

**PHILIPPINE RETIREMENT AUTHORITY
BALANCE SHEET**

As of December 31, 2015

(With corresponding figures for CY 2014)

(In Philippine Peso)

	Notes	2015	2014
ASSETS			
<u>Current Assets</u>			
Cash and Cash Equivalents	2a & 3	1,176,800,163	931,490,414
Receivables - Net	2b & 4	21,312,522	22,960,992
Interests Receivable		551,114	892,446
Due from Officers/Employees-Current		215	0
Investments - Current	5	165,602,000	190,602,000
Inventories	6	6,564,528	5,336,599
Prepaid Expenses	7	3,146,425	2,837,366
Other Current Assets	8	3,983,126	1,632,095
		1,377,960,093	1,155,751,912
<u>Non-Current Assets</u>			
Cash Deposits from Retirees - Restricted	17	7,920,782,982	5,646,762,221
Receivables-Disallowances and Charges		11,554,324	1,335,721
Due from Officers/Employees-Prior Years		1,072,349	1,072,349
Investments - Non Current	5	14,840,770	14,998,012
Property, Plant and Equipment - Net	2c & 9	31,004,470	34,354,850
Other Receivables	10	732,364	392,803
Other Assets		306,763	306,763
		7,980,294,022	5,699,222,719
TOTAL ASSETS		9,358,254,115	6,854,974,631
LIABILITIES AND EQUITY			
<u>Current Liabilities</u>			
Inter-Agency Payables	11	37,099,727	17,527,308
Deferred Credits	12	614,300	73,183,431
Accounts Payable		33,224,094	24,151,931
Due to Officers and Employees		9,410,803	3,621,393
DBP Consolidated Interest Payable		30,903,619	16,167,889
Other Payables		427,580	475,338
Due to Other Funds		18,511	8,161
Dividends Payable		190,440,943	0
Trust Liabilities	17	7,920,782,982	5,646,762,221
LIABILITIES		8,222,922,559	5,781,897,672
Paid-In Capital/Equity		63,217,089	63,217,089
Retained Earnings		1,072,114,467	1,009,859,870
EQUITY		1,135,331,556	1,073,076,959
TOTAL LIABILITIES AND EQUITY		9,358,254,115	6,854,974,631

The notes on pages 10 to 18 form part of these financial statements.

PHILIPPINE RETIREMENT AUTHORITY
STATEMENT OF REVENUE AND EXPENDITURES
For the Year Ended December 31, 2015
(With corresponding figures for CY 2014)
(In Philippine Peso)

	Notes	2015	2014
INCOME			
<u>Income from Operations:</u>	2d		
Management/Conversion Fees		130,430,558	129,888,295
Passport and Visa Application Fees		251,504,052	184,503,512
Annual PRA Fees		175,310,962	130,650,982
Harmonization Fees		8,180,269	3,688,834
Inspection/Visitorial Fees		38,216,663	22,982,897
ID/Registration Fees		8,556,306	4,265,275
Affiliation/Accreditation Fees		1,790,058	2,218,662
Processing/Service Fees		1,209,860	892,251
Other Service Income		811,302	922,801
Gross Income		616,010,030	480,013,509
OPERATING EXPENSES			
Personal Services		45,438,954	36,610,015
Maintenance and Other Operating Expenses		149,951,985	131,973,071
Financial Expenses - Bank Charges		5,457	5,758
Total Operating Expenses		195,396,396	168,588,844
TOTAL OPERATING INCOME		420,613,634	311,424,665
<u>Other Income (Expense):</u>			
Interest Income - Regular		10,708,641	10,146,503
Interest Income - DBP Dollar Placements		39,230,054	35,021,438
Miscellaneous Income		134,602	178,491
Gain / (Loss) on Foreign Exchange	14	36,227,321	26,678,592
NET INCOME BEFORE TAX		506,914,252	383,449,689
Income Tax		(126,224,471)	(93,480,947)
NET INCOME AFTER TAX		380,689,781	289,968,742

The notes on pages 10 to 18 form part of these financial statements.

PHILIPPINE RETIREMENT AUTHORITY
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2015
(With corresponding figures for CY 2014)
(In Philippine Peso)

	Note	Paid-in-capital/ Equity	Retained Earnings	Total Equity
Balance, January 1, 2014		63,217,089	719,891,128	783,108,217
Net Income for the FY 2014		0	289,968,742	289,968,742
Balance, December 31, 2014		63,217,089	1,009,859,870	1,073,076,959
Net Income for the FY 2015			380,689,781	380,689,781
Dividend on FY 2014 Net Income			(144,501,127)	(144,501,127)
Dividend on FY 2015 Net Income			(190,440,942)	(190,440,942)
Other Adjustments			16,506,885	16,506,885
Balance-As of December 31, 2015		63,217,089	1,072,114,467	1,135,331,556

The notes on pages 10 to 18 form part of these financial statements.

PHILIPPINE RETIREMENT AUTHORITY
CASH FLOW STATEMENT
For the Year Ended December 31, 2015
(With corresponding figures for CY 2014)
(In Philippine Peso)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of Income		524,079,461	362,826,147
Collection of Receivables		13,024,972	127,395,366
Transfer of Consolidated Interest (PRA's Share)		53,965,784	51,173,239
Gain on Foreign Exchange	14	41,619,104	55,428,014
Interest Income		11,216,958	9,510,263
Receipt of Trust Liabilities		643,732	415,841
Refund of Cash Advances		807,611	1,036,363
Receipt of Payables		11,211,109	11,646,037
Payment of Guaranty Deposits		(2,376,030)	(109,187)
Purchase of Office Supplies		(2,587,487)	(1,882,010)
Release of Cash Advances (Due from Officers/Employees)		(4,705,599)	(5,044,444)
Payment of Payables		(18,642,331)	(33,496,501)
Loss on Foreign Exchange	14	(5,896,435)	(28,943,910)
Payment of Income Tax		(97,376,416)	(84,817,285)
Payment of Operating Expenses		(159,183,057)	(145,893,354)
Refund of Deferred Credits		(1,417,871)	(1,303,466)
Payment of Dividends	13	(144,501,127)	(121,307,471)
Net Cash Provided by Operating Activities		219,882,378	196,633,642
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity of Investment in Bonds and High Yield Deposits		25,495,128	980,656
Purchase of Property, Plant and Equipment:			
Library Books		(2,457)	(310)
Furniture and Fixtures			(59,500)
Office Equipment		(27,600)	(71,558)
Other Machineries & Equipment			(84,036)
Information Technology (IT) Equipment and Software		(37,700)	(860,720)
Net Cash Provided by/(Used in) Investing Activities		25,427,371	(95,468)
NET INCREASE IN CASH AND CASH EQUIVALENTS		245,309,749	196,538,174
CASH AND CASH EQUIVALENTS, BEGINNING		931,490,414	734,952,240
CASH AND CASH EQUIVALENTS, ENDING	2a & 3	1,176,800,163	931,490,414

The notes on pages 10 to 18 form part of these financial statements.

PHILIPPINE RETIREMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

(All amounts in Philippine Pesos unless otherwise stated)

1. General Information

Executive Order No. 1037 dated July 4, 1985 created the Philippine Retirement Park System, a corporate body tasked primarily to develop and promote the Philippines as a retirement haven providing the best quality of life for targeted retirees. It also aims to accelerate the social economic development of the country and at the same time strengthen its foreign exchange position.

To fully reflect the nature of its operation, the Board of Trustees, in its Resolution No. 003 dated July 30, 1985, approved the change of its corporate name to Philippine Retirement Authority.

PRA recommends to the Bureau of Immigration, the issuance of Special Resident Retirees Visa, a special non-immigrant visa with multiple/indefinite entry privileges, to qualified foreigners and former Filipino citizens who wish to make the Philippines their second home.

With the passage of Tourism Act of 2009, also known as Republic Act No. 9593 last May 12, 2009, the supervision of PRA was transferred from the Department of Trade and Industry to the Department of Tourism. Formal turn-over ceremony was held at the Malacañang Palace on March 10, 2010.

On October 22, 2010, in its 245th meeting, the BOT approved the new product offerings described and labeled as SMILE, Diplomats Retirement Product, Long-stay Trial Retirement Product, Human Touch, RADAR, Services with a Smile, Deposit Management and Allied Services and Retirement Public-Private Partnerships as embodied under Board Resolution No. 24 series of 2010.

The SMILE retirement product requires a visa deposit of US\$20,000 for retiree-applicants who are 35 years old and above while the required visa deposit for Ambassadors, members of international organizations and former Filipino citizens are maintained at US\$1,500. Such deposits are non-withdrawable except when the retiree leaves and/or withdraws from the program or in case of end-of-term obligations.

On June 8, 2011, a Memorandum of Agreement (MOA) was entered into by and between PRA and the Development Bank of the Philippines, making DBP as one of the authorized depository banks for the requisite visa deposit of the retiree-members under the new product offerings. Under the MOA, the DBP shall accept the requisite deposit for the account of PRA primarily from foreign currency funds inwardly remitted to the Philippines by the qualified retiree for which a certification of inward remittance for each retiree shall be issued to and submitted by DBP to PRA.

2. Summary of Significant Accounting Policies

a. Cash and Cash Equivalents

The Authority considers all highly liquid debt instruments with maturity of three months or less from date of acquisition to be cash equivalents.

b. Provision for Doubtful Accounts

This is provided for visitorial fees receivable, pertaining to accounts of member-retirees considered delinquent, that is, if it is outstanding/unpaid for three consecutive years. Provision was also made for the following accounts:

b.1. Accreditation fee of marketers who opted not to renew their accreditation with PRA after the one-year expiration period; and

b.2. Management fees from Bankwise, Inc. (Note 10).

c. Property, Plant and Equipment

Property, Plant and Equipment are carried at cost less accumulated depreciation. Significant improvements and renewals, including incidental costs are capitalized. The straight-line method of depreciation is being used based on the estimated life of the assets less 10 percent residual/scrap value in accordance with the New Government Accounting System (NGAS) as follows:

<u>Assets</u>	<u>Estimated Life</u>
Office Building	30 years
Office Equipment	5 years
Furniture and Fixture	10 years
IT and Software	5 years
Library Books	7 years
Other Equipment	10 years
Motor vehicle	7 years

d. Income Recognition

The modified accrual method is used in recognizing income.

3. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash in Bank-Forex, Time Deposits	₱1,112,879,609	₱860,398,581
Cash in Bank-Forex, Savings Account LBP	25,570,780	47,871,221
Cash in Bank-Peso, Current Account LBP	4,061,837	3,015,097
Cash in Bank-Peso, Current Account LBP Cebu Branch	5,248,733	3,646,846
Cash - Collecting Officers	1,034,736	2,302,329
Cash in Bank-Forex, Savings Account LBP Cebu Branch	10,800,546	4,621,776
Cash in Bank-Forex, Savings Account DBP	17,091,106	9,256,217
Petty Cash Fund	0	274,227
Cash in Bank-Peso, Savings Account DBP	112,816	104,120
	₱1,176,800,163	₱931,490,414

4. Receivables - Net

This account consists of:

	2015	2014
<u>Current Assets:</u>		
Visitorial Fees (VF)	₱ 36,872,212	₱ 36,824,900
Management Fees	9,944,974	11,448,651
Harmonization Fees	459,468	459,468
Allowance for Doubtful Accounts-VF	(25,964,132)	(25,772,027)
	₱ 21,312,522	₱22,960,992

- a. **Visitorial Fees Receivable** represents annual fees due from retirees who have converted their requisite deposits into active investments, at the rates ranging from 0.5 to 1.5 per cent of the total amount invested.

Since May 29, 2006, the Special Reduced Deposit (SRD) scheme was implemented, modifying the amount of required deposits as well as the visitorial fees for the conversion of deposits into active investments. The minimum qualifying deposit and visitorial fee rates applicable to those enrolled under the SRD Program for the principal retiree-applicant are as follows:

Minimum Qualifying Deposit:

<u>Age</u>	<u>From</u>	<u>To</u>
35 to 49 years old	US\$ 75,000	US\$ 50,000
50 years old and above	US\$ 50,000	US\$ 20,000

Visitorial Fees:

<u>Amount of Deposit Converted</u>	<u>Annual VF Collected</u>
US\$ 20,000	US\$ 500 or its peso equivalent
US\$ 50,000	US\$ 750 or its peso equivalent

Retirees who had been delinquent in paying VF for more than three years were sent collection letters/notices. After three notices and the retirees still failed to pay, they were placed on a watchlist published in three leading newspapers of general circulation. If after publication, the retirees remain delinquent, their SRRVs shall be recommended to the BI for cancellation and the receivables shall be recommended to be written off from the books of accounts subject to the approval by the PRA Board of Trustees.

In the implementation of the new product offerings described in the General Information portion, the SRD Program is now referred to as "Classic".

- b. Management Fees Receivable** represents accruals of estimated fees due from PRA accredited banks equivalent to 1.5 per cent of the outstanding daily balance of retirees' deposits.
- c. Harmonization Fees** are amounts collected pursuant to Board Resolution No. 92 series of 2007, otherwise known as the harmonization of the old and new schemes of deposit. A management fee of 1.5 per cent per annum is levied by PRA on the retiree in consideration for the release of the amounts in excess of the required deposit under the modified SRD scheme.

5. Investments

This account represents investments in Treasury and retail bonds, US Dollar and Peso high yield deposit. The other non-current investments in stocks are in golf shares of Baguio Country Club Corporation.

Details are as follows:

	2015	2014
<u>Current</u>		
Investments in High Yield Deposit	₱165,602,000	₱190,602,000
	165,602,000	190,602,000
<u>Non-Current</u>		
Held to Maturity-Investment in Bonds (Long Term)	14,240,770	14,398,012
Investment in Stocks	600,000	600,000
	₱14,840,770	₱14,998,012

6. Inventories

This account consists of:

	2015	2014
Office Supplies Inventory	₱6,480,978	₱5,253,049
Other Office Supplies	83,550	83,550
	₱6,564,528	₱5,336,599

7. Prepaid Expenses

This account consists of:

	2015	2014
Deferred Charges	₱2,671,769	₱2,362,710
Other Prepaid Expenses	474,656	474,656
	₱3,146,425	₱2,837,366

8. Other Current Assets

This account consists of guaranty deposits or amounts deposited with service providers/suppliers to guarantee performance of obligation, such as Philippine Long Distance Telecommunication (PLDT), lessors of the buildings occupied by the Authority, and others. However, major composition of the guaranty deposits was paid to METROBANK-TRUST BANKING GROUP representing Security deposit (three monthly rentals).

9. Property, Plant and Equipment - Net

The details of the account are shown below:

	Land and Building	Office/IT Equipment, Furniture, Fixtures and Others	Motor Vehicles	Total
<u>Cost:</u>				
Balance, January 1, 2015	₱56,503,341	₱28,641,476	₱13,789,398	₱98,934,215
Additions	0	73,757	0	73,757
Balance, December 31, 2015	56,503,341	28,715,233	13,789,398	99,007,972
<u>Accumulated Depreciation:</u>				
Balance, January 1, 2015	32,605,901	20,551,590	11,421,874	64,579,365
Additions	1,468,775	1,403,989	551,373	3,424,137
Balance, December 31, 2015	34,074,676	21,955,579	11,973,247	68,003,502
Net Book Value, Dec. 31, 2015	22,428,665	6,759,654	1,816,151	31,004,470
Net Book Value, Dec. 31, 2014	₱23,897,440	₱8,089,886	₱2,367,524	₱34,354,850

10. Other Receivables

The account represents outstanding receivables from marketers and resigned officers and employees presented in the Balance Sheet as part of the Current Assets in previous years, subsequently classified as Non-Current Assets and now provided with sufficient allowance for doubtful accounts.

Comparative figures are as follows:

	2015	2014
Management Fees Receivable	₱ 3,450,556	₱ 3,450,556
Other Receivables	1,811,165	1,471,604
Allowance for Doubtful Accounts	(4,529,357)	(4,529,357)
	₱ 732,364	₱ 392,803

Management Fees Receivable represents dues from Bankwise, Inc., whose Memorandum of Agreement was terminated on April 10, 2006. Collection had already been endorsed to the Office of the Government Corporate Counsel (OGCC) for legal action considering that Bankwise, Inc. is now under receivership by the Philippine Deposit Insurance Corporation (PDIC).

11. Inter-Agency Payables

The account represents the amount of last quarter income tax payable to the Bureau of Internal Revenue (BIR), and The Bureau of Immigration for the processing of retiree's visa, required to be paid in 2015 and 2016, consisting of:

	2015	2014
Due to BIR	₱36,525,879	₱17,011,193
Due to Other NGAs	573,848	516,115
	₱37,099,727	₱17,527,308

12. Deferred Credits

This account consists of:

	2015	2014
Application Fees	₱ 0	₱ 49,499,750
Visitorial Fees	0	16,142,185
Harmonization Fees	0	4,634,100
Retirees' ID	0	2,725,952
Other Deferred Credits	178,444	178,444
Bids and Awards	3,000	3,000
Bank Credits for Reconciliation	432,856	0
	₱ 614,300	₱ 73,183,431

13. Dividends Payable

Fifty per cent of the current net earnings after tax is deductible from retained earnings and payable to the Bureau of the Treasury (BTr) pursuant to Republic Act No. 7656. Dividend for FY 2014 in the amount of ₱144,501,127.18 was paid on April 10, 2015. Dividend for the FY 2015 was recorded in the books in the amount of ₱190,440,942.91, and was paid on April 8, 2016.

14. Gain/(Loss) on Foreign Exchange

Philippine Accounting Standard/International Accounting Standard (PAS/IAS) 21 requires companies to determine their functional currency and measure their financial position and results of operation in that currency. The Bureau of Internal Revenue, on the other hand, requires the computation of tax liabilities based on transactions measured in Philippine peso, hence this entry, which represents the net amount of gains and losses from dollar denominated deposits, investments and other transactions of the Authority.

15. Membership Dues and Contributions to Organizations

The account represents payment of condominium and canteen dues for the 29th floor PRA-owned unit at the Citibank Tower and membership dues to the Baguio Country Club Corporation.

16. Interest Payable

This is the “Funds Held in Trust – DBP Consolidated Interest Payable” account which represents retirees’ share in the interest income arising from visa deposits held in trust for the account of the retiree-members.

17. Cash Deposits from Retirees – Restricted / Funds Held in Trust – Retirees’ Deposits (Trust Liabilities)

These accounts represent the member’s required visa deposit held in trust for the account of the retiree-members, placed in Negotiable Certificate of Time Deposit (NCTD) with the DBP in the name of PRA, with maturity of one year. The balances of these accounts are equivalent to the amount of the members’ required visa deposits, net of withdrawals due to early termination for reasons of discontinuance of their SRRV application, cancellation of membership from the program, withdrawal of excess deposit or conversion of deposit into active investment.

As at year-end, the details of the account balances are as follows:

Cash Deposits	₱7,920,782,982
Funds Held in Trust-Retirees’ Deposit	7,920,782,982
Difference	₱ 0

18. Requirements under Revenue Regulations (RR) 15-2010

The information on taxes, duties and licenses fees paid or accrued during the taxable year required under RR 15-2010 are as follows:

a. Withholding Taxes:

The details of total withholding taxes for the year ended December 31, 2015 are as follows:

Compensation and Benefits	₱ 4,249,061.88
Creditable (Expanded)	5,621,349.90
Creditable (VAT)	3,564,519.82
TOTAL	₱ 13,434,931.60

b. Income Tax Return:

The details of total Income Tax Return for the year ended December 31, 2015 are as follows:

QUARTER	INCOME TAX EXPENSE	CREDITABLE withholding tax on Management Fees	NET AMT PAID	CHECK#	DATE
1st Qtr	₱ 26,328,192.12	₱ 2,627,459.89	₱ 23,700,732.23	2656102	29-May-15
2nd Qtr	31,308,240.84	2,420,506.75	28,887,734.09	2657560	28-Aug-15
3rd Qtr	32,062,158.18	2,020,989.88	30,041,168.30	2686911	27-Nov-15
4th Qtr	36,525,879.77	3,230,824.77	33,295,055.00	2716018	14-Apr-16
	₱126,224,470.91	₱10,299,781.29	₱115,924,689.62		