

PHILIPPINE RETIREMENT AUTHORITY**BALANCE SHEET****As of DECEMBER 31, 2016**

(With corresponding figures for CY 2015)

(In Philippine Peso)

	Notes	2016	2015 (as restated)
ASSETS			
Current Assets			
Cash and cash equivalents	4	561,190,556	192,455,918
Short-term investments	5	1,060,670,791	1,155,246,411
Receivables	6	30,893,046	34,270,683
Prepayments	7	11,513,947	9,710,953
Total current assets		1,664,268,340	1,391,683,965
Non-Current Assets			
Cash deposits from retirees - restricted	8	10,245,195,368	7,920,782,982
Property, plant and equipment - net	9	34,202,851	31,004,470
Long-term investments	10	600,000	9,540,604
Other assets	11	5,374,811	5,022,253
Total non-current assets		10,285,373,030	7,966,350,309
TOTAL ASSETS		11,949,641,370	9,358,034,274
LIABILITIES AND EQUITY			
Current Liabilities			
Account payable		39,117,868	33,224,094
Dividends payable		210,435,371	190,440,943
Due to officers and employees	12	5,437,243	9,410,803
Inter-agency payables	13	25,212,306	37,099,727
Interest payable	14	56,015,922	30,903,619
Other payables		435,797	446,090
Total current liabilities		336,654,507	301,525,276
Non-Current Liabilities			
Deferred credits	15	5,401,691	614,300
Trust liabilities	16	10,229,661,006	7,920,782,982
Total non-current liabilities		10,235,062,697	7,921,397,282
TOTAL LIABILITIES		10,571,717,204	8,222,922,558
EQUITY		1,377,924,166	1,135,111,716
TOTAL LIABILITIES AND EQUITY		11,949,641,370	9,358,034,274

The notes on page 8 to 19 form part of these financial statements.

PHILIPPINE RETIREMENT AUTHORITY
STATEMENT OF INCOME AND EXPENSES

As of DECEMBER 31, 2016

(With corresponding figures for CY 2015)

(In Philippine Peso)

	Notes	2016	2015
INCOME FROM OPERATIONS			
Passport and visa/application fees		218,009,242	251,504,052
Annual PRA fees		213,833,167	175,310,962
Management fees		132,166,179	130,430,558
Inspection fees/visitorial fees		23,238,010	38,216,663
Harmonization fees		3,957,719	8,180,269
Registration fees/ID fees		6,302,130	8,556,306
Affiliation fees/accreditation fees		2,447,227,	1,790,057
Processing fees/service fees		2,255,290	2,021,162
Total Income from operations	18	602,208,892	616,010,029
EXPENSES			
Direct Cost	19	108,175,194	106,984,513
Operating expenses	Sch.1	86,726,390	88,411,882
Total expenses		194,901,584	195,396,395
NET INCOME FROM OPERATIONS		407,307,308	420,613,634
OTHER INCOME			
Interest income	,	81,754,528	49,938,695
Miscellaneous income		397,749	134,602
Net foreign exchange gain			
Realized gain		53,325,324	36,227,321
Unrealized gain	20	32,774,429	-
Total Other Income		168,252,030	86,300,618
NET INCOME BEFORE TAX		575,559,338	506,914,252
Income Tax		122,311,517	126,224,471
NET INCOME AFTER TAX		453,247,821	380,689,781

The notes on page 8 to 19 form part of these financial statements.

PHILIPPINE RETIREMENT AUTHORITY
STATEMENT OF CHANGES IN EQUITY
As of DECEMBER 31, 2016

(With corresponding figures for CY 2015)
(In Philippine Peso)

	Notes	2016	2015 (as restated)
EQUITY			
PAID-IN-CAPITAL			
		63,217,089	63,217,089
RETAINED EARNINGS			
Balance, beginning of year as restated		1,071,894,627	1,009,859,870
Net income		453,247,821	380,689,781
Dividends		(210,435,371)	(334,942,069)
Other adjustments			16,506,885
Balance, end of year as reported			1,072,114,467
Adjustments of prior year			(219,840)
Balance, end of year	17	1,314,707,077	1,071,894,627
EQUITY			

The notes on pages 8 to 19 form part of these financial statements

PHILIPPINE RETIREMENT AUTHORITY
STATEMENT OF CASH FLOWS
As of DECEMBER 31, 2016

(With corresponding figures for CY 2015)
(In Philippine Peso)

	Notes	2016	2015 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of income from operations		591,671,125	524,079,461
Collection of receivables		3,632,369	13,024,972
Interest income		16,003,560	11,216,958
Refund of cash advance		1,392,388	807,611
Gain on foreign exchange		91,396,488	41,619,104
Payment of operating expenses		(125,492,069)	(147,867,384)
Settlement of prior year payables		(27,302,197)	(1,688,452)
Remittance of mandatory contributions/W.Taxes		(25,790,480)	(21,378,228)
Release of cash advances		(5,429,911)	(4,705,599)
Payment of dividends		(190,440,943)	(144,501,127)
Payment of income tax		(123,552,194)	(97,376,416)
Loss on foreign exchange		(8,078,257)	(5,896,436)
Refund of deferred credits		(760,771)	(1,417,871)
Net cash provided by operating activities		197,249,108	165,916,593
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity of investments		1,232,120,245	285,240,395
Investments in time deposits and HY deposits		(1,054,345,212)	(1,178,770,677)
Purchase of property, plant and equipment		(6,289,503)	(67,757)
Net cash provided by (used in) investing activities		171,485,530	(893,598,039)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS		368,734,638	(727,681,446)
CASH AND CASH EQUIVALENTS, BEGINNING		192,455,918	920,137,364
CASH AND CASH EQUIVALENTS, ENDING	4	561,190,556	192,455,918

The notes on page 8 to 19 form part of these financial statements.

PHILIPPINE RETIREMENT AUTHORITY NOTES TO FINANCIAL STATEMENTS

(All amounts in Philippine Peso 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 (BOT), in its Resolution No. 003 dated July 30, 1985, approved the change of its corporate name to Philippine Retirement Authority (PRA).

PRA recommends to the Bureau of Immigration (BI), the issuance of Special Resident Retirees Visa (SRRV), 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 (RA) 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 Simplified and Simple, Marketing-oriented, Integrated, Long-lasting and Efficient (SMILE), Diplomats Retirement Product, Long-stay Trial Retirement Product, Human Touch, RADAR, Services with a Smile (SWS), 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 cannot be withdrawn 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 (DBP), 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.

As of December 31, 2016, PRA is headed by Chief Executive Officer/General Manager Atty. Bienvenido K. Chy, assisted by a Deputy General Manager and four (4) Department Managers. The Authority has a total of one hundred eleven (111) manpower complement consisting of sixty eight (68) regular employees and forty three (43) job order employees.

The PRA Head Office is located at the 29th Floor of the Citibank Tower in Valero, St., Paseo De Roxas, Makati City. It has four (4) satellite offices operating in major cities: Angeles (Subic/Clark), Baguio, Cebu and Davao. PRA can be reached through its website www.pra.gov.ph.

2. OPERATIONAL HIGHLIGHTS FOR THE CALENDAR YEAR 2016

The Authority has been operational for thirty-one (31) years attaining 48,072 foreign retirees with visa deposits aggregating to US\$800M. For the last 6 years, despite withdrawals, gross enrolment growth rate averages 20 per cent while net enrolment growth rate tips at 24.22 per cent which indicates improved membership retention.

For the year ended December 2016, visa deposits reached US\$38.1M which is 5.42 per cent higher than the previous year attributable to 4,384 net enrollees.

The Authority has 36,343 existing/outstanding memberships (net enrollees) as of December 31, 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Financial Statement Presentation and Measurement

The financial statements are prepared and presented in accordance with generally accepted state accounting principles using the historical cost basis except for deposits in foreign currency which are translated to peso amount at the year-end closing rate.

b. Cash and cash equivalents

Cash and cash equivalents include all highly liquid deposits and investments with maturities within three (3) months or less from balance sheet date.

c. 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;

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

d. Property and equipment

Property 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 used based on the estimated life of the assets less ten per cent residual/scrap value in accordance with the New Government Accounting System 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

e. Income and expense recognition

The modified accrual basis is used in recognizing income. All expenses are recorded on a full accrual basis in which they are measured when incurred. Revenues are recognized when they are measured and available. Cash basis of accounting is practically applied on all income accounts, except for interest income, as this method best reflects the nature of financial transactions and facilitate the fair presentation of the Financial Statements.

f. Investments

Surplus peso and dollar cash funds of PRA are placed in investment products such as Time Deposits, Bonds, and High-Yield (HY) Deposits in government banks, i.e. Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP). US Dollar investments are translated to peso amounts and recorded using the closing exchange rates at the end of the year.

Investments are classified according to dates of maturity: a) maturing within ninety days are Cash and cash equivalents; b) maturing beyond ninety days but within the next twelve months are Short-term investments; and c) maturing beyond the next twelve months are Long-term investments.

g. Inventories

Office supplies inventory is recorded at cost and accounted for using the perpetual inventory method.

4. CASH AND CASH EQUIVALENTS

This account consists of:

	2016	2015 as restated
Cash on hand	2,438,075	1,034,735
Cash in bank-savings and current accounts- LBP	49,452,816	45,681,897
Cash in bank-savings and current accounts - DBP	303,815	17,203,922
Foreign currency time deposits	490,218,672	32,633,198
Investment in bonds	8,746,678	5,300,166
Investment in HY deposits	10,030,500	90,602,000
	561,190,556	192,455,918

Deposits and investments in foreign currency for CY2016 were translated to peso amounts at the year-end closing rate of P49.815:1US\$.

Foreign currency time deposits with the LBP and the DBP amounted to US\$9.841 million in 2016 and US\$.735 million in 2015.

Investment in bonds consists of the 3-year ROP11 bonds with face value of US\$175,000 purchased at a premium and maturing on January 18, 2017. The CY2015 balance of P5.300 million was a reclassification from account Investments-non-current.

Regular deposit accounts with LBP and DBP earn interest at rates ranging from 0.15 per cent to 0.25 per cent.

The prior year Cash and cash equivalents of ₱1,176.800 million were restated to ₱192.456 million to reflect the reclassifications to: a) Short-term investments of the foreign currency time deposits of ₱1,080.246 million; and b) Cash and cash equivalents of Investments-current amounting to ₱90.602 million and Investment-noncurrent of ₱5.300 million.

5. SHORT-TERM INVESTMENTS

This account consists of:

	2016	2015 as restated
Foreign currency time deposits	795,070,469	1,080,246,411
Investment in HY deposits	265,600,322	75,000,000
	1,060,670,791	1,155,246,411

Foreign Currency Time Deposits with LBP and DBP amounted to US\$15.960 million and US\$23.226 million for CY 2016 and 2015, respectively. The CY 2015 balance of ₪1,080 million was a reclassification from account Cash and cash equivalents.

Investments in High Yield Deposits with LBP yield interest rates of 1.125 per cent to 1.500 per cent including the amount of US\$2.220 million. The CY 2015 balance of ₪75 million was a reclassification from account Investments-current.

6. RECEIVABLES – NET

This account consists of:

	2016	2015 as restated
Accounts receivable	18,455,101	21,312,522
Advances to officers and employees	33,745	215
Due from officers and employees	8,545,356	12,406,833
Interest receivables	3,858,844	551,113
	30,893,046	34,270,683

6.1 Accounts Receivable consists of:

	2016	2015
Visitorial fees (VF)	36,913,980	36,872,212
Allowance for doubtful accounts-VF	(26,361,482)	(25,964,132)
Visitorial fees - net	10,552,498	10,908,080
Management fees	7,460,293	9,944,974
Harmonization fees	442,310	459,468
	18,455,101	21,312,522

- a. **Visitorial fees receivable** represents annual fees due from retirees who have converted their requisite visa 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 watch list 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 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.

6.2 Due from Officers and Employees

This account pertains to the disallowed payment of allowances and expenses of which the amount of ₱6.288 million were already issued with Commission On Audit Order of Execution (COE) and prior years unliquidated cash advances of active and retired/resigned PRA officers and employees.

The prior year reported amount of ₱12,626,673 was restated to reflect the adjustment of ₱219,840 pertaining to the refund that was part of the disallowances with issued COE. The recorded disallowance should have amounted to ₱16,287,045 instead of ₱16,506,885, that is, net of the peso amount of the refund of US\$4,000 (Note 17).

7. PREPAYMENTS

This account consists of:

	2016	2015 as restated
Office supplies inventory	7,262,490	6,564,528
Deferred charges	3,776,800	2,671,769
Other prepaid expenses	474,657	474,656
	11,513,947	9,710,953

Office supplies inventory was previously classified in CY 2015 as Inventories.

Deferred charges account pertains to the Creditable Withholding taxes from the receipt of management fees collected from banks and the other deferred charges resulting from the bank debit memo items of prior years that are for reconciliation.

8. CASH DEPOSITS FROM RETIREES – RESTRICTED

This account represents the required visa deposit from retiree-members in the total amount of US\$207,644,227.33 which are placed in time deposits with the DBP on a yearly basis. These deposits are held in trust for the account of retiree-members, hence, a trust liability account is recognized (Note 16).

Included in this account are the interest earned from the visa deposits in the aggregate amount of US\$392,048.41 valued at ₱15,534,362 which are subsequently placed into another time deposits with DBP.

9. PROPERTY AND EQUIPMENT – NET

The details of the account are shown below:

	Office Building	Office/IT Equipment, Furniture, Fixtures and Others	Motor Vehicles	Total
<u>Cost:</u>				
Balance, January 1, 2016	56,503,341	28,715,233	13,789,398	99,007,972
Additions	-	7,312,056	-	7,312,056
Disposals (Adjustments)	(1,038,358)	(47,789)	-	(1,086,147)
Balance, December 31, 2016	55,464,983	35,979,500	13,789,398	105,233,881
<u>Accumulated Depreciation:</u>				
Balance, January 1, 2016	34,074,676	21,955,579	11,973,247	68,003,502
Additions	1,468,775	1,258,967	437,211	3,164,953
Disposals (Adjustments)	(137,425)	-	-	(137,425)

Balance, December 31, 2016	35,406,026	23,214,546	12,410,458	71,031,030
Net book value, Dec. 31, 2016	20,058,957	12,764,954	1,378,940	34,202,851
Net book value, Dec. 31, 2015	22,428,665	6,759,654	1,816,151	31,004,470

The Office Building Account pertains to the condominium unit acquired by PRA in December 1996 at the Citibank Tower, Makati City with total area of 598.20 square meters and four (4) parking units.

10. LONG -TERM INVESTMENTS

This account consists of:

	2016		2015 as restated
Investment in bonds	-		8,940,604
Investment in stocks	600,000		600,000
	600,000		9,540,604

Investment in Bonds pertains to the DBP ROP11 Bonds with face value of US\$175,000.00 purchased at a premium of US\$41,125.00 on 15-Jan-14 for a term of 3yrs. with an interest rate of 8.250% which will mature on 18-Jan-17. This was reported in CY 2015 as *Investments-non-current*.

Investment in Stocks account pertains to investments in shares of stock of the Baguio Country Club Corporation.

11. OTHER NON-CURRENT ASSETS

This account consists of:

	2016		2015 as restated
Management fees receivable	3,450,556		3,450,556
Other receivables	2,191,055		1,811,165
	5,641,611		5,261,721
Allowance for doubtful accounts	(4,529,357)		(4,529,357)
Other receivables– net	1,112,254		732,364
Guaranty deposits	4,262,557		3,983,126
Other assets	-		306,763
	5,374,811		5,022,253

Management fees receivable is due from Bankwise, Inc.. Collection had already been endorsed to the Office of the Government Corporate Counsel for legal action considering that Bankwise, Inc. is now under receivership by the Philippine Deposit Insurance Corporation.

The Other Receivables account consists of receivables from marketers, for management fees due from private banks, and active/resigned/retired PRA officers and employees as well as former PRA Board of Trustees.

Guaranty deposits pertain mainly to the security deposits paid to METROBANK-TRUST BANKING GROUP for the lease by PRA of office space at the Citibank Tower and other service providers such as the Philippine Long Distance Telephone. This account was reported/classified in CY 2015 as Other current assets.

12. DUE TO OFFICERS AND EMPLOYEES

This account pertains to the money value of unused leave credits and other certified obligations for unpaid salaries and allowances, and other benefits.

13. INTER-AGENCY PAYABLES

The account consists of:

	2016	2015
Due to BIR	24,670,787	36,525,879
Due to other NGAs	541,519	573,848
	25,212,306	37,099,727

Due to Bureau of Internal Revenue (BIR) represents the amount of last quarter income tax payable.

Due to other National Government Agencies (NGAs) pertains liability to the Bureau of Immigration for the processing of retiree's visa.

14. INTEREST PAYABLE

This account pertains to unclaimed share of retiree-members in the interest income earned from their visa deposits which are placed in time deposits with DBP amounting to US\$ 1.124 million and US\$ 690,007 for 2016 and 2015, respectively. This account was classified in prior year as DBP consolidated interest payable.

15. DEFERRED CREDITS

This account pertains mainly to reconciling items of the Cash account amounting to ₱5.337 million for CY2016 and ₱432,856 for 2015 representing bank credits for the period 2001 to 2015 that remain unrecorded pending verification and proper documentation.

16. TRUST LIABILITIES

This account is the counter liability account of the Non-Current Asset "Cash Deposits from Retirees – Restricted" account (Note 8) which amounts to US\$207.644 million and US\$170.322 million for CY 2016 and 2015, respectively.

17. RETAINED EARNINGS

The prior year reported amount of ₱1,072,114,467 was restated to reflect the adjustment of ₱219,840 pertaining to the refund of US\$4,000 that was part of the CY2015 adjustment of ₱16,506,885 as disallowances with issued COE. The recorded disallowance should have amounted to ₱16,287,045, that is, net of the peso amount of the refund of US\$4,00 (Note 6.2).

18. OPERATING INCOME

Income from operations consists mainly of the following:

18.1 Management Fees are collected from private banks where retiree-members maintain their visa deposits computed at agreed rates based on the outstanding amount of deposits. Presently there are twenty-four (24) private banks maintaining visa deposits of retiree-members.

18.2 Passport and Visa/Application Fees are one-time processing/service fees paid by retiree-applicants as initial requirement for their application in the program @ US\$1,400 for the principal applicant and US\$300 for dependent applicants.

For the CY 2016, there were 2,744 principal applicants and 2,044 dependent applicants.

18.3 Annual PRA Fee (APF) pertains to the annual fee collected from active members @ US\$360.00 for the principal retiree and two (2) qualified dependents and US\$100.00 for every additional dependent. For the CY 2016, 8,326 retiree-members paid the APF.

18.4 Visitorial Fees represents annual fees due from retirees who have converted their requisite visa deposits into active investments, at the rates ranging from 0.5 to 1.5 per cent of the total amount invested (Note 6).

19. DIRECT COSTS

This account consists of the following expenses which are directly attributable to the Operating income (Note 18):

	2016	2015
Bureau of Immigration fees	30,594,279	28,528,230
Marketers' fee	50,410,279	45,362,234
Medical examination fees	4,368,500	4,133,097
Visa stickers and ID cards	516,985	814,423
Marketing expenses	22,285,151	28,146,529
	108,175,194	106,984,513

Bureau of Immigration (BI) Fees pertain to amounts paid to the BI on the processing of the retiree-applicants' visa @ ₱5,080 for every principal applicant or spouse and ₱4,830 for dependents aged 15 years old and below.

Marketers' Fee pertains to payments by PRA to its accredited marketers for enrolment services rendered to retiree-applicants at US\$500 per applicant. As of CY 2016, PRA has one hundred sixty-eight (168) accredited marketers that were able to enroll a total of 2,254 retiree-applicants during the year.

Medical Examination Fees pertains to payments by PRA to its accredited merchant partners for providing medical services to retiree-applicants.

Marketing expenses consist of the following:

	2016	2015
Travelling expense – local	314,705	484,212
Travelling expense – foreign	3,656,003	3,995,358
Marketing expenses – advertising	12,448,371	17,601,960
Marketing expenses – promotions	5,719,877	5,806,641
Postage and delivery expenses	146,195	258,358
	22,285,151	28,146,529

20. UNREALIZED GAIN ON FOREIGN EXCHANGE

This account pertains to the exchange differential on the year-end translation to peso amount of deposits and investments in foreign currency totaling US\$30.083 million at the closing rate of ₱49.815:1US\$.

21. TAXES

21.1 Payment of Taxes and Exemption from Value-Added Tax.

Section 12 of the Executive Order 1037,s. 1985, states the following:

“Section 12. Exemption from Fees, Duties and Taxes. The SYSTEM is hereby declared exempt from all income and other internal revenue taxes, tariff and customs duties and all other kinds of taxes, fees, charges and assessments levied by the government and its political subdivisions, agencies and instrumentalities.

The President of the Philippines, upon recommendation of the Minister of Finance, may partially or entirely lift the exemptions herein granted, if he shall find that the SYSTEM is already self-sustaining and finally capable of paying such taxes, customs duties, fees,

charges and other assessments, after providing for the debt service requirements and the projected capital and operating expenditures of the SYSTEM.”

Accordingly, after reaching self-sustainability, PRA religiously remits quarterly and yearly with the Bureau of Internal Revenue the income tax as required under the Corporate Income Tax Law, and monthly all taxes withheld by the Authority from its suppliers/stakeholders in compliance with the existing Revenue Regulations on the taxes withheld on Government Money Payments.

Value Added Tax (VAT)

The VAT law stated in the provisions of Republic Act No. 8424, imposition of VAT payable to Government bodies may not qualify with the provisions stated thereat as it is not expressly stated for Government-Owned and Controlled Corporations (GOCCs) and other government bodies on the imposition of remitting VAT with the BIR. As compared with the provisions stated in the Section 12 of Republic Act 9337, amending Section 114 of the National Internal Revenue Code of 1997, with subsection (C), the code expressly and specifically mandates GOCCs to which PRA belongs, to just withhold the final VAT of five per cent and remit the same to the BIR, to wit,

“(C) Withholding of Value-Added Tax. - The Government or any of its political subdivisions, instrumentalities or agencies, including GOCCs shall, before making payment on account of each purchase of goods and services which are subject to the value-added tax imposed in Sections 106 and 108 of this Code, deduct and withhold a final value-added tax at the rate of five per cent of the gross payment thereof:....”.

21.2 Requirements under Revenue Regulations (RR) 15-2010

The 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, 2016 are as follows:

Compensation and benefits	₱ 4,215,679.15
Creditable (expanded)	8,406,561.61
Creditable (VAT)	4,789,842.79
TOTAL	₱17,412,083.55

b. Income Tax Return:

The details of total Income Tax Return for the year ended December 31, 2016 are as follows:

QUARTER	INCOME TAX EXPENSE	CREDITABLE withholding tax on Mgmt Fees	NET AMOUNT PAID
1st Qtr	34,639,890.47	2,344,270.13	32,295,620.34
2nd Qtr	29,450,605.21	2,517,618.60	26,932,986.61
3rd Qtr	33,598,378.11	2,569,846.31	31,028,531.80
4th Qtr	24,622,643.57	n/a	n/a
	122,311,517.36	7,431,735.04	90,257,138.75

22. RECLASSIFICATION OF PRIOR YEAR ACCOUNTS

Certain accounts in the prior year financial statements were reclassified to conform with the CY 2016 financial statements presentation.