materials and supplies inventory usages		33,181	31,274
Finance costs, net		48,838	28,078
Changes in operating assets and liabilities:			
(Increase) decrease in trade and other receivables		(6,760)	20,602
Increase in fuel inventory		(84)	(805)
Decrease (increase) in other assets		381	(597)
(Decrease) increase in trade and other payables		(43,866)	44,571
Payment of marine accident claims		(6,905)	(2,469)
Increase (decrease) in accrued salaries and vacations payable		21,347	(3,992)
Operations with settlement in progress		0	2,603
Employee benefits plans		(389)	(1,242)
Decrease in other liabilities		(1,525)	(16,941)
Cash provided by operating activities:		2,420,645	2,049,895
Interest paid		(93,809)	(114,165)
Net cash provided by operating activities		2,326,836	1,935,730
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(150,207)	(95,699)
Acquisition of inventories		(33,304)	(36,454)
Acquisition of other financial assets		(9,910,756)	(6,170,556)
Proceeds from sale and redemption of other financial assets		8,648,245	6,663,343
Trade and other receivables		17,128	(17,599)
Receivable from contractor		244,700	0
Interest received		34,293	115,955
Net cash (used in) provided by investing activities		(1,149,901)	458,990
Cash flows from financing activities:			
Payment of borrowings		(230,000)	(230,000)
Payment of lease liabilities		(4,855)	(5,119)
Transfer to Panamanian Treasury		(1,281,448)	(1,251,892)
Net cash used in financing activities		(1,516,303)	(1,487,011)
Net (decrease) increase in cash and cash equivalents		(339,368)	907,709
Cash and cash equivalents at the beginning of the year		965,541	57,832
Cash and cash equivalents at the end of the year	12	626,173	965,541
Investing activities that did not require cash inflows:			
Recognition of an adjustment to receivable from contractor due to arbitration award	9	0	244,700
		0	244,700

The statement of cash flows must be read in conjunction with the notes that are an integral part of the financial statements.

(1) General Information

The Autoridad del Canal de Panamá, (the "ACP") is an autonomous legal entity of public law established by Article 316 of Title XIV of the Political Constitution of the Republic of Panamá and subject to special arrangements made by the provisions of that Title, of Law No. 19 of June 11, 1997, and regulations dictated by the Board of Directors as mandated by articles 319 and 323 of the same Title. This legal framework provides, inter alia, that the administration, operation, conservation, maintenance, and modernization of the Panamá Canal (the Canal) and its related activities correspond to the ACP exclusively. In addition, it establishes a special labor regime applicable to the ACP and its workforce, as well as provides ACP 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 commercialization of water, energy, and surplus goods, as well as tourism related activities within the Canal.

In accordance with the terms of the Torrijos-Carter Treaty signed in 1977, at noon on December 31, 1999, the Canal reverted to the Republic of Panamá free of debts and liens, becoming an inalienable patrimony of the Republic of Panamá, 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 the Republic of Panamá, the Organic Law of the ACP and its management.

The Panamá Canal is the inalienable patrimony of the Republic of Panamá and includes (i) the waterway itself, (ii) its anchorages, berths, and entrances, (iii) land, marine, river and lake waters, (iv) locks, (v) auxiliary dams, and (vi) dikes and water control structures. The ACP owns Canal installations, buildings, structures and equipment that support the operation of the Panamá Canal. In addition, pursuant to Article 49 of Law No. 19 of 1997, the ACP is entitled to dispose of assets to the extent they are not necessary for the functioning of the Panamá Canal. These assets 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, pipelines, and other aids to navigation.

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

(2) Basis of Preparation

(a) Statement of compliance

The financial statements of the ACP, as of September 30, 2021 and for the year ended on that date, have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and approved by the Board of Directors and authorized to be issued on December 13, 2021.

(2) Basis of Preparation, continued

(b) Measurement basis

The financial statements have been prepared on the basis of historical cost or amortized cost, except for the following items in the statement of financial position:

- Financial assets measure at fair value through other comprehensive income (FVOCI);
- Derivative financial instruments;
- Reimbursement right of the ACP; and
- Employee benefits.

(c) Functional and presentation currency

These financial statements are presented in balboas (B/.), the monetary unit of the Republic of Panamá, which is at par and of free exchange with the U.S. dollar (USD). The Republic of Panamá does not issue paper currency and instead uses the USD dollar as legal and functional currency. The ACP's financial statements are expressed in thousands of balboas (B/.).

(3) Summary of Significant Accounting Policies

The ACP has consistently applied the following accounting policies to all the periods presented in these financial statements:

(a) Fair value measurement

Fair value is the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between the main market participants on the measurement date, or in its absence, in the most advantageous market to which the ACP has access at the time. The fair value of a liability reflects the effect of a default risk. When applicable, the ACP measures the instrument´s fair value using a quoted price for that instrument in an active market. A market is considered as active if the transactions of these assets or liabilities take place frequently and with sufficient volume and, in addition, information is provided on a continuous basis allowing prices to be set. When there is no quoted price in an active market, the ACP uses valuation techniques that maximize the use of relevant observable input data and minimize the use of unobservable input data. The chosen valuation technique incorporates all the factors that the market participants would consider when setting the price of a transaction. The best evidence of fair value is a quoted market price in an active market. If the market for a financial instrument is not considered as active, a valuation technique is used. The decision as to whether a market is active can include, but is not limited to, consideration of factors such as the magnitude and frequency of commercial activity, the availability of prices and the magnitude of offers and sales. In markets that are not active, to guarantee that the transaction price provides evidence of fair value or to determine the adjustments to the transaction prices that are necessary to measure the instrument´s fair value, additional work is required during the valuation process.

The ACP recognizes transfers between levels of the fair value hierarchy at the end of the period during which the change occurred.

(3) Summary of Significant Accounting Policies, continued

(b) Transactions with related parties

All transactions with related parties are disclosed based on the established criteria in the International Accounting Standard (IAS 24) -"Related Party Disclosures". The ACP considers as a related party, all Government 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 the ACP´s key management personnel, their relatives, dependents, or close persons, which include the spouse, their children or children of the spouse, or persons of analogous relationship of affectivity.

(c) Revenue recognition

The ACP utilizes the following five-step *model* for accounting revenue arising from contracts with customers: (i) identify the contract(s) with the customer; (ii) identify performance obligations; (iii) determine the transaction price; (iv) assign the transaction price to performance obligations to the extent that the contract covers more than one performance obligation; and, (v) recognize income when performance obligations are met. Revenue is recognized in an amount that reflects the consideration that ACP expects to receive in exchange for transferring goods or services to a customer. Depending on whether certain criteria are met, revenues are recognized: over time, in a way that represents ACP's performance; or at a point in time, when the control of the goods or services is transferred to the client. Specific recognition criteria described below are met before the revenue is recognized:

Toll revenue and other Canal transit services

Toll revenue is recognized at a point in time, when the ship concludes its transit through the Canal. Toll revenue and other Canal transit services such as: tug services, linehandlers, locomotives, admeasurement services, transit booking fee, pilotage and among others services are paid in advance, during transit or twenty four (24) hours after invoice is presented for payment, if all services are secured by a bank guarantee.

Sales of electricity and power

Revenue from the sale of electric energy and power is recognized over time based on contractual and physical delivery of energy and power valued at contractual rates or at prevailing spot market rates. Revenue includes unbilled amounts for electricity sales and installed capacity supplied but not settled 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.

Sales of potable water

Revenue from the sale of water is recognized over time when treated water is delivered based on prices contracted with the Instituto de Acueductos y Alcantarillados Nacionales (IDAAN).

(3) Summary of Significant Accounting Policies, continued

Miscellaneous services

Revenue from other services that include leases of communications structures and buildings, and extraction of raw water, among others, are recognized over time when the customer simultaneously receives and consumes the benefits provided by the ACP's activities.

Some long-term concession contracts include the free transfer to the ACP of improvements built by the concessionaire in exchange for its right of use during the concession period. At the time of transfer, those improvements are recognized as investment property using the cost method and depreciated accordingly. A related liability is also recognized for the same value which is amortized to profit or loss through the concession period using the straight-line method. Initial cost is assigned by an independent appraiser at the time of initial recognition.

Interest

Interest accrued on financial instruments measured at amortized cost and financial assets measured at fair value through other comprehensive income (FVOCI) are recognized using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts throughout the financial instrument expected life to the carrying amount of the financial asset or liability. Interest income is included in a separate line in the statement of profit or loss. Interest income includes interest earned net of amortized premium and discount.

(d) Transfer to the Panamánian Treasury

According to the ACP Organic Law, transfer to the Panamánian Treasury corresponds to the net profit minus the funds required for contributions to the investment programs and for other equity reserves approved by the Board of Directors.

(e) Fees paid to the Panamánian Treasury

As mandated by the Panamánian Constitution, fees paid to the Panamánian Treasury, which corresponds to payments per net ton transit and public service fees, are recognized when incurred. Also by constitutional mandate, the ACP is not subject to the payment of taxes, duties, tariffs, charges, rate or tributes of a national or municipal nature, except for certain public service fees, per net ton transit fees and employer´s contributions related to social security, educational insurance, and workers' compensation.

(f) Finance costs

Finance costs that are directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period to prepare them 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 finance costs are recognized as expenses in the statement of profit or loss in the period they are incurred. Finance costs consist of interest and other costs that the ACP incurs in connection with borrowing contracts.

(3) Summary of Significant Accounting Policies, continued

(g) Property, plant and equipment

Property, 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 losses. Replacements and improvements of complete elements that increase the useful life of the asset or its economic capacity are accounted for as property, plant, and equipment, with the respective retirement of any replaced element. When different parts of significant relative value of property, plant, and equipment have different useful lives, they are accounted for separately. Following the accrual principle, periodic maintenance, preservation, and repair costs are recognized in profit or loss when incurred. Depreciation is calculated on the cost values following a straight-line method over the estimated useful life of the assets. Land on which buildings and other constructions are settled have an indefinite useful life and, therefore, are not subject to depreciation. The following estimated useful lives are used to calculate depreciation:

Years	Buildings	Structures	Equipments
3 – 15	-	Asphalt roads	Automobiles, trucks, technological devices
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 property, plant and equipment and their depreciation will start. Items of property, plant, and equipment are derecognized when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the disposal proceeds and carrying amount of the asset) is included in profit or loss when the asset is derecognized.

(h) Investment properties

Investment properties are measured at acquisition cost, including other related transaction costs. After their initial recognition, investment properties are stated at cost applying the same requirements as for property, plant and equipment.

(3) Summary of Significant Accounting Policies, continued

Transfers of investment properties to properties occupied by the owner or vice versa, are made only when there is a change in the use of the asset, which has been evidenced by:

- The start of the occupation by the ACP, in the case of a transfer of an investment property to property, plant and equipment.
- The end of the occupation by ACP, in the case of transfer of property, plant and equipment to investment property.

Depreciation is calculated following a straight-line method over the estimated useful life of the assets. 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 in profit or loss when incurred.

(i) Impairment of non-financial assets

The ACP assesses at the reporting date whether there is an indication that a non-financial asset other than inventories, 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 considered 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 discount rate that reflects current market assessments of the time value of money and the specific risks to the asset. Determined impairment losses are recognized in profit or loss accordingly. A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the asset´s recoverable amount. The reversal of an impairment loss is recognized in profit or loss. An impairment loss can only be reversed up to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset.

(j) Inventories

Supplies and materials for operations and fuel inventories are shown at the lower of its acquisition cost and its net realizable value. Inventories are valued using the average cost method based on purchase cost to suppliers, not exceeding the realizable value, net of impairment of supplies and materials. The ACP classifies its inventories as non-current when expected to be used or consumed in the operation after more than twelve (12) months.

(k) Provisions

Provisions are recognized when the ACP has a present obligation, either legal or constructive in nature, because of a past event, when it is deemed 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.

(3) Summary of Significant Accounting Policies, continued

The amount recognized as a provision must be the best estimate of the disbursement required to settle the present obligation, at the reporting period, considering the corresponding risks and uncertainties. When a provision is measured using an estimated cash flow to settle the present obligation, its carrying amount is the present value of such cash flow at a rate that reflects current market assessments of time value of money and the risk specific to the liability. When the recovery of some or all the economic benefits required to settle a provision is expected, an account receivable is recognized if it is virtually certain that the income will be received and the amount of the account receivable can be measured with certainty.

(l) Provision for marine accidents and other claims

The ACP is responsible for recording the provision for marine accidents and for claims from counterparties as soon as an economic obligation with high probability derived from these events is known. For marine accidents, when an accident occurs, the ACP performs a detailed investigation to determine the causes of the accident. Once the causes are determined, if applicable, a provision is recorded based on the estimated cost of both permanent and temporary repairs and other related costs, which the Administration concludes are the responsibility of the ACP. On each reporting date, the amount of the provision is reviewed and, if necessary, adjusted to reflect the best estimate at that time.

In the case of contractors and other counterparties, when disputes arise due to the execution, interpretation or termination of a contract, it is first required that the contracting officer assess and determine if the claim has merit and, if so, estimate the probable amount of the obligation to try to reach an agreement with the counterparty. If an agreement is not reached, the contracting officer documents the result of this negotiation, recognizes a provision for the obligation and the parties go through an administrative dispute resolution process agreed to in the contract. In some contracts, arbitration in law is established as the jurisdictional instance for the resolution of disputes.

The ACP will make the corresponding payment of the claims whose merit is duly supported and accepted by the ACP in its administrative stage or in the judicial stage according to Article 69 of the Organic Law or in compliance with a final decision executed by the maritime courts. In those cases, in which the ACP could be liable because of a claim for a contract, if it contains an arbitration clause, the claim will be resolved by the mechanism and arbitration center established in the respective contract. If there is no arbitration clause in the contract, the case will be resolved by the Third Chamber of the Panamánian Supreme Court of Justice.

(3) Summary of Significant Accounting Policies, continued

(m) Employee benefits

Six bargaining units cover ninety three percent (93%) of the ACP workforce, each represented by unions and with collective bargaining unit agreements that are periodically negotiated. The remaining seven (7%) corresponds to personnel excluded from collective bargaining unit agreements. As of September 30, 2021, the following five (5) agreements are being negotiated:

Collective bargaining union agreement	% of workforce	Starting date	Expected completion date
Non-professional	83.1	Fiscal year 2019	Fiscal year 2022
Professional	1.9	Fiscal year 2019	Fiscal year 2022
Captains and Deck Officers	2.2	Fiscal year 2020	Fiscal year 2022
Marine Engineers	2.3	Fiscal year 2020	Fiscal year 2022
Firefighters	0.8	Fiscal year 2021	Fiscal year 2022

The Panamá Canal Pilots agreement (comprises 2.7% of workforce) will continue in effect until the end of calendar year 2023.

Voluntary retirement plans

The ACP provides two unfunded defined benefit plans for voluntary retirement of employees. The cost of providing these benefits is determined annually by a qualified actuary using the projected unit of credit method. Actuarial gains and losses are fully recognized in the period in which they occurred in other 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, considering any changes in the benefit liability during the period because of benefit payments and other criteria.

For 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 implicit projections of constructive nature arising from expectations created by informal practices.

Defined benefit contribution plan

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

(n) Reimbursement right of ACP

The ACP's right to reimbursement is an insurance policy that guarantees 100% reimbursement to the ACP of all benefits paid to employees as an incentive for voluntary retirement. It is recognized at fair value as a separate asset when it is virtually certain that a third party will reimburse some or all the disbursements required to settle a defined benefit obligation.

(3) Summary of Significant Accounting Policies, continued

Changes in the carrying amount of the right to reimbursement are disaggregated and recognized in the same way as for changes in the carrying amount of the related obligation plan. The components of defined benefit cost are recognized net of changes in the carrying amount of the right to reimbursement. The carrying amount 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 the related constructive actuarial obligation, subject to any reduction required if the reimbursement is not fully recoverable.

(o) Financial assets and liabilities

Financial assets

Financial assets are recognized initially at fair value, normally being the transaction price. In the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are also included. The subsequent measurement of financial assets depends on their classification, as set out below.

Financial assets are classified as measured at amortized cost and at fair value through other comprehensive income. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

Financial assets are classified as measured at amortized cost when they are held in a business model the objective of which is to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the asset is derecognized or impaired and when interest is recognized using the effective interest method. This category of financial assets includes accounts receivable and bank deposits.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets are classified as measured at fair value through other comprehensive income when they are held in a business model the objective of which is both, to collect contractual cash flows and sell the financial assets, and the contractual cash flows represent solely payments of principal and interest. This category of financial assets includes debt instruments not classified as financial instruments at fair value through profit and loss or at amortized cost. After the initial recognition, these assets are subsequently measured at fair value. Interest income calculated under the effective interest method and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in the statement of profit or loss. Unrealized gains or losses are reported as net increases or decreases in other comprehensive income in the statement of changes in equity until they are realized.

Derivatives designated as hedging instruments in an effective hedge

Derivatives designated as hedging instruments in an effective hedge are carried on the statement of financial position at fair value. The treatment of gains or losses arising from revaluation is further described in the accounting policy for hedge accounting.

(3) Summary of Significant Accounting Policies, continued

Cash equivalents

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of change in value and generally have a maturity of three months or less from the date of acquisition. Cash equivalents are classified as financial assets measured at amortized cost.

Evaluation of the business model

The evaluation at the portfolio level and the objective of the business model that applies to the financial instruments of these portfolios include the following:

- The policies and objectives set for the portfolio and the operation of those policies in practice that include the Administration´s strategy relating to:
  (i) collecting contractual interest income
  (ii) maintaining a defined interest yield profile
  (iii) capacity to sell at any time for liquidity needs or to optimize the risk / return profile of a portfolio based on interest rates, risk margins, current duration and the defined goal.
- The way in which the ACP Senior Management team and Board of Directors are informed about the behavior of the different portfolios;
- The risks that affect the performance of the business model (and the financial assets held in the business model) and the way in which these risks are managed;
- The frequency and value of sales in previous periods, the reasons for those sales and expectations about future sales activity.

Evaluation of whether contractual cash flows are solely payments of principal and interest (SPPI)

For this evaluation, *Principal* is defined as the fair value of the financial asset at the time of initial recognition. *Interest* is defined as the consideration of the value of money over time and the credit risk associated to the amount of the outstanding principal for a particular period and for other risks consistent with a basic loan agreement and other associated costs, as well as the profit margin. In assessing whether contractual cash flows are solely payments of principal and interest, the ACP focused on the contractual terms of the instrument. This evaluation considered, among others:

- Contingent events that could change the amount and / or periodicity of cash flows
- Leverage conditions;
- Advance payment terms and extension;
- Terms that limit the ACP to obtain cash flows from specific assets (example, asset agreements without resources); and
- Characteristics that modify the considerations for the value of money over time (example, periodic review of interest rates).

(3) Summary of Significant Accounting Policies, continued

Impairment of financial assets

At the reporting date, the ACP determines whether there is an objective evidence of impairment in the financial instruments, and, if so, the reserve method to provide for losses in the financial instruments is used. The ACP applies an Expected Credit Loss Model (ECL) to assess impairment on trade and other accounts receivable, bank deposits and debt instruments.

The assessment of whether credit risk of a financial asset has significantly increased is one of the critical judgments in the impairment model. Loss allowances are recognized for the amount equivalent to the 12-month ECL or for the residual maturity of the financial asset, whichever is lower, for financial instruments on which the credit risk has not significantly increased since its initial recognition. The 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are possible within a 12-month period after the reporting date. For impaired assets, the ECL is the difference between the carrying amount and the present value of the estimated future cash flows to be collected. A financial asset is considered impaired when it is unlikely that the debtor will fully pay his credit obligations to the ACP, without resources from the ACP to enforce compliance such as executing the collateral if available; or the debtor has a delinquency of more than 90 days in any significant credit obligation. For fixed income financial instruments, the ACP also considers: low external rating of the issuer; lack of contractual payments on the due date or in the stipulated period; if there is a virtual certainty of suspension of payments; if there is likelihood of a bankruptcy; filing of a bankruptcy petition or similar action; and/or the financial asset stops trading in an active market given its financial difficulties. The inputs used in the evaluation of whether financial assets are impaired, and their importance may vary over time to reflect changes in circumstances.

Significant increase in credit risk

The evaluation of whether a credit risk of a financial asset has increased significantly since its initial recognition, considers reasonable and sustainable information that is relevant and available without disproportionate cost or effort, including information and analysis of a quantitative and qualitative nature based on historical experience and the expert evaluation of credit including: projections of future cash flows, variations in the credit risk rating, and atypical increases in the credit margin or in the reference prices of the credit default swaps (CDS) for the financial instruments.

Credit risk rating

At initial recognition a credit rating is assigned to each exposure based on available information about the debtor. Exposures will be subject to continuous monitoring, which may result in a change to a different credit risk rating. For investments in debt instruments and time deposits, credit risk ratings of international short-term investments from Standard & Poors, Moody's or Fitch Ratings, Inc. and their changes are used to establish whether a significant increase in risk has occurred.

For financial assets that do not have an available international credit risk rating, a credit risk rating is assigned using a quantitative model of payment default prediction that assigns a credit rating equivalent to that of Standard & Poor’s which considers the application of expert credit judgement.

(3) Summary of Significant Accounting Policies, continued

Generating the probability of default (PD) term structure

Credit risk ratings are the main input to determine the PD term structure for different exposures. The PD is estimated using approximates of liquid markets based on international credit risk ratings of investments or deposits.

Assessment of significant increase in credit risk

The criteria for determining whether the credit risk has increased significantly will vary by portfolio and will include limits based on defaults. The ACP assesses whether the credit risk of a particular exposure has increased if, based on a quantitative model, the probability of expected credit loss in the remaining life increased significantly since the initial recognition. In determining the increase in credit risk, the expected credit loss in the remaining life is adjusted for changes in maturities. In certain circumstances, by using credit expert's judgment and relevant historical information, the ACP may determine that an exposure has experienced a significant increase in credit risk if qualitative factors indicate so and those factors may not be fully captured by the quantitative analysis performed periodically. The effectiveness of the criteria used to identify significant increases in credit risk is monitored through regular reviews.

Inputs for the measurement of the ECL

The following variables are key inputs used for measuring ECL:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

PD is the probability of default of one year applied to the portfolio to account for 12-month ECL and lifetime probability of default to account for more than 12-month ECL. The default rates are obtained from the Bloomberg system (1-yr Default Probability) for counterparties that have a credit risk rating. For financial instruments that do not have a credit risk rating, the S&P Global Income Research and S&P Creditpro transition table is used as a source. The LGD for financial assets is the estimated loss percentage of the amount exposed in case of default. The LGD is obtained from the Bloomberg system for counterparties that have a credit risk rating. For financial instruments that do not have a credit risk rating, Bloomberg (1-yr Default Probability and Loss Given Default) is used in the same way. The EAD represents the outstanding balances of the principal amount and interest on financial assets at the reporting date.

Derecognition of financial assets

A financial asset is derecognized only when the contractual rights to receive the cash flows from the asset have expired; or when all the risks and rewards of ownership of the financial asset have been substantially transferred. If all the risks and rewards of the property are not transferred or substantially withheld and control of the transferred asset is continued, then the interest withheld on the asset and a related liability for the amounts that ACP may have to pay are recognized. If substantially all the risks and rewards of ownership of a transferred financial asset are retained, the financial asset continues to be recognized and a guaranteed liability is also recognized for the amount received.

(3) Summary of Significant Accounting Policies, continued

Financial liabilities

Financial liabilities are initially recognized 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. Gain or loss is recognized in profit or loss when a financial liability is derecognized as well as through the amortization process. Financial liabilities include borrowings, bonds payable, trade and other payables, and other financial liabilities.

Borrowings and bonds payable

Borrowings and bonds payable are initially recognized at fair value at their respective contractual dates, including the costs attributable to the transaction. After 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 fees that belong to the effective interest rate.

Trade and other payable

Accounts payable do not earn interest and are carried at their face value.

Hedge accounting

Derivative financial instruments held for risk management purposes are measured at fair value in the statement of financial position. These instruments are initially recognized at fair value at the date a hedging contract is entered into and are subsequently remeasured to their fair value at each reporting date.

On initial designation of the hedge, the ACP formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The ACP makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated. The ACP uses financial instruments designated as hedges to manage the interest rate risks and the variability of light diesel prices used in its operations. These financial instrument contracts designated as hedges are classified as cash flow hedges and they are reported as assets or liabilities, as applicable. Any ineffectiveness must be reported in current-year profit or loss.

Hedge accounting relationship

When the ACP enters into a hedge accounting relationship, the first requirement is that the hedging instrument and the hedged item must be expected to move in opposite directions as a result of the change in the hedged risk. This requirement is fulfilled for the hedging relationships carried out by the ACP as the underlying of the hedging instrument matches or is closely aligned with the hedged risk. The ACP makes a qualitative assessment which considers the following: a) maturity; b) nominal amount; c) cash flow dates; d) interest rate basis; and e) credit risk.

(3) Summary of Significant Accounting Policies, continued

Hedge ratio

The hedge ratio is the relation between the amount of hedged item and the amount of the hedging instrument. For most of the hedging relationships, the hedge ratio is 1:1 as the underlying of the hedging instrument perfectly matches the designated hedged risk. For a hedging relationship with a correlation between the hedged item and the hedging instrument that is not 1:1 relationship, generally the hedge ratio is adjusted for the type of relation in order to improve effectiveness.

Discontinuation of hedge accounting

The ACP discontinues hedge accounting prospectively in the following situations: when it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item; the derivative expires or is sold, terminated, or exercised; or it is determined that designation of the derivative as a hedging instrument is no longer appropriate.

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 effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. 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 statement of profit or loss as the recognized hedged item. However, when a 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. Hedge accounting is discontinued 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, any gain or loss accumulated in equity is recycled from equity to profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized if it expires, cancels, or is settled and when its conditions are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognized based on the new conditions at fair value.

(p) Leases

At the beginning of a contract, the ACP assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it provides the right to control the use of an asset for a period of time in exchange for a consideration.

(3) Summary of Significant Accounting Policies, continued

As a lessee

At the beginning or when a contract containing a lease component is modified, ACP assigns consideration in the contract to each lease component based on their individual prices. However, for lease contracts including non-lease components, the ACP has decided not to separate them from the lease components and, instead, for each contract both components are accounted for as a single lease component.

The ACP recognizes a right-of-use asset and a lease liability on the initial date of the lease. The right-of-use asset is initially measured at cost, which includes the initial amount of the lease liability adjusted for any lease payment made on or before the initial date, plus the initial direct costs incurred and an estimate of the costs required to dismantle and remove the underlying asset or to restore the underlying asset or the site where it is located, less any lease incentive received. The right-of-use asset is subsequently depreciated using the straight-line method from the initial date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the ACP at the end of the lease term or the cost of the right-of-use asset shows that the ACP will exercise a purchase option. In such case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is based on the same method applied for property, plant and equipment. Additionally, the cost of the right-of-use asset may be reduced periodically due to impairment, if any, and adjusted by new measurements of the lease liability.

Lease liability is initially measured at the present value of unpaid lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the incremental borrowing rate of the ACP. The ACP determines its incremental interest rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the leased asset.

Lease payments included in the measurement of the lease liability comprise the following: fixed payments; variable lease payments that depend on an index or a rate initially measured using the index or rates on the start date; amounts expected to be paid under a residual value warranty; the price to be exercised under a purchase option that the ACP is reasonably sure to exercise; the lease payments in an optional renewal period if the entity is reasonably certain to exercise an extension option; and the penalties for early termination of a lease unless the ACP is reasonably certain not to terminate it early.

Lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments derived from: a change in an index or rate, if there is a change in the estimate of the amount expected to be paid under a residual value warranty; if the entity changes its assessment of whether it will exercise a purchase, extension or termination option; or, if there is a revised fixed lease payment. Consequently, the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The ACP presents the right-of-use assets and lease liabilities on separate lines in the statement of financial position.

(3) Summary of Significant Accounting Policies, continued

<u>*Short-term leases and low-value asset leases*</u>

The ACP has decided not to recognize right-of-use assets and lease liabilities from short-term lease contracts and those involving low-value assets of B/.10. Lease payments associated with these contracts are recognized as contract services expense during the lease term.

As a lessor

At the beginning or when a contract containing a lease component is modified, the ACP assigns consideration in the contract to each lease component base on their individual prices. When the ACP acts as lessor, it determines at the beginning of the lease whether it is financial or operational. To classify each lease, the ACP performs a general assessment of whether the lease transfers substantially all of the risks and rewards related to ownership of the underlying asset. If this is the case, then the lease is financial, if not, then it is operational. As part of this assessment, certain indicators are considered such as whether the lease is for most of the economic life of the underlying asset. If an agreement contains lease components and non-lease components, then IFRS 15 applies to allocate the consideration in the contract.

Lease payments received under operating leases are recognized as revenue during the lease term as part of *Other income* in the statement of profit or loss.

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

A series of new rules go into effect for annual periods beginning after January 1, 2021 and early application is allowed; however, the ACP has not early adopted these new standards or amendments when preparing these financial statements as of September 30, 2021, whose annual period began on October 1, 2020.

Effective date — Annual periods beginning on:	New standards or amendments (upcoming IFRS requirements)
January 1,2021	• Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
January 1, 2022	• Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) • Annual Improvements to IFRS Standards 2018-2020 • Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
January 1, 2023	• Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
	• Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In September 2019, the International Accounting Standards Board (IASB) finalized Phase 1 of the IBOR Reform and issued the document Interest Rate Benchmark Reform ("the Reform"), which contains amendments to IFRS 9 and IFRS 7. These amendments are effective for annual periods beginning on or after 1 January 2020.

(3) Summary of Significant Accounting Policies, continued

In August 2020, the IASB published the second phase of the project amendments to the Reform; this document contains exemptions and clarifications for the applicable financial instruments.

Phase 2 of the Reference Interest Rate Reform Project

This document contains:

- Clarifications on changes in the basis used for determining contractual cash flows
- Practical exemptions applicable to the existing criteria for re-estimating financial assets and liabilities at variable interest rates to account for modifications resulting from the Reform.
- Practical exemptions allowing changes in the initial documentation of hedging relationships
- Waivers for hedge groups of hedged items and interest rate risk portfolios when the items in the designated group are subject to the contractual amendments resulting from the Reform
- Adds additional requirements when there are changes in the basis used to determine the contractual cash flows of the financial asset or liability that has given rise to the designation of a hedge
- Provides temporary waiver in the designation of risk components
- New disclosure requirements are included in the financial statements

The amendments issued in the second phase of the project are mandatory for annual periods beginning on or after 1 January 2021, and early adoption is permitted.

As of September 30, 2021, the ACP has not made the adoption of the reforms contained in phases 1 and 2 of the project amendments.

Managing interest rate benchmark reform and any risks arising due to reform

Fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of interbank offered rates (IBORs) with alternative nearly risk-free rates. This reform has an impact on products referenced to IBOR. The ACP Treasury is in communication with the financial counterparties as lenders to carry out a smooth and orderly transition for the replacement of this rate. Additionally, it has coordinated with the contract, risks and controls, budget, accounting, legal advisory, and internal audit sections to determine the changes or modifications required in contracts, regulations, operational processes or others. The ACP anticipates that IBOR Reform will impact its risk management, and hedge accounting.

The USD LIBOR tenor utilized by the ACP under the Financing Documents is 6-month LIBOR which has been established will be available until June 30, 2023. On March 5, 2021, the Financial Conduct Authority (FCA), and the ICE Benchmark Administrator (IBA), administrator or the London Interbank Offered Rate (LIBOR) made public statements that USD LIBOR tenor settings will cease as of the following dates: (i) December 31, 2021, for 1-week and 2-mo USD LIBOR settings and (ii) June 30, 2023, for overnight and 1-, 3-, 6- and 12-mo USD LIBOR settings. Neither the FCA nor the IBA have identified a successor administrator at this time.

(3) Summary of Significant Accounting Policies, continued

The ACP has IBOR exposure (USD LIBOR) on loans referenced to this rate, with five multilaterals credit agencies, with which a communication is maintained to approve an amendment to the Common Terms Agreement, as well as the credit facilities with each agency at the same time. The ACP plans to finish the process of amending the contractual terms by the end of fiscal year 2022.

As of September 30, 2021, the total amounts of unreformed financial liabilities are detailed in Note 18 – Borrowings.

Derivatives held for risk management

The ACP holds derivatives for risk management purposes. The ACP´s derivative instruments are governed by the International Swaps and Derivatives Association´s (ISDA) 2006 definitions. ISDA has reviewed its definitions considering IBOR reform and issued an IBOR fallbacks supplement on October 23, 2020. This document sets out how the amendments to new alternative benchmark rates (e.g., SOFR) in the 2006 ISDA definitions will be accomplished. The effect of the supplement is to create fallback provisions in derivatives that describe which floating rates will apply on the permanent discontinuation of certain key IBORs or on ISDA declaring a non-representative determination of an IBOR.

The ACP plans to adhere to the protocol to implement the fallbacks to derivative contracts that were entered into before the effective date of the supplement. If derivative counterparties also adhere to the protocol, then new fallbacks will be automatically implemented in existing derivative contracts on the later of when the supplement becomes effective or both counterparties adhere to the protocol. From that date, all new derivatives that reference the ISDA definitions will also include the fallbacks. Consequently, the ACP holds discussions with its counterparties that will also adhere to the protocol and, in due course, the ACP plans to negotiate with them bilaterally about inclusion of new fallback clauses.

As of September 30, 2021, the ACP has not amended its derivatives instruments with its counterparties.

Hedge accounting

The ACP has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR Reform as at the reporting date. The ACP's hedged items and hedging instruments continue to be indexed to USD LIBOR benchmark rates. These USD LIBOR benchmark rates are quoted each day and IBOR cash flows are exchanged with their counterparties as usual.

The ACP has a limited exposure with USD LIBOR in its cash flow hedging instruments whose expiration date exceeds the anticipated termination date of the USD LIBOR referenced rate. As of September 30, 2021, the ACP holds interest rate hedging instruments referenced to IBOR for a total of B/.600 million of notional value of cash flows hedging which are amortized every six months for B/.40 million until November 15, 2028.

(3) Summary of Significant Accounting Policies, continued

The ACP expects to replace USD LIBOR rates with an alternative reference rate acceptable to counterparties in the secondary market. The transition date will be determined when the contracts are modified, which is expected to be at the end of 2022, so the ACP anticipates that the hedged reference rate, the cash flows of the hedged item and / or the hedging instrument will not be altered because of the IBOR Reform.

The ACP will amend the formal hedge documentation of that hedging relationship to reflect the changes required by IBOR reform by the end of the reporting period during which the changes occur. These changes in the formal hedge documentation are not expected to cause a discontinuation of the hedging relationship.

(4) 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 reporting date, 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:

- determination of whether revenue is recognized over time or at a point in time;
- determination of the useful life of fixed assets (Note 5);
- recoverability of property, plant, and equipment, including construction in progress balances (Note 5);
- measurement of ECL allowance and key assumptions in determining the weighted average loss rate and the fair value of financial instruments (Note 27);
- estimated actuarial liability for the defined benefit plans for employee retirement and the right to reimbursement on these plans (Note 26); and
- estimates for the provision for marine accident and other claims and contingent liabilities (Notes 20 and 31, respectively).

(5) Property, Plant and Equipment

The movement and reconciliation of the property, plant, and equipment are detailed as follows:

	Buildings	Structures	Equipment	Land	Constructions in progress	Total
Cost:						
Balance at October 1, 2019	216,069	6,266,748	2,979,320	1,023,318	168,745	10,654,200
Additions and other adjustments	1,223	62,255	28,828	0	9,626	101,932
Claim adjustment	0	(244,700)	0	0	0	(244,700)
Retirements	(171)	(177)	(10,270)	0	0	(10,618)
Balance at September 30, 2020	217,121	6,084,126	2,997,878	1,023,318	178,371	10,500,814
Additions and other adjustments	13,992	152,374	20,304	58	(35,277)	151,451
Retirements	(748)	(516)	(53,697)	(394)	0	(55,355)
Balance at September 30, 2021	230,365	6,235,984	2,964,485	1,022,982	143,094	10,596,910
Accumulated depreciation and impairment loss:						
Balance at October 1, 2019	(55,222)	(661,363)	(1,010,713)	0	0	(1,727,298)
Depreciation	(4,723)	(102,678)	(115,869)	0	0	(223,270)
Retirements	152	87	10,236	0	0	10,475
Balance at September 30, 2020	(59,793)	(763,954)	(1,116,346)	0	0	(1,940,093)
Depreciation	(5,186)	(101,487)	(114,805)	0	0	(221,478)
Impairment loss	0	(2,488)	(9,117)	0	0	(11,605)
Retirements	459	516	53,642	0	0	54,617
Balance at September 30, 2021	(64,520)	(867,413)	(1,186,626)	0	0	(2,118,559)
Net carrying amount:						
Balance at September 30, 2021	165,845	5,368,571	1,777,859	1,022,982	143,094	8,478,351
Balance at September 30, 2020	157,328	5,320,172	1,881,532	1,023,318	178,371	8,560,721

The movement and reconciliation of the constructions in progress are detailed as follow:

	Investment Program - Canal Expansion	Investment Program - Other	Constructions in Progress Total
Balance at October 1, 2019	6,665	162,080	168,745
Additions	(366)	102,956	102,590
Transfers to property, plant and equipment	(6,299)	(86,665)	(92,964)
Balance at September 30, 2020	0	178,371	178,371
Additions	0	136,868	136,868
Transfers to property, plant and equipment	0	(172,145)	(172,145)
Balance at September 30, 2021	0	143,094	143,094

As of September 2021, as part of the Panamá Canal Expansion Program, the ACP has not capitalized costs B/.0 (2020: B/.6,299). In total, an amount of B/.5,498,450 has been capitalized in 593 assets as part of this Program since its approval in 2006.

On September 2020, a reduction in the amount of B/.244,700 was applied to Agua Clara and Cocolí Locks structure assets, based on the Partial Award that ordered Grupo Unidos por el Canal, S.A. (GUPCSA) to repay the ACP previously awarded payments pursuant to a Dispute Adjudication Board (DAB) decision (Note 9).

(5) Property, Plant and Equipment, continued

On July 2021, an increase on the amount of B/.69,760 (2020: B/.56,100) was applied to the Atlantic Bridge assets, based on a settlement on the Partial Award issued by the International Chamber of Commerce (ICC) arbitration tribunal.

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. In addition, a Performance and Defects Guarantee for a total of B/.200,000, consisting of a payment 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 & Poor's.

During fiscal year 2021, the ACP derecognized assets at a cost of B/.55,355 (2020: B/.10,618), mainly comprised of three electrical power units in Miraflores totaling B/.33,024 due to the entry in the electricity market of new generation units with more efficient technologies. Additionally, maritime equipment such as boats, a ferry and a tugboat were derecognized due to obsolescence for a total cost of B/.13,155. The remaining B/.9,176 corresponds to others assets derecognized within the period. As a result, the ACP recognized losses on disposal of assets for an amount of B/.738 (2020: B/.144).

Depreciation expense for B/.1,310 (2020: B/.2,547) corresponded to equipment used in investment projects that were capitalized as property, plant and equipment.

Impairment loss

During fiscal year 2021, due to the entry in the energy market of new electricity generation units with more efficient technologies, the ACP carried out an impairment test of the Energy Cash Generating Unit (CGU) by applying the value in use method on June 30th, 2021. According to this method, the value in use of the CGU is equal to the expected present value of the unit's projected cash flow for the weighted average residual life of the assets in the unit. Annual cash flows for Energy CGU were adjusted for risk and included income and costs; meanwhile, financial income and costs, depreciation and corporate costs were excluded. The corporate costs were awarded in full to the transit CGU. Revenue projections for Energy CGU consider internal and external sales. The internal demand is supplied mainly by hydroelectric generation and supported by thermal generation. The projection of hydroelectric generation is based on estimates of rainfall and water consumption that affect the generation capacity of the hydroelectric plants in Alhajuela and Gatún lakes. The excess of hydro generation and thermal capacity is sold in the energy market and used to cover agreed contracts. To project the level of thermal generation sales in the energy market, the ACP based its projections on the results of the tool used by the National Dispatch Center (CND, for its acronym in Spanish) to model and plan the weekly energy dispatch. This tool is also used by the energy company Empresa de Transmisión Eléctrica, S.A. (ETESA) to prepare the Expansion Plan of the National Interconnected System. The discount rate used to estimate the value in use of the Energy CGU was 5.26% and is based on the cost of financing that the ACP derived from an established method that incorporates the capital structure of market participants and the country risk premium. As a result, the ACP recognized an impairment loss of B/.11,605 for this CGU. As of September 30, 2021, the carrying amount of the assets related to the Energy CGU amounts to B/.81,731.

The impairment charges were recorded as part of depreciation and impairment loss expense in profit and loss.

(6) Investment Properties

The reconciliation of the carrying amounts of investment properties, which are measured by the ACP using the 'cost model', is as follows:

	Buildings	Structure	Equipment	Land	Total
Cost:					
Balance at October 1, 2019	6,778	0	927	89,831	97,536
Additions and other adjustments	166	185	964	0	1,315
Balance at September 30, 2020	6,944	185	1,891	89,831	98,851
Additions and other adjustments	92	0	0	0	92
Balance at September 30, 2021	7,036	185	1,891	89,831	98,943
Accumulated depreciation and impairment loss:					
Balance at October 1, 2019	(102)	0	(40)	0	(142)
Depreciation	(130)	(49)	(175)	0	(354)
Impairment loss	(5,000)	0	0	0	(5,000)
Balance at September 30, 2020	(5,232)	(49)	(215)	0	(5,496)
Depreciation	(128)	(30)	(131)	0	(289)
Impairment loss	(27)	0	0	0	(27)
Balance at September 30, 2021	(5,387)	(79)	(346)	0	(5,812)
Net carrying amount:					
Balance at September 30, 2021	1,649	106	1,545	89,831	93,131
Balance at September 30, 2020	1,712	136	1,676	89,831	93,355

The ACP's investment properties are composed as follows:

- An area of 180,345 square meters of land, water area and underwater bottom, with a carrying amount of B/.52 (2020: B/.52) and fair value of B/.79,016 (2020: B/.68,709), granted in concession to the Panamá International Terminal, S.A. (PSA) for a period of twenty (20) years, with a renewal option for the same period subject to ACP determination to develop, build, operate and manage a container yard and two docks.
- An area of 1,499.95 square meters of property No.196761 with a carrying amount of B/.22 (2020: B/.22); and a cinema consisting of a building, improvements and equipment with a fair value of B/.7,705 on its initial recognition date, built on that plot, granted in concession to Large Screen Cinema Corp. for a period of ten (10) years. As of September 30, 2021 the carrying amount of the concession is B/.2,293 (2020: B/.2,405). The value in use was determined at B/.2,271, recognizing an impairment loss of B/.27. In September 2020, considering the adverse effects of the COVID-19 pandemic on the market's conditions, an evaluation of the profitability of the concessionaire's business was carried out, resulting in an impairment loss of B/.5,000 in its carrying amount.
- A land with an area of 464,759.71 square meters, located on the east bank to the south end (Pacific) of the Canal bordering the Canal channel and other land owned by the ACP, with a carrying amount of B/.89,757 (2020: B/.89,757) and fair value of B/.204,208 (2020: B/.90,628).
- Fully depreciated buildings leased to third parties and toll road structures and equipment with a carrying amount of B/.1,029 (2020: B/.1,141) and fair value of B/.24,233 (2020: B/.24,794).

During fiscal year 2021, the income generated by the ACP from the rental of buildings and land concessions was B/.5,895 (2020: B/.4,827).

(7) Inventories, Net

Inventories, net are detailed as follows:

	2021	2020
Supplies and materials	67,927	70,794
Fuel	8,355	8,271
Less: provision for inventories obsolescence	(4,000)	(6,700)
Inventories, net	72,282	72,365
Non-current	63,927	64,094
Current	8,355	8,271
Total	72,282	72,365

Changes in the estimate for obsolescence of supplies and materials inventories are as follows:

	2021	2020
Balance at the beginning of the year	6,700	5,600
Increase	290	2,506
Write-off	(2,990)	(1,406)
Balance at the end of the year	4,000	6,700

During fiscal year 2021, the ACP recognized supplies and materials and fuel expenses for B/.33,137 (2020: B/.30,343) and B/.34,523 (2020: B/.40,349), respectively, in profit or loss.

(8) Trade and Other Receivables

Trade and other receivables are detailed as follows:

	2021	2020
Tolls and other marine services	12,495	9,514
Sale of electricity and power	5,913	3,073
Sale of potable water	7,550	7,662
Other government entities	789	16,643
Other services	1,247	1,470
Sub-total	27,994	38,362
Less: allowance for expected credit loss (ECL)	(145)	(846)
Total trade and other receivables	27,849	37,516

	2021	2020
Non-current	354	16,765
Current	27,495	20,751
Total	27,849	37,516

(8) Trade and Other Receivables, continued

Accounts receivable do not generate interest and their maturity term is 30 days or less. The aging analysis of past due but not impaired receivables is as follows:

	2021	2020
60 – 90 days	24	280
90 – 180 days	98	811
More than 180 days	564	16,596
Total	686	17,687

(9) Receivable from Contractor

Accounts receivable from contractor are detailed as follows:

	2021	2020
GUPCSA	0	244,700
Less: allowance for expected credit loss (ECL)	0	(45)
Total receivable from contractor	0	244,655

The Claimants paid the amounts awarded on February 23, 2021. During fiscal year 2020, the Tribunal ordered the plaintiffs to reimburse the ACP the sum of B/.265,300 less the amounts ACP was ordered to pay to the plaintiffs in this partial award for B/.20,600 concerning: on-site laboratory, foundation conditions, unforeseeable physical conditions in the Aguadulce Fault Zone and Lock Head 1 Fault Zone for a cumulative balance in favor of the ACP of B/.244,700. The Concrete and Aggregate Arbitration concerned several claims, including the Parties' responsibilities in relation to the basalt excavated at the Pacific Site for use as concrete aggregate, and the delays associated with the Contractor's submittal of a compliant concrete mix design. Ultimately, the Tribunal dismissed the majority of the Claimants' claims and awarded the ACP damages and costs.

(10) Securities investment and other financial assets

Investment securities and other financial assets are detailed as follows:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial instruments measured at amortized cost:				
Time deposits over 90 days	1,578,586	1,580,288	2,775,669	2,786,655
Accrued interest receivable	5,646	5,643	14,195	14,178
	1,584,232	1,585,931	2,789,864	2,800,833
Financial instruments measured at fair value with changes in other comprehensive income (FVOCI):				
Corporate debt securities	3,470,829	3,470,829	1,011,459	1,011,459
Financial instruments designated as hedge instruments measured as fair value:				
Diesel purchase call option contract	2,036	2,036	367	367
	5,057,097	5,058,796	3,801,690	3,812,659

(10) Securities investment and other financial assets, continued

At September 30, 2021, the unrealized loss on financial instruments measured at FVOCI amounted to B/.3,530 (2020: unrealized gain B/.1,496) which was recognized in other comprehensive income.

During fiscal year 2021, the ACP sold financial instruments measured at FVOCI amounting to B/.111,022 (2020: B/.180,771), recognizing a net realized gain of B/.4 (2020: B/.10); and corporate debt securities that were collected upon expiration amounted to B/.4,683,514 (2020: B/.3,529,407).

In accordance with the Organic Law, 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 Panamánian or foreign public or private entities, neither to grant loans to said entities nor to the National Government. Investments in securities and time deposits are negotiated and recorded in US dollars. At September 30, 2021 and 2020, all of ACP's investments were placed in instruments with an investment grade and short-term maturity. The annual interest rate of return of other financial assets (excluding current and saving accounts) was 0.5870% (2020: 2.0326%) paid at the end of each term and with a maximum maturity of a year.

Financial instruments designated as hedge instruments:

In July 2021, the ACP subscribed an Asian style call option contract effective September 1, 2021, with the objective of hedging the risk of variability of future cash flows attributable to the price fluctuation of light diesel that the ACP expects to purchase for its operations during fiscal year 2022, in accordance with its forecast.

(11) Accrued Interest Receivable

Accrued interest receivable is detailed as follows:

	2021	2020
Accrued interest receivable on:		
Corporate debt securities at FVOCI	10,856	5,340

(12) Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following:

	2021	2020
Cash on hand	35	29
Deposits in current accounts	128,274	202,748
Deposits in saving accounts	197,831	69,379
Time deposits with original maturities under 90 days	300,000	693,305
Accrued interest receivable	33	80
Total cash and cash equivalents	626,173	965,541

Cash deposit in bank accounts earns interest based on daily rates determined by banks. At September 30, 2021, interest rates ranged from 0.01% to 0.15% (2020: 0.02% to 0.55%). These resources are primarily to cover ACP obligations and there were no restrictions over the balance of cash and cash equivalents (2020: no restrictions).

(13) Contributed Capital

Article 316 of the Political Constitution of the Republic of Panamá states that the ACP has its own patrimony and the right to manage it. Upon the transfer of the Canal to the Republic of Panamá 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 required patrimony 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.

On September 30, 2021, the contributed capital of the ACP amounted to B/.1,906,336 (2020: B/.1,906,336).

(14) Investment Program Contributions and Reserves

Changes in investment programs contributions, debt repayment contributions, and reserves, as of September 30, 2021, are detailed as follows:

	2021	**Increase (decrease)**	**2020**	**Increase (decrease)**	**2019**
Contributions:					
Investment programs	5,812,625	(39,854)	5,852,479	(68,217)	5,920,696
Debt repayment	575,000	230,000	345,000	230,000	115,000
	6,387,625	190,146	6,197,479	161,783	6,035,696
Reserves:					
Working capital, contingencies, and catastrophic events	853,289	86,000	767,289	192,200	575,089
Strategic for growth, sustainability and debt service	877,200	107,000	770,200	74,700	695,500
Financing of relevant projects	265,000	265,000	0	0	0
	1,995,489	458,000	1,537,489	266,900	1,270,589
Total	8,383,114	648,146	7,734,968	428,683	7,306,285

Contributions

Investment programs

At September 30, 2021, the ACP decreased the funds of the investment programs by a net amount of B/.39,854 (2020: net decrease of B/.68,217). This contribution includes a contingency amount for the Investment Program - Others, which is set each year; the unused balance is transferred to surplus at end of the year.

Debt repayment

The ACP established an equity contribution to segregate the funds required for the scheduled repayments of its long-term debt used to finance the investment programs.

(14) Investment Program Contributions and Reserves, continued

Reserves

Working capital, contingencies, and catastrophic events

The ACP maintains an equity reserve for working capital and contingencies, as well as to cover deductible amounts related to catastrophic risks insurance policies to ensure and facilitate its long-term financial standing.

Strategic to cover growth, sustainability, and debt service

The ACP established an equity reserve to maintain strategic sustainability and competitiveness of the Canal 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 as well as to cover debt service.

Financing of relevant projects

The ACP established an equity reserve to meet the financing needs of the projects of the Water Management System Program and the Consolidation of facilities in the Atlantic and Pacific.

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 valuation of the cash flow hedging instruments, the unrealized (loss) in actuarial valuations of the defined post-employment benefit plans and the unrealized gain (loss) on financial instruments.

Adjustments during fiscal year to the other equity accounts – other comprehensive income (loss) (OCI) are as follows:

	2021	2020
Balance at the beginning of the year	(113,821)	(103,321)
Actuarial valuations:		
Net remeasurement gains (losses) of employee defined benefit plans	580	(517)
Other comprehensive income not to be reclassified to profit or loss	580	(517)
Financial instruments with changes in OCI:		
Reclassification of (losses) gains to profit or loss for the year	(2,924)	2,740
Net unrealized loss during fiscal year	(5,026)	(990)
Cash flow hedges:		
Light diesel purchase call option and price swap contracts:		
Net unrealized gains (losses) of non-yet matured contracts	1,093	(1,602)
Interest rate swap contracts:		
Reclassification of gains to profit or loss of the year	27,977	22,664
Net gain (losses) of non-yet matured contracts	9,691	(32,795)
Other comprehensive income to be reclassified to profit or loss	30,811	(9,983)
Other comprehensive profit (losses) of the year	31,391	(10,500)
Balance at the end of the year	(82,430)	(113,821)

(16) Earnings available for distribution

The Organic Law establishes that after covering the costs for the investment programs and reserves (Note 14), any surplus shall be remitted to the Panamánian Treasury in the following fiscal period, subject to the approval of the Board of Directors that declares surpluses. Therefore, the ACP, subject to Board of Directors order, will transfer the total amount of B/.1,487,818 to the Panamánian Treasury which corresponds to the earnings available for distribution for the year ended September 30, 2021 (2020: B/.1,281,448). See Note 33.

The contributions transferred or to be transferred to the Panamánian Treasury are as follows:

	2021	2020
Payments to the Panamánian Treasury:		
Fees per net ton	591,070	540,644
Public service fees	1,742	2,035
Sub-total	592,812	542,679
Earnings available to distribute (Note 33)	1,487,818	1,281,448
Total	2,080,630	1,824,127

(17) Bonds Payable

Bonds payable are detailed as follows:

	Interest rate%	Maturity	2021	2020
Bond 2035	4.95	July 29, 2035	450,000	450,000
Less: discount and issuing costs			(7,383)	(7,948)
Plus: accrued interest payable			3,712	3,712
Total bonds payable			446,329	445,764

These bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction, and are being offered and sold in the United States only to persons reasonably believed to be qualified institutional buyers in reliance on Rule 144A under the Securities Act ("Rule 144A") and to certain non-U.S. persons in transactions outside the United States in reliance on Regulation S under the Securities Act ("Regulation S").

These bonds have a fixed annual rate of 4.95% and their effective interest rate is 5.17%. Their principal amount will be repaid in four semi-annual installments of B/.112,500, from January 29, 2034, and maturing on July 29, 2035.

If any of the bonds remain outstanding, the ACP (the Issuer) will furnish to holders:

- as soon as available, but in any event within 120 calendar days after the end of each fiscal year of the Issuer, copies of its audited financial statements in respect of such fiscal year, in English, prepared in accordance with IFRS and audited by an internationally recognized firm of independent accountants; and

- as soon as available, but in any event within 90 calendar days after the end of each of the first, second and third fiscal quarters of the Issuer, copies of its unaudited financial statements in respect of the relevant period, that include a profit and loss, statement of financial position and cash flow statement, in English, prepared on a basis consistent with the audited financial statements of the Issuer and in accordance with IFRS.

(18) Borrowings

Borrowings are detailed as follows:

Credit Facilities	Interest rate %	Maturity	2021	2020
European Investment Bank (EIB)	Libor 6 months + 0.811	15-Nov-28	225,000	255,000
European Investment Bank (EIB)	Libor 6 months + 0.824	15-Nov-28	75,000	85,000
European Investment Bank (EIB)	5.196	15-Nov-28	75,000	85,000
Development Bank of Latin America (CAF)	Libor 6 months + 1.20	15-Nov-28	112,500	127,500
Development Bank of Latin America (CAF)	Libor 6 months + 1.40	15-Nov-28	112,500	127,500
International Finance Corporation (IFC)	Libor 6 months + 1.30	15-Nov-28	225,000	255,000
Inter-American Development Bank (IDB)	Libor 6 months + 1.05	15-Nov-28	300,000	340,000
Japan Bank for International Cooperation (JBIC)	Libor 6 months + 0.75	15-Nov-28	600,000	680,000
	Sub-total		1,725,000	1,955,000
	Accrued interest payable		8,738	13,507
	Total borrowings		1,733,738	1,968,507

Borrowings under these credit facilities will be repaid in twenty (20) consecutive equal semi-annual installments for an aggregate amount of B/.115,000 until final due date on November 15, 2028.

The classification analysis of the borrowings under these credit facilities in accordance with their repayment schedule is as follows:

	2021	2020
Non-current borrowings	1,495,000	1,725,000
Current borrowings	230,000	230,000
Accrued interest payable	8,738	13,507
Total	1,733,738	1,968,507

Through the life of these credit facilities, the ACP shall demonstrate compliance with following two (2) financial ratios:

- **Total debt to EBITDA:** the ACP should maintain, as of the end of every semi-annual fiscal period of the ACP, a ratio less than 2.5 at the end for such measurement period; and

- **Debt service coverage:** the ACP should maintain at the end of every semi-annual fiscal period of the ACP, a ratio of no less than 3.0 at the end for such measurement period.

The compliance with the financial covenants is reported on an annual basis to the lenders (five multilateral agencies) detailed above. The following are the key definitions from the Common Terms Agreement that are used to calculate the financial ratios:

- EBITDA means, for any period, the sum, without duplication, of (a) net income (or net loss), (b) interest expense (if it has not been capitalized for purposes of calculating net income), (c) depreciation expense, and (d) amortization expense, in each case determined by reference to and in accordance with the Borrower's financial statements for such period.

(18) Borrowings, continued

- Debt for borrowed money means, without duplication, (a) all credit facility obligations, (b) all indebtedness of the Borrower for borrowed money, (c) all obligations of the Borrower evidenced by notes, bonds, debentures or other similar instruments, (d) all obligations of the Borrower under acceptance, letter of credit or similar facilities, (e) all obligations of the Borrower as lessee under any capitalized lease or synthetic or finance lease, (f) all obligations of the Borrower created or arising under any conditional sale or other title retention agreement with respect to property acquired by the Borrower (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (g) all obligations arising under any other instrument or transaction related to project financings, all contingent liabilities and all operating leases, in each case that would be treated as a borrowing for purposes of IFRS (and in each case as quantified in accordance with IFRS and set forth (or to be set forth) in the Borrower's financial statements), and (h) any debt of the type referred to in clauses (a), (b), (c), (d), (e), (f) or (g) hereof of any other person, which is guaranteed by the Borrower or secured by the liens permitted pursuant to Section 5.02 (a) (Limitations on Liens) of the Common Terms Agreement.

- 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, in each case, by the Borrower during such period or at such time (it being understood that regularly scheduled payments do not include mandatory or optional prepayments or redemptions).

As of September 30, 2021, the ACP is in compliance with the financial covenants as set forth:

	2021	2020
Total debt to EBITDA	0.9	1.2
Debt service coverage	9.8	7.8

Finance cost is detailed as follows:

	2021	2020
Interest on bonds, loans and other	59,712	76,936
Cash flow hedge	27,977	22,664
Leases (Note 28)	168	268
Other finance cost	718	2,488
Total finance cost	88,575	102,356

(19) Other Financial Liabilities

Other financial liabilities are detailed as follows:

	2021	2020
Derivative financial instruments designated as hedging instruments recognized at fair value:		
Interest rate swaps	77,451	115,313
	77,451	115,313

The ACP subscribed interest rate swap contracts which pay interest at a fixed rate and receive interest at a floating rate.

(20) Provision for Marine Accidents

Provision for marine accidents 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 are detailed, as follows:

	2021	2020
Balance at beginning of the year	19,587	13,882
Provision for the year	2,617	8,174
Payments made	(6,905)	(2,469)
Balance at the end of the year	15,299	19,587

The provision for the year is included as an expense in the statement of profit or loss in the item line of *Provision for marine accidents.*

(21) Other Liabilities

Other liabilities are detailed as follows:

	2021	2020
Supplies – Inventories in transit	3,810	3,605
Deferred liability in contracts	29,953	35,070
Others	6,694	3,307
Total other liabilities	40,457	41,982

During fiscal year 2017, the ACP subscribed an agreement with the Public Works Ministry (MOP, for its acronym in Spanish) for the use of particular buildings and land belonging to the ACP that are required for the construction of the fourth bridge over the Panamá Canal, either through demolition or for the occupation of buildings that will not be demolished during the construction period. In exchange, the MOP made payments to the ACP for an amount of B/.33,663, which was recognized as a deferred liability. During fiscal year 2021, the deferred liability was amortized by B/.4,920 representing the fair value of the right of use for the land and buildings transferred to the MOP for an indefinite term, with a carrying amount of B/.394 and a net gain of B/.4,526 recognized in profit or loss.

During fiscal year 2021, the deferred liability of the large format cinema concession contract was amortized for an amount of B/.170 (2020: B/.721), which was recognized under Other income in the statement of profit or loss.

(22) Trade and Other Payables

Trade and other payables are as follows:

	2021	2020
Panamánian Treasury	45,117	43,346
Suppliers and others	122,075	167,712
Total trade and other payables	167,192	211,058

Accounts payable to the Panamánian Treasury correspond to fees per net ton pending for payment. The Organic Law establishes that the ACP shall annually pay the Panamánian 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. During fiscal year 2021, the fees paid by the ACP to the Panamánian Treasury for this concept amounted to B/.591,070 (2020: B/.560,644).

(23) Labor, Materials and Other Capitalized Costs

The investment program has been executed partially or totally with the ACP's own resources and equipment. The ACP capitalizes eligible operating costs incurred in developing the investment programs.

The operating expenses and capitalized costs are detailed as follows:

	2021		
	Total expenses	**Less capitalized costs**	**Net operating expenses**
Salaries and wages	647,464	12,284	635,180
Employee benefits	79,137	856	78,281
Materials and supplies	56,871	1,669	55,202
Fuel	35,954	1,431	34,523
Depreciation	233,373	1,310	232,063
All other expenses	738,561	0	738,561
Total	1,791,360	17,550	1,773,810

	2020		
	Total expenses	**Less capitalized costs**	**Net operating expenses**
Salaries and wages	630,081	15,650	614,431
Employee benefits	78,899	1,094	77,805
Materials and supplies	54,367	2,044	52,323
Fuel	42,336	1,987	40,349
Depreciation	223,623	2,547	221,076
All other expenses	699,247	0	699,247
Total	1,728,553	23,322	1,705,231

(24) Other Miscellaneous Revenues

Other miscellaneous revenues are detailed as follows:

	2021	2020
Sales of entrance tickets to Canal visitor centers	195	5,900
Government of Panamá:		
Agreement Rio Azuero	0	5,557
Agreement Rio Indio	2,967	6,216
Operational leasing	5,773	3,886
Other revenues:		
Port concession	4,080	3,315
Sales of retired assets and scrap	1,679	640
Telecommunications	4,088	4,887
Proceeds from arbitration settlements, net	17,635	0
Other	13,801	6,517
Total other miscellaneous revenues	50,218	36,918

(25) 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 public services fees, per net ton transit fee and employer's contribution of social security, educational insurance, and workmen's compensation.

(26) Employee Benefits

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

	2021	2020
Benefit for employment retirement	362,944	395,236

In July 2012, the ACP established the Voluntary Retirement Incentive Program (VRI) for the retreat, at the required retirement age, of permanent employees and managers of the ACP. Before the establishment of the VRI, there was another program named the Labor Retirement Benefit (LRB) which remains active to date. Employees 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 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 agreements of the ACP; however, the probability that the employees choose the LRB over VRI is very low since the latter offer higher benefits.

The requirements and criteria under the LRB are: 1) permanent employees in positions of trust and permanent employees covered by collective bargaining agreements from the moment in which they comply with the required retirement age, according to the standards of the social security administration (regular or early retirement plans), except for temporary employees, officials and permanent employees covered by the Canal pilots' collective agreements, 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) employees submit the "Termination of Employment Relationship Form" at least 30 calendar days before retirement, and not beyond the date they meet the regular retirement age.

(26) Employee Benefits, continued

The requirements and criteria to qualify under the VRI include the following: 1) employees must retire at the required age established by the social security administration (Caja del Seguro Social´s early or regular retirement plans), 2) at the time of retirement, must have worked at least 10 years in the Canal; 3) must accept the VRI offer, 4) terminate work no later than 60 calendar days after completing the required age, 5) files the termination of employment form through voluntary resignation, 6) must not have an investigation initiated against them for the alleged commission of serious offenses against the ACP regulations that could result in dismissal; and 7) in case the employee is separated from the ACP to hold a public or private position, should not have exceed a maximum of two years of labor discontinuity. Employees that have been separated more than two years from ACP will lose their eligibility to receive the VRI.

The ACP contracted independent actuarial services in order to estimate the present value of the total expected cash flow 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, 2021. 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 liability of both the post-employment benefit plans.

The fair value of the liability was calculated as required by the IFRS at different interest rates and at different case scenarios using a discount rate equal to the yield curve for corporate bonds with investment grade issued by companies in the United States of America (AAA, AA, A).

Expenses related to the employee benefits plan are recorded in the bonus account for voluntary separation, mutual agreement or voluntary retirement, within the line item *Salaries and wages* in the statement of profit or loss.

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

	Statement of Financial Position	Statement of Profit or Loss		Statement of Financial Position	Statement of Comprehensive Income	Statement of Financial Position
2021	**October 1, 2020**	**Benefit costs**	**Net interest**	**Benefits paid**	**Actuarial adjustments**	**September 30, 2021**
Fair value of the benefits	395,236	13,721	5,299	31,981	(19,331)	362,944

	Statement of Financial Position	Statement of Profit or Loss		Statement of Financial Position	Statement of Comprehensive Income	Statement of Financial Position
2020	**October 1, 2019**	**Benefit costs**	**Net interest**	**Benefits paid**	**Actuarial adjustments**	**September 30, 2020**
Fair value of the benefits	381,266	21,761	9,737	34,771	17,243	395,236

(26) Employee Benefits, continued

During fiscal year 2021, benefit costs include the impact of the reversal of IRV benefits for B/.6,360 due to employees who rejected the plan, deaths, resignations and layoffs.

The principal actuarial assumptions used are shown below:

	Age	2021 %	2020 %
Discount rate		2.65	2.8
Salary increases		3.75	3.75
Mortality			
Female	57 years	2.8	2.8
Male	62 years	5.9	5.9
Disability			
Female	57 years	1.2	1.2
Male	62 years	1.9	1.9

Following are the projected disbursements of voluntary retirement benefits expected in future years in case the plans are maintained without modification:

	2021
Maturity of the obligation:	
From 0 to 1 year	0
From 1 to 5 years	142,973
From 5 to 10 years	188,614
From 10 to 25 years	343,847
Beyond 25 years	77,640

At September 30, 2021, the average duration of the obligation for the defined benefit plans for voluntary retirement of employees (VRI/LRB) is approximately 7.49 years (2020: 7.92 years).

A quantitative sensitivity analysis, based on variation in basis points (bp), for significant assumptions, as of September 30, 2020, is as follows:

	2021			
	Discount rate		Salary	
Assumption	25 bp Increase	25 bp Decrease	25 bp Increase	25 bp Decrease
Sensitivity level				
Impact on defined benefit obligation	(7,026)	7,487	7,129	(6,925)

	2020			
	Discount rate		Salary	
Assumption	25 bp Increase	25 bp Decrease	25 bp Increase	25 bp Decrease
Sensitivity level				
Impact on defined benefit obligation	(8,052)	8,602	8,175	(7,932)

(26) Employee Benefits, continued

Reimbursement right to the ACP

The ACP contracted a reimbursement policy, which is recognized in accordance with IAS 19, for the defined benefit plans for voluntary employee retirement. The policy ensures the reimbursement of all payments made by the ACP in respect of defined benefit plans for voluntary employee retirement during the term of the plan. This reimbursement is valid if the ACP makes annual installments to the insurance company as a guaranteed 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 event that financially incapacitates from complying with payment of obligations to its employees, for any reason, including illiquidity. This protection will be provided if the event occurs during the term of the policy, the ACP is current in the payments of the premium and if the defined benefit plans for voluntary retirement are in effect.

The policy does not cover the risk of default that could arise from internal fraud, catastrophic physical risks, nuclear war, terrorism, and epidemics, which has been estimated at 3.0% (2020: 3.0%) of the total insured amount.

Changes in the reimbursement right to the ACP during fiscal year 2021 are detailed as follows:

	Statement of Financial Position	Statement of Profit or Loss		Statement of Financial Position	Statement of Comprehensive Income	Statement of Financial Position
2021	**October 1, 2020**	**Reimbursement right cost of the year**	**Net interest**	**Reimbursements during fiscal year**	**Actuarial adjustments**	**September 30, 2021**
Reimbursement right of ACP	383,379	15,738	5,140	33,450	(18,751)	352,056

	Statement of Financial Position	Statement of Profit or Loss		Statement of Financial Position	Statement of Comprehensive Income	Statement of Financial Position
2020	**October 1, 2019**	**Reimbursement right cost of the year**	**Net interest**	**Reimbursements during fiscal year**	**Actuarial adjustments**	**September 30, 2020**
Reimbursement right of ACP	368,684	23,345	9,445	34,821	16,726	383,379

During fiscal year 2021, the ACP paid the insurer B/.32,216 (2020: B/.34,806) in premiums to the reimbursement insurance policy.

(27) Risk Management

The ACP maintains a conservative and prudent financial policy oriented to preserve its capital and generate optimal performance with low risk levels, performing various risk management activities throughout the year, including analysis, evaluation and risks 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 18 and 17), compensated by cash and bank deposit balances, securities investment and other financial assets (Note 10), in addition to its equity (consisting of contributed capital, investment programs contributions and reserves, other equity accounts, and earnings available for distribution, as disclosed in Notes 13, 14, 15 and 16, respectively).

Categories of financial instruments

	2021	2020
Financial assets		
Receivable to contractor (Note 9)	0	244,655
Securities investment and other financial assets (Note 10)	5,057,097	3,801,690
Trade and other receivables (Note 8)	27,849	37,516
Cash and cash equivalents (Note 12)	626,173	965,541
	5,711,119	5,049,402
Financial liabilities		
Bonds payable (Note 17)	446,329	445,764
Borrowings (Note 18)	1,733,738	1,968,507
Lease liabilities (Note 28)	8,742	11,101
Financial instruments designated as hedging instruments (Note 19)	77,451	115,313
Trade and other payables (Note 22)	167,192	211,058
	2,433,452	2,751,743

(27) Risk Management, continued
Accounting classification and fair values

The following tables shows the carrying amount and the fair value of financial assets and liabilities, including their fair value hierarchy levels, except short-term accounts receivable and payable for which the carrying amount is roughly like fair value:

	Carrying amount					Fair Value			
2021	Fair value - hedging instruments	FVOCI - Debt securities	Financial assets at amortized cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Other financial assets									
Corporate debt securities	0	3,470,829	0	0	3,470,829	805,435	2,665,394	0	3,470,829
Instruments designated in cash flow hedging relationship:									
Diesel purchase call option contracts	2,036	0	0	0	2,036	0	2,036	0	2,036
	2,036	3,470,829	0	0	3,472,865	805,435	2,667,430	0	3,472,865
Financial assets not measured at fair value									
Other financial assets									
Time deposits, more than 90 days	0	0	1,578,586	0	1,578,586	0	1,580,288	0	1,580,288
Accrued interest receivable	0	0	5,646	0	5,646	0	5,643	0	5,643
	0	0	1,584,232	0	1,584,232	0	1,585,931	0	1,585,931
Financial liabilities measured at fair value:									
Other financial liabilities:									
Instruments designated in cash flow hedging relationship:									
Interest rate swaps	77,451	0	0	0	77,451	0	77,451	0	77,451
	77,451	0	0	0	77,451	0	77,451	0	77,451
Financial liabilities not measured at fair value:									
Bonds payable	0	0	0	446,329	446,329	0	0	557,703	557,703
Borrowings	0	0	0	1,733,738	1,733,738	0	0	1,784,929	1,784,929
	0	0	0	2,180,067	2,180,067	0	0	2,342,632	2,342,632

(27) Risk Management, continued

2020	Carrying amount: Fair value - hedging instruments	Carrying amount: FVOCI - Debt securities	Carrying amount: Financial assets at amortized cost	Carrying amount: Financial liabilities	Carrying amount: Total	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
Financial assets measured at fair value									
Other financial assets									
Corporate debt securities	0	1,011,459	0	0	1,011,459	350,282	661,177	0	1,011,459
Instruments designated in cash flow hedging relationship:									
Diesel purchase call option contracts	367	0	0	0	367	0	367	0	367
	367	1,011,459	0	0	1,011,826	350,282	661,544	0	1,011,826
Financial assets not measured at fair value									
Other financial assets									
Time deposits, more than 90 days	0	0	2,775,669	0	2,775,669	0	2,786,638	0	2,786,638
Accrued interest receivable	0	0	14,195	0	14,195	0	14,195	0	14,195
	0	0	2,789,864	0	2,789,864	0	2,800,833	0	2,800,833
Receivable from contractor	0	0	244,655	0	244,655	0	244,655	0	244,655
	0	0	3,034,519	0	3,034,519	0	3,045,488	0	3,045,488
Financial liabilities measured at fair value:									
Other financial liabilities:									
Instruments designated in cash flow hedging relationship:									
Interest rate swaps	115,313	0	0	0	115,313	0	115,313	0	115,313
	115,313	0	0	0	115,313	0	115,313	0	115,313
Financial liabilities not measured at fair value:									
Bonds payable	0	0	0	445,764	445,764	0	0	561,969	561,969
Borrowings	0	0	0	1,968,507	1,968,507	0	0	2,015,271	2,015,271
	0	0	0	2,414,271	2,414,271	0	0	2,577,240	2,577,240

Hedging instruments such as interest rate swaps contracts are registered at their clean price and the interest is recognized under the line item of Accrued interest payable on other financial liabilities in the statement of financial position.

(27) Risk Management, continued

Fair value measurement

i. Valuation techniques and unobservable significant inputs

The following table shows the valuation techniques used to measure the Level 2 and Level 3 fair value for financials instruments recognized at fair value on the statement of financial position, as well as unobservable significant inputs. The valuation process is described on Note 3.

Type	Valuation technique	Unobservable significant inputs	Interrelation between unobservable significant inputs and fair value measurement
Interest rate swap contracts	*Swap model:* fair value is calculated as the present value of the estimated cash flows. The future cash flows estimate of variable rates curves are based on quoted swap rates, future prices and interbank rates. Future cash flows are discounted using a yield curve constructed of similar sources that reflect the interbank rates used by market participants for this purpose when valuing interest rate swap contracts. The fair value is subject to an adjustment due to the credit risk of both the ACP and the counterparty, calculated using credit margins derived from credit default swaps or bond prices.	None	None
Diesel purchase option contract	*Option Model:* the fair value is calculated using the Black Scholes Model, which determines the reasonable price or theoretical price of an option based on six variables: volatility, type of option, underlying price, time, strike price and risk free rate.	None	None
Corporate debt securities	*Market comparison*. Fair value is estimated considering recent or current quotes prices for identical instruments on an inactive market; or prices obtained through alternative pricing models supported by observable inputs such as yield curves of instruments with similar credit quality. The continued use of this valuation technique under COVID-19 crisis conditions is based on the criteria that the significant decrease in market activity and volatility due to such crisis are not enough reasons on their own for disregarding traded prices from transactions between unrelated parties, as reliable indicators of the market value of the instruments, except where there is evidence in the public domain that an orderly transaction was not carried out; in such specific cases the traded price could not reflect the real market value of the security (i.e. a forced transaction during a bankruptcy process).	None	None

(27) Risk Management, continued

Financial risk management objectives

The ACP's main financial liability consists of borrowings, bonds payable, lease liabilities, and trade accounts payable. The main purpose of these financial liabilities was to finance the Canal Expansion Program and the new bridge in the Atlantic coast of the Canal. The ACP also has cash, bank deposits, trade and other receivables, and funds invested in short term debt instruments. The ACP also contracts hedging instruments.

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

The ACP's administration monitors and manages these risks. The ACP's Treasury coordinates the access to international financial markets, monitors and manages the financial risks related to the ACP's operations through internal risk reports, in which it analyzes 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, the use of hedge financial instruments and liquidity investment. The Office of the Inspector General periodically monitors 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 the Inspector General periodically audits treasury operations, and reports to the Board of Directors.

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

Market risk

Market risk is the risk that changes in market prices of interest rates affect the income of the ACP or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters to ensure the ACP´s solvency while optimizing the return on risk.

The ACP's activities are exposed primarily to financial risks due to variations of interest rates, and commodity prices beyond its control. The ACP´s financial instruments are at fixed rate; however, borrowings for B/.1,650,000 (2020: B/.1,870,000) are at a variable rate (Note 18). With the purpose of managing exposure to these risks, the ACP subscribes hedge 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 options/swaps to mitigate the risk of fluctuations in the price of this commodity which is required for the Canal's regular operations.

(27) Risk Management, continued

Exchange rate risk management

The ACP has established a policy to avoid 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 in banks shall be in the dollars of the United States of America, or in other currencies authorized by the Board of Directors. The ACP does not maintain commitments in other currencies. It only maintains deposits in the currency of the United States of America.

Cash flow and fair value interest rate risk

The interest rate risk of the cash flow and the interest rate risk of fair value consist in the fact that future cash flows and the value of a financial instrument fluctuate due to changes in market rates. The net financial cost of the ACP can fluctuate as a result to unanticipated movements on interest rates.

The following table resumes ACP's interest rate risk exposure due to interest repricing gaps based on the next repricing date or the maturity date of its financial assets and liabilities:

			2021			
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Total
Financial assets:						
Debt securities – FVOCI	1,270,586	972,445	1,227,798	0	0	3,470,829
Bank savings and time deposits	1,351,404	125,100	733,901	0	0	2,210,405
	2,621,990	1,097,545	1,961,699	0	0	5,681,234
Financial liabilities:						
Bonds payable	0	0	0	0	450,000	450,000
Borrowings	1,650,000	0	0	0	75,000	1,725,000
	1,650,000	0	0	0	525,000	2,175,000
Interest rate swap hedges	(560,000)	0	40,000	320,000	200,000	0
Total interest rate Sensitivities	1,531,990	1,097,545	1,921,699	(320,000)	(725,000)	3,506,234

			2020			
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Total
Financial assets:						
Debt securities – FVOCI	560,214	213,956	237,289	0	0	1,011,459
Bank savings and time deposits	2,296,405	715,100	743,900	0	0	3,755,405
	2,856,619	929,056	981,189	0	0	4,766,864
Financial liabilities:						
Bonds payable	0	0	0	0	450,000	450,000
Borrowings	1,870,000	0	0	0	85,000	1,955,000
	1,870,000	0	0	0	535,000	2,405,000
Interest rate swap hedges	(640,000)	0	40,000	320,000	280,000	0
Total interest rate sensitivities	1,626,619	929,056	941,189	(320,000)	(815,000)	2,361,864

The ACP manages its interest rate risk change exposure partially by contracting fixed rate instruments and variable rate financing and uses interest rates swaps contracts to hedge cash flows variability attributable to interest rate risk.

The ACP does not account for any of its financial instruments, whether assets or liabilities, at fair value through profit or loss. Nor does it designate derivative instruments as fair value hedges. Therefore, a change in interest rate on the reporting date would not affect net income.

(27) Risk Management, continued

The ACP performs simulations on its financial assets and liabilities to evaluate interest rate risk and its impact in the fair value of financial instruments. To manage interest rate risk, the ACP has defined an interval on the limits to monitor the sensitivity on its financial assets and liabilities.

The interest rate change impact estimation by category assumes a 100 basis points (bp) increase or reduction on the financial assets and liabilities.

The following table reflects the impact of applying those interest rate variations:

	Net interest income sensitivity			
	100 bp increase		100 bp decrease	
	2021	2020	2021	2020
Debt securities – FVOCI	21,048	6,922	(7,983)	(6,922)
Bank saving accounts and time deposits	10,977	26,652	(4,853)	(26,652)
Debt with multilateral credit agencies	(13,224)	(15,174)	2,719	15,174
Interest rate swap hedges	4,810	5,502	(927)	(5,502)
At the end of the year	23,611	23,902	(11,044)	(23,902)

	Other comprehensive income sensitivity			
	100 bp increase		100 bp decrease	
	2021	2020	2021	2020
Debt securities – FVOCI	(13,798)	(3,257)	8,435	3,257
Interest rate swap hedges	25,703	33,018	(25,714)	(33,020)
At the end of the year	11,905	29,761	(17,279)	(29,763)

Interest rate risk management

The ACP is exposed to interest rate risk because it borrowed funds at fixed and variable rates and issued bonds at fixed rate. This risk is managed with the use of interest rate swap contracts. Given market conditions, hedging activities are evaluated regularly to consider interest rates volatility and risk tolerance, ensuring that the most conservative hedging strategies are applied.

The ACP determines whether an economic relationship between the hedged item and the hedging instrument exists based on the reference interest rates, terms, maturity dates and notional amounts. The ACP expects that the hedging relationship will not be altered as a result of the change in the reference interest rate due to the IBOR Reform.

Interest rate swap contracts

Starting in March 2010, the ACP established interest rate swap contracts without collateral 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 received 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 each, which began on May 15, 2019, until their maturity on November 15, 2028.

According to interest rate swap contracts, the ACP agreed to swap the difference between the fixed and floating interest rates amounts calculated on the agreed notional principal amounts.

(27) Risk Management, continued

Such contracts allow the ACP to mitigate the risk of interest rate changes that impact the cash flows of part of the hedged floating rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting future cash flows using the yield curves at the end of the reporting period in question and the inherent credit risk in the contract, as it is explained further below.

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:

Notional	Effective date	Maturity date
600,000	May 17, 2010	November 15, 2028

Interest rate swap contracts, variable receipts and fixed payments	Average contracted fixed interest rate		Notional principal value		Fair value	
	2021	2020	2021	2020	2021	2020
5 years or more	4.67%	4.67%	600,000	680,000	(77,451)	(115,313)

Interest rate swaps are liquidated semi-annually. The floating rate on the interest rate swaps is the 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. The interest rate swap contracts subscribed with the ACP's counterparties stipulate that the ACP would not cover with collateral guarantees any unrealized loss generated by the periodic valuations of these financial instruments.

Asset and liability derivative instruments designated as cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur, as well as the carrying amount of the hedge instruments:

	2021					2020				
		Expected cash flow					Expected cash flow			
	Carrying amount	Total	1-6 months	6-12 months	More than 1 year	Carrying amount	Total	1-6 months	6-12 months	More than 1 year
Interest rate swaps:										
Assets	0	0	0	0	0	0	0	0	0	0
Liabilities	(77,451)	(89,296)	(13,574)	(12,641)	(63,081)	(115,313)	(127,901)	(13,952)	(14,131)	(99,818)
Diesel purchase call option contract:										
Assets	2,036	434	416	18	0	367	0	0	0	0
Total	(75,415)	(88,862)	(13,158)	(12,623)	(63,081)	(114,946)	(127,901)	(13,952)	(14,131)	(99,818)

(27) Risk Management, continued

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to impact gain or loss, as well as the carrying amount of hedge instruments:

	2021					2020				
			Expected cash flow					Expected cash flow		
	Carrying amount	Total	1-6 months	6-12 months	More than 1 year	Carrying amount	Total	1-6 months	6-12 months	More than 1 year
Interest rate swaps:										
Assets	0	0	0	0	0	0	0	0	0	0
Liabilities	(77,451)	(89,296)	(13,574)	(12,641)	(63,081)	(115,313)	(127,901)	(13,952)	(14,131)	(99,818)
Diesel purchase call option contract:										
Assets	2,036	434	416	18	0	367	0	0	0	0
Total	(75,415)	(88,862)	(13,158)	(12,623)	(63,081)	(114,946)	(127,901)	(13,952)	(14,131)	(99,818)

Liquidity risk management

Liquidity risk is the risk that the ACP will not be able in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The ACP manages the liquidity risk through by continuously monitoring its forecasted and actual cash flows, reconciling the financial asset and liability maturity profiles.

The following table details the ACP's financial assets and liabilities grouped by their remaining maturities with respect to their contractual maturity dates:

	2021						
	Carrying amount	Total gross nominal amount inputs/(outputs)	Up to 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	More than 5 years
Financial assets:							
Debt securities – FVOCI	3,470,829	3,493,225	1,280,738	983,496	1,228,991	0	0
Time deposits – more than 90 days	1,584,232	1,887,999	1,025,899	125,659	736,441	0	0
Trade and other receivables	27,849	27,994	27,332	98	93	471	0
Cash and cash equivalents	626,173	626,222	626,222	0	0	0	0
	5,709,083	6,035,440	2,960,191	1,109,253	1,965,525	471	0
Financial liabilities:							
Bonds payable	446,329	745,144	0	11,138	11,137	89,100	633,769
Borrowings	1,733,738	1,893,904	119,386	0	134,182	1,049,215	591,121
Lease liabilities	8,742	8,806	1,242	1,242	2,464	3,858	0
Trade and other payables	167,192	167,192	167,180	0	12	0	0
	2,356,001	2,815,046	287,808	12,380	147,795	1,142,173	1,224,890
Hedging instruments:							
Diesel call option, fixed payment and variable receipt, net	2,036	434	180	236	18	0	0
Interest rate swap, fixed payment and variable receipt, net	(77,451)	(89,297)	(13,574)	0	(12,641)	(55,137)	(7,945)
	(75,415)	(88,863)	(13,394)	236	(12,623)	(55,137)	(7,945)

(27) Risk Management, continued

	2020						
	Carrying amount	**Total gross nominal amount inputs/(outputs)**	**Up to 3 months**	**3 - 6 months**	**6 months - 1 year**	**1 - 5 years**	**More than 5 years**
Financial assets:							
Receivable to contractor	244,655	244,700	0	0	0	244,700	0
Debt securities – FVOCI	1,011,459	1,019,315	565,952	215,584	237,779	0	0
Time deposits – more than 90 days	2,789,864	2,805,180	1,331,008	724,862	749,310	0	0
Trade and other receivables	37,516	38,362	20,099	539	134	17,590	0
Cash and cash equivalents	965,541	965,720	965,720	0	0	0	0
	5,049,035	5,073,277	2,882,779	940,985	987,223	262,290	0
Financial liabilities:							
Bonds payable	445,764	756,381	0	100	11,137	89,100	656,044
Borrowings	1,968,507	2,097,644	118,489	0	128,158	1,011,359	839,638
Lease liabilities	11,101	10,890	1,239	1,115	2,154	6,382	0
Trade and other payables	211,058	211,058	211,046	0	12	0	0
	2,636,430	3,075,973	330,774	1,215	141,461	1,106,841	1,495,682
Hedging instruments:							
Diesel call option, fixed payment and variable receipt, net	367	0	0	0	0	0	0
Interest rate swap, fixed payment and variable receipt, net	(115,313)	(127,901)	(13,952)	0	(14,131)	(78,932)	(20,886)
	(114,946)	(127,901)	(13,952)	0	(14,131)	(78,932)	(20,886)

In order to finance the Canal Expansion Program for a total of B/.2,300,000, the ACP entered a Common Terms Agreement with five multilaterals credit agencies. Currently 4.3% of the debt (B/.75,000) has a fixed effective rate of 5.31%, while the remaining 95.7% (B/.1,650,000) has a variable average effective rate of 2.13%. The effective rate for the financing is 2.27% which is calculated as a weighted average of both its fixed and variable portions.

For the financing of the new bridge across the Atlantic Side of the Canal, bonds totaling B/.450,000 were issued at a fixed rate of 4.95% (effective rate of 5.14%) payable semi-annually in January and July of each year. The interest rate swap contracts subscribed with the ACP's counterparties stipulate that the ACP will not cover with collateral guarantees any unrealized loss generated by the periodic valuations of these financial instruments.

The following table groups the financing sources according to their respective terms:

2021	**Weighted average effective interest rate (%)**	**1 month or less**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
Variable interest rate loans	2.13%	0	110,000	110,000	880,000	550,000	1,650,000
Fixed interest rate loans	5.31%	0	5,000	5,000	40,000	25,000	75,000
Fixed interest rate bonds	5.14%	0	0	0	0	450,000	450,000
		0	115,000	115,000	920,000	1,025,000	2,175,000

2020	**Weighted average effective interest rate (%)**	**1 month or less**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
Variable interest rate loans	2.02%	0	110,000	110,000	880,000	770,000	1,870,000
Fixed interest rate loans	5.31%	0	5,000	5,000	40,000	35,000	85,000
Fixed interest rate bonds	5.14%	0	0	0	0	450,000	450,000
		0	115,000	115,000	920,000	1,255,000	2,405,000

(27) Risk Management, continued

Fuel price risk

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

Maritime operations

The ACP consumes approximately between 10 and 14 million gallons of light diesel on its vessel transit and dredging operations. Since October 20, 2009, risk management for diesel price fluctuations is performed mainly within the fiscal year period that is considered representative for the implementation of appropriate commercial policies. In order to manage the risk, specific hedging operations are contracted for approximately 80% of the expected volume.

In July 2021, the ACP purchased a diesel cap option contract to hedge its fiscal year 2022 operational diesel budget for 13.9 million gallons with a monthly notional of 920,000 gallons, with a strike price of B/.2.19 per gallon. During fiscal year 2021, the registered accumulated annual fuel consumption amounted to 12.8 million gallons (2020: 13.4 million gallons).

Energy generation

The ACP generates power for the consumption of the Canal's operations, while excess capacity is sold in the domestic energy market. During fiscal year 2021, the ACP consumed 30% of the power generated, while the remaining 70% was sold to the energy market (2020: 31% and 69%, respectively). Power generated by hydroelectric and thermal plants was 48% and 52%, respectively (2020: 28% and 72%).

Thermal plant generation is exposed to fuel price volatility risk; however, this price is indexed to the energy sale rate. These indexations are defined in contractual clauses when the energy is sold under previously agreed contracts or in weekly statements when energy is not sold under contracts, namely, in the spot market.

Maritime operations fuel price risk sensitivity analysis

At September 30, 2021, the current price index for light diesel purchases made as of October 2021 is B/.2.16 (2020: B/.1.09) per gallon. Under the assumption of an increase / decrease of ±B/.0.35 (2020: ±B/.0.09) per gallon in the price of light diesel for the next 12 months, the annual increase / decrease in the operating expenses of light diesel would result in B/.1,319 and B/.-4,852, respectively (2020: B/.1,144 and B/.-1,144).

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 because of the categorization of the Risk Assessment System adopted by the ACP, which includes the following factors: short-term international credit risk rating, capital/leverage coverage, country risk, liquidity index, impairment, performance, and credit risk. In the case of sovereign issuers, the country risk factor is the only one considered.

(27) 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 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 grade rating, which cannot be inferior to A-2 by Standard & Poor’s, P-2 by Moody’s Ratings, or F-2 by Fitch Ratings, Inc. Additionally, these policies allow for a total investment of up to fifteen percent (15%) of the portfolio in financial instruments that have more than one short-term international investment grade rating, which cannot be inferior to A-3 by Standard & Poors, P-3 by Moody’s Bank Deposit Ratings, or F-3 by Fitch Ratings, Inc.

Credit quality analysis

The tables below show the credit quality analysis of the different type of financial assets the ACP maintains, which were classified based on their international risk rating reported by the risk rating agencies. The tables show whether assets measured at amortized cost or FVOCI were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit impaired.

Receivable from contractor

Receivable from the contractor recognized on September 2020 because of the arbitration awards in favor of the ACP for the net amount of B/.244,700 (Note 9), was collected on February 2021.

At September 30, 2021, the ECL for the receivable from contractor is as follow:

	2021 12-month ECL	2020 12-month ECL
Balance at the beginning of the year	45	0
Financial assets derecognized	(45)	0
New financial assets acquired	0	45
Balance at the end of the year	0	45

Trade and other receivables

The evaluation of the account receivables ECL utilized a similar approach to the one used on the debt instruments.

By law, all services provided by the ACP, whether transit or commercial services, must be paid in advance or, in its replacement, an adequate guarantee of payment must be presented for the same amount as the one expected to be billed.

(27) Risk Management, continued

Since the effects of COVID-19 postponed the collection of balances owed by some energy companies, the ACP carried out an impact analysis, based on the best evidence available to date. The analysis estimates that these balances will be collected in a period of no more than two years; therefore, the impact is not material. In addition, the ACP is monitoring the economic environment and is taking actions to limit its exposure to customers who have been affected by the pandemic.

At September 30, 2021, the ECL for the trade and other receivables is as follow:

	2021			
	12-month ECL	**Lifetime ECL – not credit impaired**	**Lifetime ECL – credit impaired**	**Total**
Balance at the beginning of the year	13	833	0	846
Net remeasurement of the loss allowance	2	(9)	0	(7)
Financial assets derecognized	(6)	(749)	0	(755)
New financial assets acquired	19	42	0	61
Balance at the end of the year	28	117	0	145

	2020			
	12-month ECL	**Lifetime ECL – not credit impaired**	**Lifetime ECL – credit impaired**	**Total**
Balance at the beginning of the year	2	0	0	2
Net remeasurement of the loss allowance	3	57	0	60
Financial assets derecognized	(1)	0	0	(1)
New financial assets acquired	9	776	0	785
Balance at the end of the year	13	833	0	846

Bank deposits

At September 30, 2021, all demand and time deposits accounts were placed in investment grade financial institutions.

	2021			2020		
	Amortized cost			Amortized cost		
	Cash and cash equivalents 12-month ECL	**Time deposits – more than 90 days 12-month ECL**	**Total**	**Cash and cash equivalents 12-month ECL**	**Time deposits – more than 90 days 12-month ECL**	**Total**
Aaa a Aa3	300,000	255,609	555,609	403,531	169,555	573,806
A1 a A3	197,866	1,128,895	1,326,761	68,933	1,348,999	1,417,932
Baa1	128,301	0	128,301	492,616	101,570	594,186
Baa2	7	200,143	200,150	499	1,174,961	1,175,460
Gross carrying amount	626,174	1,584,647	2,210,821	965,579	2,795,085	3,760,664
ECL loss allowance	(1)	(415)	(416)	(38)	(5,221)	(5,259)
Carrying amount	626,173	1,584,232	2,210,405	965,541	2,789,864	3,755,405

The line item of *Cash and cash equivalent*s in the statement of financial position includes all demand deposits accounts, savings accounts, overnight deposits and time deposits with original maturities of less than 90 days.

(27) Risk Management, continued

Changes in the ECL allowance for bank deposits:

	2021 12-month ECL	2020 12-month ECL
Balance at the beginning of the year	5,259	502
Net remeasurement of the loss provision	1	8
Financial assets derecognized	(5,259)	(502)
New financial assets acquired	415	5,251
Balance at the end of the year	416	5,259

Investment securities measured at FVOCI

The ACP's investment portfolio consists of debt instruments classified at fair value with changes in other comprehensive income, acquired with the intention to be held for a period less or equal to one year, which are susceptible to being sold to attend the liquidity needs or changes in interest rates, which may impact significantly the debt service. Such instruments are measured and reported at fair value, although they do not impact the statement of profit or loss.

Given the COVID-19 situation, the ACP permanently monitors the measures adopted by governments and the implications that these may have on the behavior of the different sectors, among others, the interruption in supply chains, extensive suspension of productive activity, increased unemployment, recession of income for some sectors, price behavior (inflation), economic slowdown, etc.

At the closing of September 30, 2021, the financial statements do not reflect representative impacts related to the impairment of the investment portfolio.

	2021				2020			
	FVOCI				FVOCI			
	12-month ECL	Lifetime ECL- without credit impairment	Lifetime ECL - with credit impairment	Total	12-month ECL	Lifetime ECL- without credit impairment	Lifetime ECL - with credit impairment	Total
Aaa a Aa3	0	0	0	0	18,311	0	0	18,311
A1 a A3	644,668	0	0	644,668	286,940	0	0	286,940
Baa1	1,059,959	0	0	1,059,959	340,195	0	0	340,195
Baa2	979,120	0	0	979,120	233,752	0	0	233,752
Baa3	790,612	0	0	790,612	130,765	0	0	130,765
Gross carrying amounts	3,474,359	0	0	3,474,359	1,009,963	0	0	1,009,963
ECL loss allowance	(400)	0	0	(400)	(3,324)	0	0	(3,324)
Amortized cost	3,473,959	0	0	3,473,959	1,006,639	0	0	1,006,639
Carrying amount	3,470,829	0	0	3,470,829	1,011,459	0	0	1,011,459

(27) Risk Management, continued

The ECL allowance for the investment securities measured at fair value with changes in other comprehensive income is presented below:

	2021 12-month ECL	2020 12-month ECL
Balance at the beginning of the year	3,324	583
Net remeasurement of the loss provision	0	0
Financial assets derecognized	(3,324)	(583)
New financial assets acquired	400	3,324
Balance at the end of the year	400	3,324

Measurement of the gain or impairment loss

The ACP recognizes the gains or impairment losses of the financial instruments measured at fair value with changes in other comprehensive income based on the difference between the carrying amount carried at amortized cost and the fair value of the instruments, as stated below:

	2021		
	Fair value	Amortized cost	Unrealized gain or (loss)
A1 to A3	644,443	644,668	(225)
Baa1	1,059,243	1,059,959	(716)
Baa2	984,745	979,120	5,625
Baa3	782,398	790,612	(8,214)
	3,470,829	3,474,359	(3,530)

	2020		
	Fair value	Amortized cost	Unrealized gain or (loss)
Aaa to Aa3	18,311	18,311	0
A1 to A3	287,619	286,940	679
Baa1	340,588	340,195	393
Baa2	234,105	233,752	353
Baa3	130,836	130,765	71
	1,011,459	1,009,963	1,496

(27) Risk Management, continued

Credit risk concentration

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

	2021	2020
Basic materials	221,049	119,770
Communications	336,587	6,435
Consumer, cyclical	53,888	109,957
Consumer, non-cyclical	778,144	156,865
Energy	316,184	3,070
Financials	1,019,610	465,143
Industry	164,806	53,966
Technology	138,653	0
Services	441,908	96,253
Total	3,470,829	1,011,459

According to the Board of Directors’ Agreement No. 365, the ACP may invest:

- Not less than 20% of its funds in private and official banks with international credit rating of A-2, P-2 and F-2. On a case-by-case basis, the Investment and Hedge Committee may approve investments in private and official banks where one of its international credit rating is A-3, P3 or F3.

- Not more than 80% of its funds in corporate debt instruments with international credit rating of A-2, P-2 and F-2, and up to 15% in instruments with international credit ratings of A-3, P-3 or F-3.

The ACP’s credit exposure and counterparties credit rating are continuously monitored. The credit exposure is controlled by counterparty limits that are quarterly reviewed through the Risk Assessment System for Banking Institutions and Corporate Issuers.

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. International credit risk rating
2. Capital/leverage coverage
3. Country risk
4. Liquidity index
5. Impairment
6. Performance
7. Credit risk

Banking institutions and issuers are classified within three categories in the ACP’s risk system:

A. Up to B/.200,000
B. Up to B/.120,000
C. Up to B/.60,000

(28) Leases

The ACP maintains leases for buses to provide transportation service to employees and technology equipment, i.e. servers and switches. Generally, the lease contract periods are for one basic year and up to a maximum of four renewals. At the end of such renovations, a new tender is conducted and new assets are required. The ACP also maintains leases of other equipment such as vehicles, forklifts, dump trucks and latrines, for periods of twelve months or less and office and technology equipment for low value assets. The ACP applies the exemptions for low-value assets and short-term lease for these leases.

The ACP as lessee

Information about the leases for which the ACP is the lessee is presented below:

Right-of-use assets

The carrying amounts of the recognized right-of-use assets of lease contracts and their movements during the period are detailed below:

	2021	**2020**
Equipment:		
Balance at the beginning of the year	10,504	13,593
Additions	3,653	2,608
Depreciation for the year	(4,761)	(5,697)
Derecognition	(1,150)	0
Balance at the end of the year	8,246	10,504

Lease liabilities

At September 30, 2021, the ACP's lease liabilities amounted to B/.8,742 (2020: B/.11,101). See Note 27 for maturity analysis of lease liabilities as of September 30, 2021.

The following are the amounts recognized in profit or loss:

	2021	**2020**
Interest on lease liabilities	168	268
Expenses relating to short-term leases	1,612	948
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	98	380

The following are the amounts recognized in the statement of cash flows:

	2021	**2020**
Operating activities:		
Interest expense on lease liabilities	168	268
Expenses relating to short-term leases	1,502	948
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	80	380
Financing activities:		
Payments to principal of lease contracts	4,855	5,119
Total cash outflows for leases	6,605	6,715

(28) Leases, continued

The ACP as lessor

The ACP leases its investment property, for example, its land and buildings. All leases are classified as operating leases from a lessor perspective, mainly because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

(29) Related Party Transactions

During fiscal year 2021, the ACP executed the following commercial transactions with the following Republic of Panamá institutions:

	Sale of goods and services		Purchase of goods and services	
	2021	2020	2021	2020
Instituto de Acueductos y Alcantarillados Nacionales (IDAAN)	35,405	36,536	0	0
Other government entities	10,683	15,246	0	0
Social Security Administration	0	0	79,137	78,899
Fees paid to Panamánian Treasury	0	0	592,812	542,679
	46,088	51,782	671,949	621,578

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

	Amounts owed by the Republic of Panamá		Amounts owed to the Republic of Panamá	
	2021	2020	2021	2020
Instituto de Acueductos y Alcantarillados Nacionales (IDAAN)	7,550	7,662	0	0
Other government entities	789	16,629	0	0
Public Works Ministry (MOP)	0	0	28,743	33,663
Social Security Administration	0	0	22,696	22,609
Public service fees	0	0	136	162
Panamánian Treasury – net ton transit	0	0	45,117	43,345
	8,339	24,291	96,692	99,779

As of September 30, 2021, the ACP does not maintain deposits at Banco Nacional de Panamá (2020: B/.1,261,890); therefore, have not, generated interest income during fiscal year 2021 (2020: B/.1,441).

Amounts owed by and owed to the Republic of Panamá are classified as accounts receivable and accounts payable, respectively. Additionally, the sales of goods and services to the Republic of Panamá were made at the ACP's usual prices or rates on the published lists, without discount.

The outstanding amounts are unsecured and will be settled in cash. No guarantees 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.

(29) Related Party Transactions
Compensation and benefits to key executives

On September 30, 2021, the ACP paid a total of B/.3,268 (2020: B/.2,349) for remuneration and benefits to its key management personnel. The Board of Directors' compensation for the fiscal year 2021 totalized B/.816 (2020: B/.680). 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.

(30) Commitments

Commitments for construction contracts in process and purchase orders pending of delivery are as follows:

	2021	2020
Investment Program - Others	53,913	54,613
Operations	72,762	53,543
Total	126,675	108,156

Commitments of the Investment Program - Others include: Damen Shipyards Gorinchem VB for the replacement of the Titan Crane for B/.14,197 (2020: B/.25,234); Ingeniería Continental, S. A. for expanding the operational capacity of the Diablo dock for B/.10,069 (2020: B/.322) and Constructora RJT, S. A. for improvements to the infrastructure of the Visitor Centers for B/.4,894 (2020: B/.1,783).

Commitments of operations include contracts awarded: for purchases of inventory for B/.10,641 (2020: B/.19,222), to Willis Towers Watson for the multi-year insurance policy B/.15,094 (2020: B/.12,866); to Relleno Transporte y Equipo, S. A. for excavation of the eastern slope of Bordada Cucaracha (phase 2) B/.13,897 (2020: B/.0) and Mapfre Panamá, S.A. for the multi-year insurance policy B/.5,897 (2020: B/.3,001).

Guarantees

The ACP subscribes contracts to carry out transactions in the domestic energy market, which are guaranteed with compliance bonds issued by a bank with investment grade A+ from Standards & Poor´s. As of September 30, 2021, the active compliance bonds used to guarantee transactions between ACP and ETESA total B/.874 (2020: B/.794).

(31) Contingent Liabilities

The ACP is exposed to legal risk arising from disputes with contractors and other third parties. The outcome of any current of future proceedings normally cannot be predicted. Legal proceedings we currently consider to be material are outlined below. The legal proceedings referred to do not represent an exhaustive list.

(31) Contingent Liabilities, continued
Third Set of Locks litigation

As of September 30, 2021, claims from GUPCSA and its shareholders, other than CUSA (“the plaintiffs”) amount to:

Lock Gates Arbitration	610,435
Disruption Arbitration	3,567,811
Referral 18	14,876
Referral 17 (Retention Money)	7,913
Total	4,201,035

The foregoing constitutes the contingent liability of the ACP resulting from the claims under arbitration of plaintiffs, in relation to the Third Set of Locks. This contingent liability has no provisioned funds.

ACP believes it has meritorious defenses in all these claims and intends to defend itself vigorously.

Below is described the general information regarding the status of these arbitrations:

- *Motions to vacate the Concrete and Aggregate Arbitration awards before the US courts*
  The Movants (GUPCSA, Sacyr, Webuild and JDN) sough to overturn the Partial Award and Final Award issued in the Concrete and Aggregate Arbitration which awarded some B/.238,000 to ACP plus costs. These proceedings were initiated in Federal court in Miami, Florida (the Miami Courts) in late November 2020. The Movants have alleged that the Partial and Final Awards should be vacated on multiple grounds, including arbitrator bias and denial of the opportunity to be heard. The motions to vacate the Partial and Final Awards were consolidated into one proceeding and on November 18th, 2021 the Miami Courts issued the decision denying the motion to vacate and granting the ACP’s motion to confirm in relation to both awards.

- *The Lock Gates Arbitration*
  In December 2016, the Claimants filed an ICC claim related to the design of the lock gates and labor costs adjustments, which is currently consolidated with another arbitration filed in July 2017, and includes exactly the same claims, resulting in reference ICC Case No. 22465/ASM/JPA (C-22966/JPA). Claimants filed its Statement of Claim at the end of March 2020 and quantified its claims at B/.610,435. The ACP submitted its Statement of Defense in December 2021. The hearing is set down for March-April 2022.

- *The Disruption Arbitration*
  In December 2016, the Claimants filed their delay and disruption claim. This arbitration was consolidated with another arbitration filed in July 2017 related to exactly the same claims, resulting in ICC Case No.22466/ASM//JPA (C-22967/JPA).

  In a Case Management Conference held on May 2, 2019 the claims were divided into two large tranches, taking into consideration their temporality and a Procedural Timetable was agreed. The Claimants filed their Statement of Claim for Tranche 1 in January 2020, quantifying their claims at B/.1,890,000. Since then there had been interruption to the timetable and it was granted a consolidation of both Tranches 1 and 2, as requested by the Claimants. As of September 30, 2021, the Claimants filed its consolidated Statement of Claim (covering both Tranches 1 and 2) and quantified its claims at B/.3,567,811.

(31) Contingent Liabilities, continued

- *Referrals 17 and 18 to the DAB*
  Referral 17 was commenced by the Contractor on July 27, 2020 seeking return of the Performance Certificate and various amounts for financing the Performance Security and allegedly rectifying defects. Specifically, GUPCSA seeks return of the Replacement Performance and Defects Bond (amounting up to B/.50 million), the Replacement Performance and Defects Joint & Several Guarantee (B/.150 million), and the Retention money (B/.7,913). The DAB is due to inspect defects (and conduct a hearing) in January 2022.

  Referral 18 was commenced on June 22, 2021 and is the Contractor's claim for the costs it says it has incurred in respect of various defects and financing/interest on the securities. The Contractor's monetary claims in Referrals 17 and 18 add up to B/.14,876, plus the amount of the Retention Money (B/.7.9 million, as above).

- *Arbitration final awards*
  At the date of the issuance of financial statements, three (3) of the arbitrations filed by the plaintiffs against the ACP under the Arbitration Rules of the ICC concluded with arbitral awards in favor of the ACP in relation to the Temporary Cofferdam, Advance Payments, and the Concrete Aggregate and Mix Designs.

Others

There were six claims related to the Contract for the Construction of a Bridge across the Canal at the Atlantic side, which were compiled in a single arbitration process for an amount of B/.214,619 until a cut-off date to June 2018 and the costs of the process. The Arbitral Tribunal rendered a partial award, partially acknowledging five (5) of the six (6) claims of Puente Atlántico, S.A. (PASA) and rejecting one (1), without determining the amount to be paid.

According to the Tribunal award, the amounts and the damages after the cut-off date must have been determined by a final award in a further phase of the proceedings. However, the parties reached a settlement for an amount of B/.149,005 to be paid by ACP which ends the arbitration process thus, all the PASA´s claims under the Construction of a Bridge across the Canal at the Atlantic side contract. The arbitral tribunal rendered a procedural order putting the arbitration to an end.

On November 18, 2016, a bailiff (*huissier de justice*) in France ordered a cautionary measure on a time deposit property of ACP of approximately B/.49,356. On April 26, 2017, a judge ordered the lifting of the cautionary measure, so that all the funds subject to the injunction were released and transferred to the ACP. This decision was confirmed by the Court of Appeal of Paris, by judgment issued on May 24, 2018. On May 24, 2019, the plaintiff filed a recourse against the decision of the Court of Appeals of Paris before the French Court of Cassation. On December 10, 2020, the French Court of Cassation rendered a Decision confirming that the measure of the French bailiff was unlawful and extraterritorial.

In addition, the ACP maintains marine claims for an amount of B/.3,134. Also has miscellaneous claims outstanding for an amount of B/.18,807 and other claims related to various construction contracts for B/.6,676. The ACP believes it has meritorious defenses in all these claims and intends to defend itself vigorously.

The notes contained herein are related to claims against the ACP, therefore, cannot and should not be considered as support or proof of acceptance of responsibility on the part of the ACP.

(32) COVID-19 Crisis

Starting on 2020, the Coronavirus (COVID-19) outbreak has spread throughout the world, resulting in the temporary suspension of certain production and supply chains, and consequently, disrupting international trade, leading to a global economic slowdown.

To guarantee the continuous operation of the Panamá Canal and facilitate world trade with a reliable and safe service, the ACP adopted a series of biosafety protocols in all operations following the guidelines from the Ministry of Health (MINSA). Updated versions of these protocols have been published to incorporate guidelines according to recent findings on this disease and its transmission controls.

At September 30, 2021, the impact of COVID-19 has not been significant for the entity; however, during the period after the date of the financial statements and until the date of their issuance, management will continue to monitor and assess the effects that the situation has had on its operations and those of its clients and debtors.

Management considers that the main factor of the COVID-19 crisis that has an impact on the financial statements of the ACP, based on the information available and the analysis carried out to date, is the human talent, as described below:

Human talent

The ACP inspection and control personnel ensures compliance with the Sanitary Regulations and Prevention of Contagious Diseases within the Panamá Canal waters. In the case of COVID-19, the following additional measures were taken: requesting the vessels with coronavirus cases to report to the Ministry of Health all crew changes at ports; confirming crew health status prior to boarding; providing employees with masks and alcohol gel; and communicating permanently with the doctors of the Ministry of Health.

As of September 30, 2021, only 10% of the workforce remains working remotely. The ACP has continued with measures to protect the workers whose functions must be carried out at the sites of operations. These actions included safety inspections, sanitization of facilities, work areas, and vehicle fleet; setting new transportation routes for employees; alternate schedules; the provision of protective equipment such as face shields, masks, and alcohol gel stations at sites; taking temperature at all accesses; and the operation of the Crisis Control Management Center for COVID-19 in collaboration with the Ministry of Health to manage positive cases, near contacts and quarantine periods. As a mitigation strategy, critical positions are monitored to determine incidence of COVID cases. Also, daily reports with positive and isolation cases are sent to the Department of Operations so that the necessary decisions are taken to assure the resources required for a daily average of 36 transits. From February to June 2021, a high percentage of ACP employees received, in ACP facilities, the Pfizer BioNTech vaccine against the COVID-19 provided by the Ministry of Health. Also, consulting services were contracted for the establishment of the ACP COVID-19 baseline and to provide a surveillance and monitoring protocol to control the contagions within the organization.

Additionally, the ACP has been updating customers on COVID-19 prevention guidelines and has established a system to support employee´s mental and physical health issues, as well as financial advice during this health crisis.

(33) Events that Occurred after the Reporting Period

The Board of Directors approved at its meeting on December 13, 2021, the transfer to the National Treasury of the operating and functioning economic surplus corresponding to fiscal year 2021 by the amount of B/.1,487,818 (Note 16).