PHILIPPINE RETIREMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019 (As Restated)
ASSETS			
Current Assets			
Cash and cash equivalents	5	251,015,320	117,078,562
Investment in time deposits	6	852,116,446	2,321,603,866
Receivables - net	7	130,800,554	162,142,536
Inventories	8	3,842,006	4,002,889
Other current assets	9	16,648,709	9,143,119
Total Current Assets		**1,254,423,035**	**2,613,970,972**
Non-Current Assets			
Investment in time deposits	6	1,427,865,102	-
Investment in stocks	10	3,500,000	3,500,000
Other receivables	11	7,043,740	7,525,779
Property, plant and equipment	12	128,130,857	59,465,397
Intangible assets	13	2,323,125	3,089,175
Deferred tax assets	31.3	849,413,040	553,157,823
Other non-current assets	14	16,611,403,737	17,285,632,605
Total Non-Current Assets		**19,029,679,601**	**17,912,370,779**
Total Assets		**20,284,102,636**	**20,526,341,751**
LIABILITIES			
Current Liabilities			
Financial liabilities	15	49,945,170	87,056,479
Inter-agency payables	16	48,001,504	54,531,906
Intra-agency payables	17	9,417	9,417
Other payables	19	77,655,615	427,580
Total Current Liabilities		**175,611,706**	**142,025,382**
Non-Current Liabilities			
Trust liabilities	18	17,057,764,813	17,585,813,763
Deferred credits/unearned income	20	372,147,736	357,669,825
Provisions	21	10,087,575	6,929,021
Deferred tax liabilities	31.4	618,081,295	381,981,055
Total Non-Current Liabilities		**18,058,081,419**	**18,332,393,664**
Total Liabilities		**18,233,693,125**	**18,474,419,046**
EQUITY			
Government equity	22	63,217,089	63,217,089
Retained earnings	23	1,984,292,422	1,985,805,616
Other comprehensive income	10	2,900,000	2,900,000
Total Equity		**2,050,409,511**	**2,051,922,705**
Total Liabilities and Equity		**20,284,102,636**	**20,526,341,751**

The notes on pages 10 to 62 form part of these statements.

PHILIPPINE RETIREMENT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019
Income			
Service income	24.1	558,305,485	896,581,600
Business income	24.2	145,486,999	142,496,653
Gains on forex	24.3	798,300,035	584,898,743
Other non-operating income	24.4	244,871	138,334
Total Income		**1,502,337,390**	**1,624,115,330**
Expenses			
Personnel services	26	74,892,439	70,408,310
Maintenance and other operating expenses	27	71,371,675	164,889,537
Financial expenses	29	966,614	65,045
Direct costs	25	40,739,928	139,851,089
Loss on foreign exchange (FOREX)	30	1,037,415,462	670,648,742
Non-cash expenses	28	32,348,967	21,112,863
Total Expenses		**1,257,735,085**	**1,066,975,586**
Profit before tax		244,602,305	557,139,744
Income tax expense	31.2	29,742,091	124,392,927
Profit after tax		214,860,214	432,746,817
Net assistance/subsidy(financial assistance/subsidy/contribution)		-	-
Net income		214,860,214	432,746,817
Other comprehensive income(loss) for the period		-	-
Total Comprehensive Income		**214,860,214**	**432,746,817**

The notes on pages 10 to 62 form part of these statements.

PHILIPPINE RETIREMENT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	Retained Earnings	Other Comprehensive Income	Government Equity	Total
		23	10	22	
BALANCE AT JANUARY 1, 2019		**1,828,119,110**	**2,900,000**	**63,217,089**	**1,894,236,199**
CHANGES IN EQUITY FOR 2019					
Add/(deduct):					
Comprehensive income		432,746,817	-	-	**432,746,817**
Dividends		(258,488,809)	-	-	**(258,488,809)**
Other adjustments		(16,571,502)	-	-	(16,571,502)
BALANCE AT DECEMBER 31, 2019, AS RESTATED		**1,985,805,616**	**2,900,000**	**63,217,089**	**2,051,922,705**
CHANGES IN EQUITY FOR 2020					
Add/(deduct):					
Comprehensive income		214,860,214	-	-	214,860,214
Dividends		(216,373,408)	-	-	(216,373,408)
BALANCE AT DECEMBER 31, 2020		**1,984,292,422**	**2,900,000**	**63,217,089**	**2,050,409,511**

The notes on pages 10 to 62 form part of these statements.

PHILIPPINE RETIREMENT AUTHORITY
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Collection of income/revenue		634,167,394	1,039,911,492
Collection of receivables		66,934,550	391,979
Trust receipts		1,722,834	203,550
Other receipts		754,220	1,455,290
Total cash inflows		**703,578,998**	**1,041,962,311**
Adjustments		15,039,239	12,696,393
Adjusted cash inflows		**718,618,237**	**1,054,658,704**
Cash outflows			
Payment of expenses		140,564,821	266,974,986
Purchase of inventories		2,069,513	20,000
Grant of cash advances		4,543,891	9,649,233
Prepayments		1,751,281	420,955
Refund of deposits		134,437	262,335
Payments of accounts payable		49,295,544	52,279,099
Remittance of personnel benefit contributions		40,789,463	53,689,240
Other disbursements		86,566,925	155,655,341
Total cash outflows		**325,715,875**	**538,951,189**
Adjustments		7,611,734	9,841,914
Adjusted cash outflows		**333,327,609**	**548,793,103**
Net cash provided by (used in) operating activities		**385,290,628**	**505,865,601**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Receipt of interest earned		29,316,899	-
Proceeds from matured investments		330,384,170	632,260,478
Total cash inflows		**359,701,069**	**632,260,478**
Adjustments		-	-
Adjusted cash inflows		**359,701,069**	**632,260,478**
Cash outflows			
Purchase of property, plant and equipment		701,485	7,877,204
Purchase of investments		320,461,309	828,129,052
Total cash outflows		**321,162,794**	**836,006,256**
Net cash provided by (used in) investing activities		**38,538,275**	**(203,745,778)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflows			
Interest expenses (right of use)		957,289	-
Repayment of borrowings and leasing liabilities (right of use)		19,055,358	-
Payment of cash dividends		216,373,408	258,488,809
Total cash outflows		**236,386,055**	**258,488,809**
Net cash provided by (used in) financing activities		**(236,386,055)**	**(258,488,809)**
Net increase (decrease) in cash and cash equivalents		**187,442,848**	**43,631,014**
Effects of exchange rate changes on cash and cash equivalents		(53,506,090)	(1,988,369)
CASH AND CASH EQUIVALENTS, JANUARY 1	5	**117,078,562**	**75,435,917**
CASH AND CASH EQUIVALENTS, DECEMBER 31	5	**251,015,320**	**117,078,562**

The notes on pages 10 to 62 form part of these statements.

PHILIPPINE RETIREMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(*All amounts in Philippine Peso unless otherwise stated*)

1. GENERAL INFORMATION

The **PHILIPPINE RETIREMENT AUTHORITY** (PRA) is a Government Owned and Controlled Corporation (GOCC) created on July 4, 1985 pursuant to Executive Order (EO) No. 1037 and operates under the supervision of the Department of Tourism (DOT) as an attached agency through Republic Act (RA) No. 9593, also known as the Tourism Act of 2009. PRA is mandated by law to develop and promote the Philippines as a retirement haven as a means of accelerating the social and economic development of the country, strengthening its foreign exchange position at the same time providing further the best quality of life to the targeted retirees in a most attractive package. The purposes and objectives of the Authority are as follows:

a. To develop and promote the country as a retirement haven;

b. To adopt the integrated approach in the development or establishment of retirement communities in the country considering the eleven (11) basic needs of man;

c. To provide the organizational framework to encourage foreign investment in the Authority's development projects;

d. To provide effective supervision, regulation and control in the development and establishment of retirement communities in the country and in the organization, management and ownership of the Authority's projects; and

e. To make optimum use of existing facilities and/or assets of the government and the private sector without sacrificing their competitiveness in the international and local markets.

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 RA No. 9593 on May 12, 2009, the supervision of PRA was transferred from the Department of Trade and Industry (DTI) to the DOT.

As of December 31, 2020, PRA is headed by General Manager and Chief Executive Officer, Atty. Bienvenido K. Chy, assisted by a Deputy General Manager and four (4) Department Managers. The Authority has a total of 166 workforce consisting of eighty-three (83) regular employees and eighty-three (83) job order contracts.

The Authority's registered office address is located at the 29th Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City, 1200 Philippines. PRA has four (4) satellite offices operating in major cities, i.e., Angeles (Subic/Clark), Baguio, Cebu and Davao. PRA can be reached through its website www.pra.gov.ph.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1. Statement of Compliance

The financial statements of the PRA have been prepared in accordance with the Philippine Financial Reporting Standards (PFRSs), which includes all applicable PFRSs, Philippine Accounting Standards (PASs), and interpretations issued by the Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and Board of Accountancy (BOA) and adopted by the Securities and Exchange Commission (SEC).

2.2. Basis of Preparation

The financial statements of the PRA have been prepared on a historical cost basis unless otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2.3. Presentation and Functional Currency

The financial statements are presented in Philippine Peso, which is also the currency of the primary economic environment in which the PRA operates. All amounts are rounded off to the nearest peso, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Presentation of Financial Statements

The financial statements have been prepared in compliance with the PFRSs prescribed by the Commission on Audit through COA Circular No. 2017-004 dated December 13, 2017 and Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements.*

3.2. Changes in accounting policies and disclosures

a. New standards and amendments effective in 2020 that are relevant to the Authority

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS which the Authority adopted effective for annual periods beginning on or after January 1, 2020:

- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8*, Accounting Policies, Changes in Accounting Estimates and Errors*, Definition of Material – The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

- Amendments to PFRS 16, *Leases, COVID-19-related Rent Concessions* – The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021.

The foregoing amendments do not have any material effect on the financial statements of PRA. Additional disclosures have been included in the notes to financial statements, as applicable.

b. **New *Standards effective in 2020 that are not relevant or not applicable to the PRA***

- Amendments to PFRS 3, *Business Combinations*, Definition of a Business – The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to assets acquisitions that occur on or after the beginning of that period. Earlier application is permitted. The amendment defines business as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividend and interest) or generating other income from ordinary activities. A business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs.

- Amendments to PFRS 9 *Financial Instruments*, PAS 39 *Financial Instruments: Recognition and Measurement* and PFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*. The amendment states:

    - entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
    - are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
    - are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer

meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and

- require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

The application of these amendments will not have an impact on the disclosures and amounts recognized on the Authority's financial statements.

c. New and amended standards and interpretations issued but not yet effective

The new and amended PFRSs which are not yet effective for the year ended December 31, 2020 and have not been applied in preparing the financial statements are summarized below:

Effective for annual periods beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4 Insurance Contract. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

The new Standard will not have an impact on the disclosures and amounts recognized in the Authority's financial statements.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Business Combinations*, Reference to the Conceptual Framework – Reference to the 1989 Framework in paragraph 11 of PFRS 3 Business Combinations was updated to 2018 Framework. Potential conflicts occur as the definitions of assets and liabilities in the 2018 Framework differ from those in the 1989 Framework potentially leading to day 2 gains or losses post acquisition for some balances recognized.

- Amendments to PAS 16, *Property, Plant and Equipment, Proceeds before Intended Use* – This amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets, Onerous Contracts - Cost of Fulfilling a Contract* – The changes specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a first-time adopter* – The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

- Amendments to PFRS 9, *Financial Instruments*, Fees in the '10 per cent' test for derecognition of financial liabilities – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- Amendments to PFRS 16, *Leases, Lease Incentives* – The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements* – The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

Management is currently assessing the impact of this new standards/amendments in its financial statements.

<u>Effective for annual periods beginning on or after January 1, 2023:</u>

- Amendments to PAS 1, *Presentation of Financial Statements, Classification of Liabilities as Current or Non-Current* – The amendments affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. Clarify that the classification of liabilities as current or non-current (i) should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of liability, (ii) is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, and (iii) settlement refers to the transfer to the counterparty of cash, equity instruments, and other assets or services.

- Amendments to PFRS 17, *Insurance Contracts* – The main changes resulting from Amendments to PFRS 17 are:

  - Deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023 and change the fixed expiry date for the temporary exemption in PFRS 4 *Insurance Contracts* from applying PFRS 9 *Financial Instruments*, so that entities would be required to apply PFRS 9 for annual periods beginning on or after January 1, 2023.

  - Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.

  - Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination.

  - Clarification of the application of PFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.

  - Clarification of the application of contractual service margin attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.

  - Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.

  - Amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held.

  - Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.

  - Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.

  - Several small amendments regarding minor application issues.

Under prevailing circumstances, the adoption of the foregoing amendments to Standards is expected to have no material impact on the disclosures and amounts recognized in the Authority's financial statements.

d. Issued standards with deferred effectivity

- Amendments to PFRS 10*, Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures,* Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

The new amendment to the Standard will not have an impact on the disclosures and amounts recognized in the Authority's financial statements.

3.3. Financial Instruments

The Authority recognizes a financial asset or a financial liability in its Statement of Financial Position when, and only when, it becomes a party to the contractual provision of the instruments. In the case of a regular way of purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. For purposes of presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities, PAS 32*, Financial Instruments: Presentation* is applied to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and liabilities should be offset.

Financial Assets

Financial assets are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of the PRA's financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the PRA takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety: which is described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Classification and Subsequent Measurement

The PRA classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). The classification of a financial instrument largely depends on the PRA's business model and its contractual cash flow characteristics.

Financial Assets at Amortized Cost

Financial assets shall be measured at amortized cost if the following conditions are both met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, the financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through an amortization process. Financial assets at amortized cost are included under current assets if their realization or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2020 and 2019, the PRA's receivables, short term investments and long term investments are classified under this category.

Financial Assets at FVOCI – debt instruments

For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the PRA may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the Statements of Financial Position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2020 and 2019, the PRA has no externally managed funds, hence, no financial assets have been classified under this category.

Below is the Authority's accounting policy on the classification and subsequent measurement of financial assets applicable before January 1, 2019:

a. Cash and Cash Equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short term investments with an original maturity period of three months or less from dates of placements and that are subject to insignificant risk of changes in value (*Note 5*).

b. Accounts Receivable

Trade receivables are recognized at their face value less allowance for doubtful accounts. The allowance for doubtful accounts is provided for identified potentially uncollectible accounts using the following estimates:

Accounts aged three (3) years and above = 100%

The PRA's aging of receivable is presented below:

Age	2020	2019 (As Restated)
Less than 90 days	18,911,386	12,900,705
91-365 days	14,041,103	21,581,267
Over one year	18,611,334	12,242,344
Over three years	35,644,586	39,788,130
Total	**87,208,409**	**86,512,446**

c. Investments in time deposits

Surplus peso and dollar cash funds of the PRA are placed in Time Deposits, and High Yield (HY) Deposits in government banks, i.e. Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP), to generate additional interest income. US Dollar investments are revalued and recorded using the US Dollar rates conversion at the end of the year of P48.023 per US$1.

Investments classified as current are those items with original maturities of over 90 days and less than one year. Those with original maturities of only 90 days or less are classified as marketable securities.

Investments classified as non-current are those with original maturities of more than one year and are not maturing within the next twelve months.

d. Investments in stocks

Equity instruments of another entity are considered as financial assets of the investor/holder in accordance with PAS 32.11. Furthermore, PAS 32.11 defines an equity instrument as any contract that evidences a residual interest in the assets after deducting its liabilities.

A proprietary club share entitles the shareholder to a residual interest in the net assets upon liquidation which justifies that such instrument is an equity instrument and thereby qualifies as a financial asset to be classified and accounted for as equity instruments.

A non-proprietary club share, though an equity instrument in its legal form, is not an equity instrument in the context of PAS 32. Furthermore, it does not entitle the holder to a contractual right to receive cash or another financial asset from the issuing corporation. The holder of the share, in substance, only paid for the privilege to enjoy the club facilities and services but not for ownership of the club. In such a case, the holder must account for the share as an intangible asset under PAS 38.

Investments in stocks held by the PRA are proprietary club shares. These shares were accounted for as Investment at Fair Value through Other Comprehensive Income under PFRS 9.

Impairment of Financial Assets

Below is the PRA's accounting policy on impairment of financial assets applicable starting January 1, 2018:

The Authority applies an ECL model to its financial assets measured at amortized cost but not to investment in equity instruments.

Loss allowances are measured on either of the following bases:

- *12-month ECLs.* These are ECLs that result from possible default events within the 12 months after the reporting date; and

- *Lifetime ECLs*. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The PRA measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

PRA has elected to measure loss allowances for receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Authority considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Authority's historical experience, informed credit assessment including current conditions and forecast of future economic conditions.

Furthermore, the PRA assumes that the credit risk on a financial asset has increased significantly if it is more than three (3) years past due.

It considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Authority in full, without recourse by the Authority to actions such as realizing security (if any is held); or

- The financial asset is more than three (3) years past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Authority is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Authority expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Authority assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Below is the Authority's accounting policy on the impairment of financial assets applicable before January 1, 2018:

Retirees who had been delinquent in paying dues for the past three years were sent collection/demand letters or notices. After three (3) notices and the accounts are still unpaid, the retirees were placed on a watch list and published in three leading newspapers of general circulation. If after publication, the retirees still fail to update their accounts, 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. Thereafter, PRA will request authority from the Commission on Audit (COA) for the write-off of receivable balance (and any related allowances for impairment losses) when it has determined that the receivables are finally uncollectible after exhausting its efforts to collect and legal action.

Derecognition of Financial Assets

The PRA derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognizes its retained interest in the asset and an associated liability for the amount it may have to pay. If the Authority retains substantially all the risks and rewards of ownership of a transferred financial asset, the Authority continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of financial assets other than in its entirety, the Authority allocates the previous carrying amount of the financial assets between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial Liabilities and Equity Instruments

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

Financial Liabilities

Initial recognition

Financial liabilities are recognized in the PRA's financial statements when it becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Authority's financial liabilities except for debt instruments classified at FVTPL. In a regular way purchase or sale, financial liabilities are recognized and unrecognized, as applicable, using settlement date accounting.

Financial liabilities include accounts payable and due to officers and employees.

Classification and Subsequent Measurement

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL when the financial liability is held for trading; designated upon initial recognition; either held for trading or designated upon initial recognition.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Authority manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Authority's documented risk management or investment strategy, and information about the Authority is provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives that sufficiently modify the cash flows of the liability and are not closely related, and PFRS 9, *Financial Instruments*, permits the entire combined contract (asset or liability) to be designated as a FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item in the Statement of Comprehensive Income. Fair value is determined in the manner described in notes.

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method. Accounts payable, due to officers and employees, inter/intra-agency payables, and trust liabilities are classified as other financial liabilities.

Derecognition of Financial Liabilities

The Authority derecognizes financial liabilities when, and only, the Authority's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Authority are recognized at the proceeds received, net of direct issue costs.

3.4. Inventories

Inventories are assets in the form of materials or supplies to be consumed in the production process or in the rendering of services. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their location and condition as the Authority is already practicing in its recording. In addition, pursuant to COA Circular Nos. 2015-007 and 2016-006, tangible assets with acquisition cost of P15,000 and below are classified as inventories specifically as semi-expendable assets before issuance to the end-user.

3.5. Property, Plant and Equipment (PPE)

The PRA's depreciable properties are stated at cost less accumulated depreciation and amortization. The initial cost of property and equipment consists of its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and intended use. Expenditures incurred after the items of property and equipment have been put into operation, such as repairs and maintenance are charged against operations in the year in which the costs are incurred, however, when significant parts of the PPE are required to be replaced at intervals, the PRA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets based on acquisition cost less residual value of ten per cent (10%) of the acquisition cost.

PRA uses the life span of PPE prescribed by COA in determining the specific estimated useful life for each asset based on its experience.

Asset	Estimated Useful Life
Office building	30 years
Leasehold improvements	5 years
Office equipment	5 years
Furniture and fixtures	10 years
ICT equipment	5 years
Library books	7 years
Other equipment	10 years
Transport vehicles	7 years

Considered machinery and equipment are office equipment, information and communication technology equipment, and other equipment *(Note 12)*.

A PPE's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

PRA derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in the surplus or deficit when the asset is de-recognized).

In addition, pursuant to COA Circular Nos. 2015-007 and 2016-006, tangible assets with acquisition cost of P15,000 and below are classified as semi-expendable assets or inventories before issuance to the end-user.

Leasehold improvements are generally charged over a useful period of five (5) years or the term of the lease. Generally, the lease of the PRA at its main office in Citibank Tower Makati can be renewed every five (5) years.

3.6. Intangible Assets

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost.

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment permitted in PAS 23, *Borrowing Costs*.

Subsequent expenditure on an in-process research or development project acquired separately and recognized as an intangible asset is:

i. Recognized as an expense when incurred if it is research expenditures;

ii. Recognized as an expense when incurred if it is a development expenditure that does not satisfy the criteria for recognition as an intangible asset; and

iii. Added to the carrying amount of the acquired in-process research or development project if it is a development expenditure that satisfies the recognition criteria for intangible assets.

<u>Intangible assets acquired through non-exchange transactions</u>

The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date these are acquired.

<u>Internally generated intangible assets</u>

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

<u>Recognition of an expense</u>

Expenditure on an intangible item is recognized as expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an asset.

<u>Subsequent measurement</u>

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life are amortized over their useful lives.

The straight line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.

An intangible asset with indefinite useful life is not to be amortized.

Intangible assets with indefinite useful lives or an intangible asset not yet available for use are assessed for impairment annually and whenever there is an indication that the assets may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in surplus or deficit as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is derecognized.

Research and development costs

The PRA recognizes as expense the research costs incurred. Development costs on an individual project are recognized as intangible assets when the PRA can demonstrate:

i. The technical feasibility of completing the asset so that the asset will be available for use or sale
ii. Its intention to complete and its ability to use or sell the asset
iii. How the asset will generate future economic benefits or service potential
iv. The availability of resources to complete the asset
v. The ability to measure reliably the expenditure during development
vi. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses
vii. Amortization of the asset begins when development is complete and the asset is available for use
viii. It is amortized over the period of expected future benefit
ix. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit

Web Site Costs

The PRA concludes that a web site developed using internal expenditures, whether for internal or external access, is an internally generated intangible asset that is subject to and accounted for in accordance with PAS 38 – *Intangible Assets.*

Internally generated intangible assets development costs are accounted for according to the stages of development as follows:

a. Planning – accounted for similar research and development costs and charged the expense of the period on which it is incurred.
b. Application development – capitalized and amortized over estimated useful life *(see Note 13*) to the extent that content is developed for purposes other than to advertise and promote the products and services of the PRA.
c. Content developments are charged to expense.
d. Operating the web site or application is also charged to expense.

The estimated useful life used by the PRA in amortizing the intangible assets is as follows:

Asset	Estimated Useful Life
Computer software	5 years
Website cost	5 years

3.7. Income Taxes

Income tax expense represents the sum of the current tax and deferred tax expense.

Current Tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statements of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The PRA's current tax liability is calculated using 30 per cent regular corporate income tax (RCIT) rate or 2 per cent minimum corporate income tax rate, whichever is higher. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

Deferred Tax

Deferred tax is provided using the balance sheet liability method on temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and Deferred Tax for the Year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

3.8. Impairment of Non-financial Assets

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

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

<u>Derecognition of Non-financial assets</u>

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

3.9. Leases

<u>The PRA as a lessee</u>

The PRA assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease in which a significant portion of the risks and rewards of ownership are retained by the lessor is classified as operating lease. Payments made under operating lease (net of any incentives received from the lessor) are charged to the pre-operating expenses on a straight-line basis over the period of the lease.

Lease that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration are assessed by PRA whether the contract meets three key evaluations, whether:

(a) The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the PRA.

(b) The PRA has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

(c) The PRA has the right to direct the use of the identified asset throughout the period of use.

Measurement and recognition of Right of Use and Lease Liabilities

At lease commencement date, the PRA recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the PRA, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The PRA depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The PRA also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the PRA measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily determinable, or the PRA's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in substance fixed payments.

When the lease liability is remeasured, corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use is already reduced to zero.

Short-term leases and leases of low-value assets

The PRA applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The PRA has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit and loss on a straight-line basis over the lease term.

Adoption of PFRS 16

The PRA adopted PFRS 16 using the modified retrospective approach effective for reporting periods beginning on or after January 1, 2019 and to apply the new standard to contracts that were previously identified as leases under PAS 17. Likewise, the PRA will not apply the standard to contracts that were not previously identified as lease under PAS 17.

The adoption of this new Standard has resulted in the PRA recognizing a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than twelve (12) months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting PFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the PRA has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as lease under PAS 17 and IFRIC 4.

Likewise, the PRA has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of PFRS 16, beginning 1 January 2020. At this date, the PRA has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets to the date at the date of initial application, the PRA has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of PFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than twelve (12) months and for leases of low-value assets the PRA has applied the optional exemptions to not recognize right-of-use assets but account for the lease expense on a straight-line basis over the remaining lease term.

The following is a reconciliation of total operating lease commitments at 31 December 2019 (as disclosed in the financial statements at 31 December 2019) to the lease liabilities recognized at 1 January 2019.

Total operating lease commitments disclosed at 31 December 2019		3,004,973
Recognition exemptions		
• Leases of low-value assets	-	
• Leases with remaining lease term of less than 12 months	3,004,973	
Variable lease payments not recognized	-	
Other minor adjustments relating to commitment disclosures	-	3,004,973
Operating lease liabilities before discounting		-
Discounted using incremental borrowing rate		-
Operating lease liabilities		-
Reasonably certain extension options		-
Finance lease obligations		-

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under PAS 17 immediately before the date of initial application, hence reconciliation of the financial statement line items from PAS 17 to PFRS 16 at 1 January 2020 is not necessary.

The PRA has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The right-of-use assets and lease liabilities are recorded in Other PPE, Right-of-Use (ROU) and Other Payables-ROU accounts and are presented under the Property Plant and Equipment and Other Payables, respectively in the statement of financial position. *(See Notes 12, 19 and 33)*

3.10. Retained Earnings

Retained Earnings represent accumulated profit attributable to equity holders of the Authority after deducting dividends declared. Retained earnings may also include the effect of changes in accounting policy and prior period adjustments.

3.11. Revenue

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. The main revenue of the PRA arises from various fees received from foreign retiree-members or applicants to the retirement program pursuant to EO No. 1037 dated July 4, 1985. The Authority recommends to the BI the issuance of 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. The fees are discussed below – *Service Income.*

Service Income

Income is measured at the fair value of the consideration received or receivable. The PRA recognizes income from various fees and services during the period to which it relates.

Income from operations pertains mainly to the following fees *(see Note 24.1)*:

Annual PRA Fee (APF) pertains to the annual fee collected from active members at US$360 for the principal retiree and two (2) qualified dependents and US$100 for every additional dependent. Qualified dependents include the legal spouse and children below 21 years old.

Passport and Visa/Application Fees (PVAF) are one-time processing/service fees paid by retiree-applicants as an initial requirement for their SRRV applications in the program at US$1,400 for the principal applicant and US$300 for each qualified dependent applicant.

Management Fees (MF) 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.

Visitorial Fees (VF) represent the annual fees due from retirees who have converted their requisite visa deposits into active investments, at the rates ranging from 0.5 per cent (1/2%) to 1.5 per cent (1 and ½%) of the total amount of visa deposit 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:

Age	Original Visa Deposit	Reduced to
35 to 49 years old	US$ 75,000.00	US$ 50,000.00
50 years old and above	US$ 50,000.00	US$ 20,000.00

Visitorial Fees:

Amount of Visa Deposit Converted	Annual Visitorial Fees
US$ 20,000.00	US$ 500 or its peso equivalent
US$ 50,000.00	US$ 750 or its peso equivalent

Retirees who had been delinquent in paying VF for more than three (3) years were sent collection letters/notices. After three (3) notices and the retirees still failed to pay, they were placed on a watch list and 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.

Harmonization Fees (HF) 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 (1 and ½%) per annum is levied by the PRA on the retiree in consideration for the release of the amounts in excess of the required visa deposit under the modified SRD scheme.

Registration/ID Fees represent the annual fees of US$10 collected from active retiree-member (principal plus dependents) for the issuance of the PRA membership identification (ID) card.

Processing Fees such as cancellation, accreditation (including marketer and merchant partners), re-stamping, visa downgrading, clearances and other PRA services to retiree-members, are as follows:

Schedule of Processing Fees

Services	Rates (US$)	Rate (Peso)
Cancellation (plus BI fee)	US$ 10	P3,020 (BI fee) *
Visa downgrade	US$ 10	
Re-stamping (plus BI fee)	US$ 10	P1,010 (BI fee)
Accreditation – New Marketer	US$ 300	
Accreditation – Renewal – Marketer	US$ 150	
ID Issuance – Marketer (if accreditation validity is less than six (6) months)		P300
Courier Fee (retiree is in the Philippines)		P150 (or actual)
Courier Fee (retiree is abroad)	US$ 20 (or actual)	
Membership Certification	US$ 5	

**Includes P500 for Bureau of Immigration (BI) express lane.*

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine the interest income for each period.

Dividends or similar distributions are recognized when the PRA's right to receive payments are established.

However, the PRA has not received any dividends from its investment of one proprietary membership share of the Baguio Country Club Corporation.

3.12. Employee Benefits

The employees of the PRA are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

PRA recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowances, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

3.13. Foreign Currency Transactions and Advance Consideration

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date.

At each reporting date:

a. Foreign currency monetary items are translated using the closing rate;
b. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
c. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

Advance payments in foreign currencies received by the PRA from retiree-members are now recognized as deferred credits/unearned income and translated to Philippine peso (PRA's functional currency) using the exchange rate at the initial recognition or the date such advance payments are received.

3.14. The Effects of Changes in Foreign Exchange Rates

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date.

At each reporting date:

a. Foreign currency monetary items are translated using the closing rate;
b. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
c. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

The Authority translated its transactions in CY 2020 and monetary items as at December 31, 2020 in foreign currencies as required by the standard.

3.15. Related Party Disclosures

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among the reporting enterprises and its key management personnel, trustees, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The PRA related parties' transaction pertains to the remuneration of the Key Management Personnel as discussed in *Note 32.2*.

3.16. Provisions

Provisions are recognized when the PRA has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the PRA expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Financial Performance net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

3.17. Accounting Policies, Changes in Accounting Estimates and Errors

The Authority conforms to this applicable standard and changes in accounting policies and correction of errors are generally accounted for retrospectively while changes in estimates are accounted for prospectively. Pursuant to COA Circular No. 2016-006, tangible assets with acquisition cost of P15,000 and below are classified as inventories before issuance to the end-user.

Prior period errors are omissions from, and misstatements in, the Authority's financial statements for one or more prior periods arising from a failure to use, or misuse of reliable information that was available and could reasonably be expected to have been obtained and taken into account in preparing those statements.

Changes in accounting policies and correction of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

3.18. Events after the Reporting Period

The Authority determines events after its reporting period whether it needs to adjust the financial statements along with the required disclosures or may only require disclosures.

No reportable events after the reporting period require adjustments or disclosures.

3.19. Use of Judgments and Estimates

The preparation of financial statements requires the use of judgement and accounting estimates or assumptions that affect the amounts reported in the financial statements and accompanying notes.

Judgments are made by management in the development, selection and disclosure of significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an ongoing basis. These are based on Management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been consistently applied throughout the year presented.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

4.1. Risk Management Framework

The Board of Trustees has overall responsibility for the establishment and oversight of the Authority's risk management framework. The Board has established the Authority's credit, finance, operational risk and executive committees, which are responsible for developing and monitoring the Authority's risk management policies in their specific areas.

All board committees have executive and non-executive members and report regularly to the Board of Trustees on their activities.

The PRA's risk management policies are established to identify and analyze the risks faced by the Authority, to set appropriate risk limits and control, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions, products and services offered. The PRA, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Authority's Audit Committee is responsible for monitoring compliance with Authority's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risk faced by the Corporation and it is regularly discussed in the Board meeting.

Generally, the maximum risk exposure of financial assets and financial liabilities is the carrying amount of the financial assets and financial liabilities as shown in the Statements of Financial Position, as summarized in the following tables:

	Note	2020	2019 (As Restated)
Financial Assets:			
Cash and cash equivalents	5	251,015,320	117,078,562
Investment in time deposits	6	2,279,981,548	2,321,603,866
Receivables, net	7	130,800,554	162,142,536
Investment in stocks	10	3,500,000	3,500,000
Other receivables	11	7,043,740	7,525,779
Restricted fund	14	16,606,181,702	17,281,281,423
		19,278,522,864	**19,893,132,166**

	Note	2020	2019 (As Restated)
Financial Liabilities:			
Financial liabilities-current	15	49,945,170	87,056,479
Inter-agency payables	16	48,001,504	54,531,906
Intra-agency payables	17	9,417	9,417
Trust liabilities	18	17,057,764,813	17,585,813,763
Other payables	19	77,655,615	427,580
		17,233,376,519	**17,727,839,145**

4.2. Credit Risk

a. Credit Risk Exposure

Credit risk refers to the risk that the client will default on its contractual obligation resulting in financial loss to the corporation. The Authority has adopted a policy of dealing only with creditworthy clients and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Also, the Authority manages its credit risk by depositing its cash with high credit quality banking institutions.

The carrying amount of the financial assets recognized in the financial statements represents the Authority's maximum exposure to credit risk.

The table below shows the gross maximum exposure to credit risk of the corporation as of the years ended December 31, 2020 and 2019, without considering the effects of credit risk mitigation techniques.

	Note	2020	2019 (As Restated)
Financial Assets:			
Cash and cash equivalents	5	251,015,320	117,078,562
Investment in time deposits	6	2,279,981,548	2,321,603,866
Receivables – gross	7	176,580,084	201,930,666
Investment in stocks	10	3,500,000	3,500,000
Other receivables – gross	11	11,573,097	12,055,136
		2,722,650,049	**2,656,168,230**

b. Management of Credit Risk

The Board of Trustees has delegated primary responsibility for the management of credit risk and risk management to its Credit Committee which reports to the Board meeting. The Credit Committee provides advice, guidance, and specialized skills to business units to promote best practices throughout the Authority in the management of credit risk.

Also, the PRA has currently adopted that for a significant proportion of sales of goods and services, advance payment from clients are received to mitigate the risk.

The PRA maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. This amount is evaluated based on such factors that affect the collectability of the accounts. These factors include, the age of the receivables, the length of the Authority's relationship with the customer, the customer's payment behavior and known market factors. The amount and timing of recorded expenses for any period would differ if the Authority made different judgments or utilized different estimates.

The Authority will request authority from COA for the write-off of receivables balances (and any related allowances for impairment losses) when the Finance Management Division - Treasury determines that the receivables are finally uncollectible after exhausting all efforts to collect and legal action.

4.3. Liquidity Risk

Liquidity risk is the risk that the Authority might encounter difficulty in meeting obligation from its financial liabilities.

a. Management of Liquidity Risk

The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

The Authority seeks to manage its liquidity profile to be able to finance capital expenditures as well as its current operations. To cover its financing requirements, the Authority intends to use internally generated funds and available short-term credit facilities.

As part of its liquidity risk management, the Authority regularly evaluates its projected and actual cash flows. It also continually assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fundraising activities may include bank loans and subsidies from the national government or government owned and controlled corporations.

b. Exposure to Liquidity Risk

The liquidity risk is the adverse situation when the Authority encounters difficulty in meeting unconditionally the settlement of its obligations at maturity. Prudent liquidity management requires that liquidity risks are identified, measured, monitored and controlled in a comprehensive and timely manner. Liquidity management is a major component of the corporate-wide risk management system. Liquidity planning takes into consideration various possible changes in economic, market, political, regulatory and other external factors that may affect the liquidity position of the Corporation.

4.4. Market Risks

Market risk is the risk that changes in the market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's issuer's credit standing) will affect the Authority's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of Market Risk

The management of interest rate risk against interest gap limits is supplemented by monitoring the sensitivity of the Authority's financial assets and liabilities to various standard and non-standard interest rate scenarios.

4.5. Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Authority's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Authority's operations and are faced by all business entities.

The Authority's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Authority's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of control to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transaction
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

Compliance with corporate standards is supported by a program of periodic reviews undertaken by the Executive Committee. The results of periodic reviews are discussed with the Board of Trustees.

5. CASH AND CASH EQUIVALENTS

This account consists of:

	2020	2019 (As Restated)
Cash on hand	1,939,163	1,490,680
Cash in bank-local currency	9,401,217	3,718,454
Cash in bank-foreign currency	239,674,940	111,869,428
	251,015,320	**117,078,562**

In conformity with PAS No. 8, the Cash and cash equivalent account is restated as follows:

	Amount
Unrestated amount as of December 31, 2019	115,893,033
Adjustments/Recording of Cash and cash equivalents	1,185,529
Restated amount as of December 31, 2019 - Cash and cash equivalents	**117,078,562**

Cash on hand is composed of various accounts but mainly: (a) cash collecting officer – local currency which amounted to P1,072,027 and P725,604 for the years ended December 31, 2020 and 2019, respectively; (b) cash collecting officer – foreign currency which amounted to $18,316.28 and $14,448.39 as of December 31, 2020 and 2019, respectively, and translated into peso amounts using the corresponding year-end closing rates of P48.023:$1 and P50.635:$1 to arrive at the year-end balances of P879,603 and P731,594; and (c) Petty Cash Fund amounting to P(26,873) and P33,482, as of December 31, 2020 and 2019, respectively.

Cash in bank – local currency consists of checking and savings accounts with the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP).

Cash in bank – foreign currency consists of savings account with the LBP and the DBP which amounted to $4,990,836.47 and $2,209,330.06 for the years ended December 31, 2020 and 2019, respectively, and translated into peso amounts using the corresponding year-end closing rates of P48.023:$1 and P50.635:$1.

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

6. INVESTMENTS IN TIME DEPOSITS

This account consists of:

	Current		Non-current	
	2020	2019 (As Restated)	2020	2019
Foreign currency time deposits	654,484,830	2,126,298,999	1,427,865,102	-
Investment in high-yield deposits	197,631,616	195,304,867	-	-
	852,116,446	**2,321,603,866**	**1,427,865,102**	**-**

In conformity with PAS No. 8, the Investments in Time Deposits are restated as follows:

	Amount
Unrestated amount as of December 31, 2019	2,329,414,503
Adjustments/Recording of Investment in time deposits	(7,810,637)
Restated amount as of December 31, 2019 - Investment in time deposits	**2,321,603,866**

Current Investments in Time Deposits refer to items that have maturities beyond 90 days but within the next twelve (12) months.

Current foreign currency time deposits with LBP and DBP amounted to US$13,628,570.27 and US$41,992,673.03 as of December 31, 2020 and 2019 and were converted to peso at year-end using the closing rates of P48.023:US$1 and P50.635:US$1, respectively.

Current Investments in high-yield deposits with LBP yield interest rates of 1.250 per cent to 1.5 per cent in CY 2020 and 1.125 per cent to two (2%) per cent in CY 2019.

Included in the foreign currency time deposits is the Investments in Time Deposits – Restricted account amounting to US$2,778,801.97 and US$2,751,227.62 as of December 31, 2020 and 2019, respectively. The Investment in Time Deposits - Restricted pertains to the portion of the accumulated interest earned on Visa Deposits (VDs) that are payable to retirees under Note 14 – Restricted Fund. This account including the Restricted Fund - Interest on Visa Deposits are contra accounts of the interest on VDs payable to retiree, as disclosed in Note 18.

Non-current Investments in Time Deposits-Foreign Currency-Restricted as of December 31, 2020 pertain to time deposits with LBP amounting to US$316,129.60, purchased on July 27, 2020, with a term of two (2) years and interest rate of two (2) per cent. The time deposits will mature on July 27, 2022.

Non-current Investments in Time Deposits-Foreign Currency as of December 31, 2020 pertain to LBP investments yielding interest rates of one (1) to two (2) per cent for a total of US$29,732,942.60 which will mature starting on May 18, 2022 to November 19, 2022.

7. RECEIVABLES

This account consists of the following:

	2020	2019 (As Restated)
Accounts receivable	41,428,879	46,724,316
Due from officers and employees	-	158,470
Interest receivable	89,371,675	115,259,750
	130,800,554	**162,142,536**

In conformity with PAS No. 8, the Receivables are restated as follows:

	Amount
Unrestated amount as of December 31, 2019	162,813,930
Adjustments/Recording of Receivables	(671,394)
Restated amount as of December 31, 2019 - Receivables	**162,142,536**

7.1 Accounts receivable consists of:

	2020	2019 (As Restated)
Visitorial fees (VF)	37,658,582	40,319,144
Allowance for impairment-VF	(38,790,444)	(36,062,060)
Visitorial fees – net	*(1,131,862)*	*4,257,084*
Management fees	*17,180,263*	*12,764,328*
Harmonization fees	2,316,228	1,839,206
Allowance for impairment-HF	(376,369)	(466,587)
Harmonization fees – net	*1,939,859*	*1,372,619*
Annual PRA fees	30,053,336	31,589,768
Allowance for impairment-APF	(6,612,717)	(3,259,483)
Annual PRA fees – net	*23,440,619*	*28,330,285*
	41,428,879	**46,724,316**

a. **Visitorial fees (VF)** represent annual fees due from retirees who have converted their requisite visa deposits into active investments.

For the old membership scheme (up to SRRV#M-002161), the visitorial fee rate is half (1/2%) or 0.5 per cent of the visa deposit amount converted into active investment of Section 16 of Rule VIII-A of the Implementing Rules and Regulations (IRR) of EO No. 1037. From SRRV No. M-002162 up to M-006392, the VF is one (1%) per cent of the visa deposit amount converted to investment.

Effective May 28, 2006 per approved PRA Circular No. 01, series of 2006 and approved Board Resolution No. 24, series of 2006 dated May 2, 2006 and affirmed further by Resolution No. 38, s. 2007, the PRA implemented the Special Reduced Deposit (SRD) scheme wherein the visa deposits requirement was reduced to US$50,000 from US$75,000 for applicants aged 35 to 49 and US$20,000 from US$50,000 for those 50 years old and above. The VF rates were also amended as follows:

Amount of visa deposit converted	Annual VF collected
US$20,000	US$500 or its peso equivalent
US$50,000	US$750 or its peso equivalent

b. **Management fees (MF)** represent fees due from PRA accredited banks equivalent to one and half (1.5) per cent of the outstanding daily balance of the retirees' visa deposits.

This excludes receivable from Bankwise, Inc. of P3,273,327.11 as of December 31, 2008 (*see Note 11*), the collection of which had already been endorsed to the Office of the Government Corporate Counsel (OGCC) for legal actions considering that the bank is now under receivership by the Philippine Deposit Insurance Corporation (PDIC).

c. **Harmonization fees (HF)** are amounts collected for the harmonization of the old and new schemes of deposit. A management fee of 1.5 per cent per annum is levied by the PRA on the retiree in consideration for the release of the amounts in excess of the required deposit under the modified SRD Scheme.

d. **Annual PRA fees (APF)** pertain to the amount collected from active members (who have not converted their requisite visa deposit into active investment), other than those under the SRRV "Courtesy" scheme, at US$360 for principal retiree and two (2) qualified dependents and US$100 for every additional dependent. Qualified dependents include the legal spouse and children below 21 years old.

8. INVENTORIES

This account consists of the following:

	2020	2019 (As Restated)
Office supplies inventory	1,113,980	1,113,980
Accountable forms, plates and stickers	1,406,106	1,566,989
Information material inventory	1,321,920	1,321,920
	3,842,006	**4,002,889**

In conformity with PAS No. 8, the Inventories are restated as follows:

	Amount
Unrestated amount as of December 31, 2019	2,762,886
Adjustments/Recording of Inventories	1,240,003
Restated amount as of December 31, 2019 - Inventories	**4,002,889**

The account office supplies inventory pertains to cost of office and information technology supplies purchased and/or received for use in operations.

Other inventory held for consumption pertains to Visa stickers, accountable forms and plates while the Information material inventory pertains to promotional supplies.

9. OTHER CURRENT ASSETS

This account consists of the following:

	2020	2019
Creditable withholding tax at source	15,160,203	6,585,330
Advances to special disbursing officers	650,156	1,547,414
Advances to officers and employees	-	199,139
Prepaid insurance	95,359	68,247
Other prepayments	742,991	742,989
	16,648,709	**9,143,119**

Creditable withholding tax at source pertains to the creditable withholding taxes from the receipt of management fees collected from accredited private banks.

Advances to special disbursing officers (SDOs) pertain to cash advances granted to various disbursing officers in December 2020 which remained unliquidated.

Other prepaid expenses include purchases of supplies from Procurement Service (PS) which were already paid but not yet delivered as of December 31, 2020.

10. INVESTMENT IN STOCKS

The account Investment in Stocks is an investment in proprietary shares of stock of the Baguio Country Club Authority. The proprietary shares were purchased on July 23, 2015 in the amount of P600,000. The fair value of the club shares still amounted to P3.500 million as at December 31, 2020 and 2019.

11. OTHER RECEIVABLES

This account consists of:

	2020	2019
COA disallowances	5,745,310	5,811,692
Due from officers and employees	1,335,719	1,335,719
Marketers accreditation	677,331	677,331
Other receivables	3,814,737	4,230,394
	11,573,097	**12,055,136**
Allowance for impairment	(4,529,357)	(4,529,357)
	7,043,740	**7,525,779**

COA disallowances pertain to disallowed payment of allowances and expenses which were issued with COA Order of Execution (COE).

Due from officers and employees represents unliquidated cash advances of active and retired/resigned PRA officers and employees.

Marketers accreditation fees are accruals for renewal of marketers' accreditation from CYs 1996 to 2001. The total amount is provided with allowance for impairment.

Other receivables include the receivable from Bankwise, Inc. of P3,273,327.11 as of December 31, 2008 for management fees (*see Note 7.1b*), the collection of which had already been endorsed to the OGCC for legal actions considering that the bank is now under receivership by the PDIC.

In CY 2020, a reclassification was made among the sub-accounts which increased the year-end balance of the Other Receivables account by P816,787 consisting of P518,882 and P297,905 from COA Disallowances and Due from Officers and Employees accounts, respectively.

12. PROPERTY, PLANT AND EQUIPMENT

The details of the account are shown below:

	Building and other structures	Machineries and equipment	Motor vehicles	Furniture and fixtures	Total
Cost:					
Balance, January 1, 2020	68,347,885	43,311,360	18,529,724	5,547,843	135,736,812
Additions	84,015,723	400,395		1,270,818	85,686,936
(Disposals/adjustments)	-	(1,191,998)	-	-	(1,191,998)
Balance, December 31, 2020	**152,363,608**	**42,519,757**	**18,529,724**	**6,818,661**	**220,231,750**
Accumulated depreciation:					
Balance, January 1, 2020	38,601,429	21,499,391	11,661,589	4,509,006	76,271,415
Additions	9,886,332	4,892,066	878,378	172,702	15,829,478
(Disposals/adjustments)	-	-	-	-	-
Balance, December 31, 2020	**48,487,761**	**26,391,457**	**12,539,967**	**4,681,708**	**92,100,893**
Net book value, Dec. 31, 2020	**103,875,847**	**16,128,300**	**5,989,757**	**2,136,953**	**128,130,857**
Net book value, Dec. 31, 2019	**29,746,456**	**21,811,969**	**6,868,135**	**1,038,837**	**59,465,397**

Building and other structures account pertains to the condominium unit at the Citibank Tower, Makati City owned by PRA with a total area of 598.20 square meters including four (4) parking slots.

Included under the Property, Plant and Equipment are right-of-use assets over the following:

	2020	2019
Office building	84,015,723	-
Accumulated depreciation	5,669,535	-
Net book value	**78,346,188**	**-**

13. INTANGIBLE ASSETS

The details of the account are as follows:

	Computer software	Website	Total
Cost:			
Balance, January 1, 2020	2,796,000	1,335,000	4,131,000
Additions	-	-	-
(Disposals/adjustments)	-	-	-
Balance, December 31, 2020	**2,796,000**	**1,335,000**	**4,131,000**
Accumulated depreciation:			
Balance, January 1, 2020	741,450	300,375	1,041,825
Additions	525,750	240,300	766,050
(Disposals/adjustments)	-	-	-
Balance, December 31, 2020	**1,267,200**	**540,675**	**1,807,875**
Net book value, Dec. 31, 2020	**1,528,800**	**794,325**	**2,323,125**
Net book value, Dec. 31, 2019	**2,054,550**	**1,034,625**	**3,089,175**

This account consists of computer software and website acquired during CY 2018 and amortized over five (5) years using the straight-line method.

14. OTHER NON-CURRENT ASSETS

This account consists of:

	2020	2019 (As Restated)
Restricted funds	16,606,181,702	17,281,281,423
Guaranty deposits	5,222,035	4,351,182
	16,611,403,737	**17,285,632,605**

In conformity with PAS No. 8, the Other non-current assets are restated as follows:

	Amount
Unrestated amount as of December 31, 2019	17,349,184,104
Adjustments/Recording of Other non-current assets	(63,551,499)
Restated amount as of December 31, 2019 - Other non-current assets	**17,285,632,605**

Restricted fund (RF) represents the required visa deposit from the retiree-members which are deposited with the DBP totalling US$345,796,424.67 and US$341,291,229.85 as of December 31, 2020 and 2019, and translated into peso amounts using the corresponding year-end closing rates of P48.023:US$1 and P50.635:US$1, respectively. Details are as follows:

	2020		2019	
	Amount (in USD)	Amount (In Peso)	Amount (In USD)	Amount (In Peso)
RF-Visa Deposits-Receiving	337,749,720.61	16,219,754,833	338,136,508.20	17,121,542,092
RF-Visa Deposits-Disbursing	7,562,910.47	363,193,650	2,706,434.82	137,040,327
RF-Interest on Visa Deposits	483,793.59	23,233,219	448,286.83	22,699,004
Total Restricted Fund	**345,796,424.67**	**16,606,181,702**	**341,291,229.85**	**17,281,281,423**

RF-Visa Deposits-Receiving account pertains to visa deposit remittances to PRA by active members which are placed in Time Deposits (TDs) whereas the RF-Visa Deposits-Disbursing account pertains to the unreleased visa deposits of members who withdrew from the PRA program and had pre-terminated the corresponding TDs. The RF-Visa Deposits-Disbursing is exclusively for funds ready for payment to the retirees.

The RF-Visa Deposits-Receiving and Disbursing are the contra-accounts of Visa Deposits of Retiree-Members account under Note 18 – Trust Liabilities.

RF-Interest on Visa Deposits account pertains to the accumulated interests earned from the Restricted Funds placed in TDs. Part of the previous years' interest earned was placed to other short term TDs under the Investments in Time Deposits-Foreign Currency-Restricted account in Note 6 – Investments in Time Deposits. The RF-Interest on Visa Deposits is the contra-account of the Interest on Visa Deposits under Note 18 – Trust Liabilities.

Guaranty deposits pertain mainly to the security deposits paid to Metrobank-Trust Banking Group for the lease by the PRA of office space at the Citibank Tower and other service providers such as PLDT.

15. FINANCIAL LIABILITIES

This account consists of the following:

	2020	2019
Accounts payable	48,409,520	86,038,718
Due to officers and employees	1,535,650	1,017,761
	49,945,170	**87,056,479**

Accounts payable pertains mainly to certified and outstanding obligations of the PRA to its suppliers and contractors.

Due to officers and employees include payroll related certified obligations of the PRA to its employees.

16. INTER-AGENCY PAYABLES

This account consists of:

	2020	2019 (As Restated)
Due to BIR	38,243,354	51,168,860
Due to GSIS	6,311,339	2,444,167
Due to Pag-IBIG fund	170,010	162,238
Due to PhilHealth	144,568	110,373
Due to NGAs	2,082,283	646,268
Due to LBP	1,049,950	-
	48,001,504	**54,531,906**

In conformity with PAS No. 8, the Inter-agency payables account is restated as follows:

	Amount
Unrestated amount as of December 31, 2019	42,990,857
Adjustments/Recording of Inter-agency payables	11,541,049
Restated amount as of December 31, 2019 - Inter-agency payables	**54,531,906**

Due to BIR represents the last quarter income tax and withholding taxes on compensation, VAT and EWT for the month of December.

Due to GSIS, PhilHealth and Pag-IBIG accounts are payroll items for membership contributions and loan payments by the PRA regular employees.

Due to National Government Agencies (NGAs) account pertains to liability to the BI for the processing of applications for SRRV.

17. INTRA-AGENCY PAYABLES

This account pertains to Due to Other Funds representing contributions to the PRA employee's cooperative amounting to P9,417 as of December 31, 2020 and 2019.

18. TRUST LIABILITIES

This account consists of:

	2020	2019 (As Restated)
Visa deposits of retiree-members	16,852,906,686	17,410,230,567
Interest on visa deposits	198,848,948	169,791,347
Customers' deposit payable	5,789,616	5,572,286
Guaranty/security deposits payable	219,563	219,563
	17,057,764,813	**17,585,813,763**

In conformity with PAS No. 8, the Trust liabilities are restated as follows:

	Amount
Unrestated amount as of December 31, 2019	17,650,391,310
Adjustments/Recording of Trust liabilities	(64,577,547)
Restated amount as of December 31, 2019 - Trust liabilities	**17,585,813,763**

Visa deposits of retiree-members account pertains to the outstanding visa deposits of Retiree-Members which shall be payable to the Members/SRRV holders upon their withdrawal/early termination due to cancellation of membership from the PRA Program, or conversion of deposit into active investment.

This account is the counter liability account of the RF-Visa Deposits - Receiving and RF-Visa Deposits - Disbursing under Note 14 – Restricted Funds. This account amounted to US$350,934,067 and US$343,837,870 for the years ended December 31, 2020 and 2019, respectively, and was translated into peso amounts using the corresponding year-end closing rates of P48.023:US$1 and P50.635:US$1.

Interest on visa deposits pertains to the liability of the PRA to Members/SRRV holders for their accumulated interest share on the interest income earned from their visa deposits with the DBP.

Interest on visa deposits is the contra account of the Investments in Time Deposits-Foreign Currency-Restricted and RF-Interest on Visa Deposits accounts under Note 6 – Investment in Time Deposits and Note 14 – Restricted Funds, respectively. The account with balance of US$4,140,702 and US$3,353,241 as of December 31, 2020 and 2019, respectively, was translated to peso amounts using the corresponding year-end closing rates of P48.023:US$1 and P50.635:US$1.

19. OTHER PAYABLES

This account consists of:

	2020	2019
Other payables	427,579	427,580
Lease liabilities	77,228,036	-
	77,655,615	**427,580**

Other payables pertain to unclaimed refunds by clients and employees prior to CY 2014.

Lease liabilities pertain to lease agreements with the PRA that were recognized as right-of-use assets in compliance with the PFRS 16 *(Note 33)*.

Lessor/Location	Lease Term	Present Value
BDO Unibank, Inc. - Trust & Investment Group Head Office, 29F, Unit 29C, Citibank Tower, 8741 Paseo de Roxas Avenue, Makati City, Philippines	March 1, 2020 to February 28, 2025	P33,552,924
Metropolitan Bank & Trust Company - Trust Banking Group Head Office, 29F, Unit 29A & D, Citibank Tower, 8741 Paseo de Roxas Avenue, Makati City, Philippines	January 1, 2020 to December 31, 2024	61,337,444
J.A.D. Savers Development Co., Inc. 4th Floor, Saver's Mall, Balibago, Angeles City, Philippines	October 29, 2020 to October 28, 2023	1,392,842
Total		**96,283,210**
Less: Lease payments in 2020		(19,055,174)
Outstanding Balance		**P77,228,036**

20. DEFERRED CREDITS/UNEARNED INCOME

This account consists of collections of the following fees that are applicable to future periods:

	2020	2019
Annual PRA fee	359,099,549	335,799,378
Visitorial fee	8,898,202	13,086,570
Registration/ID fee	2,897,333	6,855,233
Harmonization fee	1,189,542	1,785,319
Accreditation fee	63,110	143,325
	372,147,736	**357,669,825**

Some retiree-members opt to pay the required fees in advance for a maximum of three (3) years as allowed to avoid hassle of yearly Special Retiree Resident Visa ID renewal.

21. PROVISIONS

This account pertains mainly to the money value of unused leave benefits of regular employees amounting to P10.088 million and P6.929 million as of December 31, 2020 and 2019, respectively.

22. GOVERNMENT EQUITY

This account pertains to the amounts released by the National Government from 1985 until 1994 for the capitalization requirements of the PRA for a total of Philippine Peso Sixty-three Million Two Hundred Seventeen Thousand Eighty-nine (P63,217,089.00). There were no additions nor reductions of the amount during CY 2020.

23. RETAINED EARNINGS

	2020	2019 (As Restated)
Retained Earnings, January 01	1,985,805,616	1,811,547,608
Dividend paid during the year	(216,373,408)	(258,488,809)
Net income for the year	214,860,214	432,746,817
Retained earnings, December 31	**1,984,292,422**	**1,985,805,616**

In conformity with PAS No. 8, the Retained earnings are restated as follows:

	Amount
Unrestated amount as of December 31, 2019	2,002,377,118
Adjustment for prior period errors	(4,880,661)
Settlement of CY 2013 final tax assessment (BIR)	(11,690,841)
Restated amount as of December 31, 2019 – Retained Earnings	**1,985,805,616**

24. INCOME

This account consists of the following:

	2020	2019
Service income	558,305,485	896,581,600
Business income	145,486,999	142,496,653
Gains on forex	798,300,035	584,898,743
Other non-operating income	244,871	138,334
	1,502,337,390	**1,624,115,330**

24.1 Service Income

This account consists of:

	2020	2019
Annual PRA fee	307,729,161	353,732,220
Visa application fee	91,333,900	336,848,838
Management fee	132,203,379	160,872,597
Visitorial fee	7,374,140	26,706,460
Registration/ID fee	14,602,710	6,548,025
Processing fee	2,305,553	8,380,279
Harmonization fee	2,756,642	3,493,181
	558,305,485	**896,581,600**

Annual PRA fee pertains to the annual fee collected from active members at US$360 for the principal retiree and two (2) qualified dependents and US$100 for every additional dependent (in excess of two).

Visa Application fee is a one-time processing/service fee paid by retiree-applicants for their application in the program at US$1,400 for principal applicant and inclusion fee of US$300 for each dependent of the principal applicants.

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 nine (9) accredited private banks maintaining visa deposits of retiree-members and sixteen (16) previously accredited private banks that still have some retirees' visa deposits remaining with them and not yet transferred including that of Bankwise Inc. (*see Note 11*).

Visitorial fee represents the annual fee due from retirees who have converted their requisite visa deposits into active investments, at the rates ranging from 0.5 per cent to 1.5 per cent of the visa amount converted into active investment.

Processing fees are collected for other services rendered by the PRA such as cancellation, accreditation (including marketer and merchant partners), re-stamping, visa downgrading, clearances and other PRA services to retiree-members.

24.2 Business Income

This account consists of:

	2020	2019
Interest income	145,461,999	142,496,653
Other business income	25,000	-
	145,486,999	**142,496,653**

24.3 Gains on Forex

This account consists of:

	2020	2019
Realized gains on forex	11,299,234	32,747
Unrealized gains on forex	787,000,801	584,865,996
	798,300,035	**584,898,743**

24.4 Other Non-operating Income

Other Non-operating income account pertains to Miscellaneous Income amounting to P244,871 and P138,334 in CY 2020 and CY 2019, respectively.

25. DIRECT COST

This account consists of expenses that are directly associated with the Service Income:

	2020	2019
Marketers' fee	23,438,968	86,329,578
Bureau of Immigration (BI) fee	13,783,352	45,451,441
Medical examination fee	864,000	6,570,568
Visa stickers and IDs and membership kits	2,653,608	1,499,502
	40,739,928	**139,851,089**

Marketers' fee refers to payments made by the PRA to its accredited marketers for enrolment services rendered to retiree-applicants at US$500 per applicant. The PRA has 166 and 268 accredited marketers in CYs 2020 and 2019, respectively, that were able to enroll a total of 944 principal retiree-applicants in CY 2020 and 3,276 principal retiree-applicants in CY 2019.

The Bureau of Immigration (BI) fee pertains to amounts paid to the BI on the processing of the retiree-applicants' visa at P5,080 for every principal applicant or spouse and P4,080 for dependents aged 15 years old and below. This also includes the express lane fee at BI of P500 per application.

Medical examination fee pertains to payment by the PRA to its accredited merchant partners for providing medical services to retiree-applicants in relation to their application to the SRRV Program of PRA.

26. PERSONNEL SERVICES

This account consists of the following:

	2020	2019
Salaries and wages	47,384,066	46,243,531
Other compensation	15,590,428	15,356,215
Benefits contribution	6,174,505	5,852,080
Other benefits	5,743,440	2,956,484
	74,892,439	**70,408,310**

26.1. Other Compensation

	2020	2019
Year-end bonus	4,051,070	3,896,277
Mid-year bonus	3,977,615	3,623,197
Personnel economic relief allowance	1,978,275	1,945,817
Overtime pay	766,803	1,812,788
Representation allowance	1,182,000	1,110,272
Transportation allowance	1,006,235	866,864
Longevity pay	862,000	788,000
Clothing/uniform allowance	510,000	498,000
Cash gift	450,430	408,000
Productivity incentive allowance	416,000	407,000
Other bonuses and allowances	237,000	-
Hazard pay	153,000	-
	15,590,428	**15,356,215**

26.2. Benefits Contribution

This account pertains to the PRA share of the following premiums:

	2020	2019
Retirement and life insurance premium	5,378,037	5,205,203
PhilHealth contribution	598,668	454,352
Pag-IBIG fund contribution	98,900	95,700
Employees compensation insurance premium	98,900	96,825
	6,174,505	**5,852,080**

26.3. Other Benefits

Other benefits account pertains to terminal leave benefits of retired/resigned PRA regular employees.

27. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2020	2019
Professional services	4,572,411	5,631,981
Repairs and maintenance	9,358,053	16,429,067
Traveling expenses	432,893	9,490,191
Communication expenses	5,597,446	5,778,935
Supplies and materials	2,684,672	2,335,793
Utility expenses	908,831	866,279
Training and scholarship expenses	373,772	423,039
Taxes, insurance premiums and other fees	853,263	457,045
General services	21,134,261	20,491,420
Confidential, intelligence and extraordinary expenses	1,600	67,758
Other maintenance and operating expenses	25,454,473	102,918,029
	71,371,675	**164,889,537**

27.1. Professional Services

	2020	2019
Auditing services	3,159,091	3,158,485
Consultancy services	324,320	1,529,136
Legal services	1,089,000	944,360
	4,572,411	**5,631,981**

27.2. Repairs and Maintenance

	2020	2019
Machinery and equipment	7,186,256	14,891,993
Buildings and other structures	1,833,486	233,627
Furniture and fixtures	90,777	988,080
Transportation equipment	247,534	283,297
Leasehold improvement	-	32,070
	9,358,053	**16,429,067**

27.3. Traveling Expenses

	2020	2019
Traveling expenses – local	432,893	4,227,223
Traveling expenses – foreign	-	5,262,968
	432,893	**9,490,191**

Local marketing traveling expenses include P77,404.00 and P941,745.24 for CYs 2020 and 2019, respectively.

27.4. Communication expenses

	2020	2019
Internet subscription expenses	4,340,998	4,036,580
Telephone expenses	879,370	1,242,471
Postage and courier services	350,678	475,684
Cable, satellite, telegraph and radio expenses	26,400	24,200
	5,597,446	**5,778,935**

27.5. Supplies and Materials

	2020	2019
Office supplies expenses	1,793,237	1,629,573
Fuel, oil and lubricants expenses	516,464	584,588
Accountable forms expenses	59,092	88,346
Drugs and medicines expenses	193,379	33,286
Semi-Expendable Machinery and Equipment Expense	122,500	-
Other supplies and materials expenses	-	-
	2,684,672	**2,335,793**

27.6. Utility Expenses

Utility expenses represent those incurred by the Authority for electric consumption during CYs 2020 and 2019 totaling to P908,831 and P866,279, respectively.

27.7. Training and Scholarship Expenses

Training and scholarship expenses pertain to various seminars and conferences attended by employees amounting to P373,772 and P423,039 for CYs 2020 and 2019, respectively.

27.8. Taxes, Insurance Premiums and Other Fees

	2020	2019
Fidelity bond premiums	189,548	277,191
Taxes, duties and licenses	526,578	11,130
Insurance expenses	137,137	168,724
	853,263	**457,045**

27.9. General Services

	2020	2019
Security services	324,984	412,183
Other general services	20,809,277	20,079,237
	21,134,261	**20,491,420**

Other general services pertain to the salaries and wages including overtime pay of temporary workers under “job order” contracts. This was moved from other professional services costs in CY 2020.

27.10. Confidential, Intelligence and Extraordinary Expenses

Confidential, intelligence and extraordinary expenses consist of extraordinary and miscellaneous expenses incurred by the Authority in CYs 2020 and 2019 amounting to P1,600 and P67,758, respectively.

27.11. Other Maintenance and Operating Expenses

	2020	2019
Advertising, promotional and marketing expenses	16,353,216	64,206,219
Rent/lease expenses	2,034,709	24,061,027
Representation expenses	1,931,338	8,597,078
Membership dues and contributions to organizations	4,977,568	5,150,681
Major events and convention expenses	-	388,552
Transportation and delivery expenses	86,968	156,694
Printing and publication expenses	17,280	311,261
Subscription expenses	15,269	46,517
Other maintenance and operating expenses	38,125	-
	25,454,473	**102,918,029**

28. NON-CASH EXPENSES

	2020	2019
Depreciation		
Machinery and equipment	4,892,066	4,518,373
Building and other structures	4,216,798	1,966,301
Furniture and fixtures	172,702	41,374
Transportation equipment	878,378	750,827
Right of use (ROU)	17,937,023	
	28,096,967	7,276,875
Amortization-intangible assets	766,050	716,770
Impairment loss-loans and receivables	3,485,950	13,119,218
Loss on sale of PPE	-	-
	32,348,967	**21,112,863**

29. FINANCIAL EXPENSES

This account consists of:

	2020	2019
Bank charges	9,325	65,045
Interest expense for leasing arrangements	957,289	-
	966,614	**65,045**

Finance costs for the reporting periods consist of the following:

	2020	2019
Interest expense for borrowings at amortized cost	-	-
Interest expense for leasing arrangements	957,289	-
	957,289	**-**

30. LOSS ON FOREIGN EXCHANGE (FOREX)

This account consists of:

	2020	2019
Realized loss on forex	70,367,382	24,412,153
Unrealized loss on forex	967,048,080	646,236,589
	1,037,415,462	**670,648,742**

Unrealized loss on foreign exchange amounting to P967.048 million and P646.237 million as at December 31, 2020 and 2019, resulted in the translation of monetary assets and liabilities denominated in US Dollars using the year-end closing rates of P48.023:US$1 and P50.635:US$1, respectively.

31. TAXES

31.1. Payment of Taxes and Exemption from VAT

Section 12 of EO No. 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, and 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, the PRA religiously remits quarterly and yearly with the Bureau of Internal Revenue (BIR) 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 RA No. 8424, imposition of VAT payable to Government bodies may not qualify with the provisions stated thereat as it is not expressly stated for GOCCs and other government bodies on the imposition of remitting VAT with the BIR. As compared with the provisions stated in Section 12 of RA No. 9337, amending Section 114 of the National Internal Revenue Code of 1997, with subsection (C), the code expressly and specifically mandates GOCCs to which the PRA belongs, to just withhold the final VAT of five per cent (5%) 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 (5%) per cent of the gross payment thereof…".*

31.2. Income Tax Expense

This account consists of provisions for income taxes for:

	2020	2019
Income tax expense – current	89,897,068	161,715,635
Income tax expense – deferred	(60,154,977)	(37,322,708)
Total	**29,742,091**	**124,392,927**

The details of statutory reconciliation are provided below:

	2020	2019
Income tax at statutory rate	73,380,691	167,141,923
Permanent differences:		
Interest income subject to final tax	(43,638,600)	(42,748,996)
Income tax expense	**29,742,091**	**124,392,927**

31.3. Deferred Tax Assets

This account consists of the following:

	2020	2019
Unrealized loss on FOREX	722,676,053	432,561,629
Unearned income	111,644,321	107,300,948
Allowance for impairment	15,092,666	13,295,246
Total	**849,413,040**	**553,157,823**

31.4. Deferred Tax Liabilities

This account consists of:

	2020	2019
Unrealized gain on forex	618,081,295	381,981,055
Total	**618,081,295**	**381,981,055**

32. RELATED PARTY TRANSACTIONS

32.1. Key Management's Personnel

The senior management group consists of the General Manager, the Chief Executive Officer, his deputy, and four (4) department heads of administration and finance, marketing, servicing, and management services. The Governing Board consists of members appointed by the President of the Philippines.

32.2. Key Management Personnel Compensation

The aggregate remuneration of the key management personnel determined on a full time equivalent basis receiving remuneration within this category, follows:

	2020	2019
Salaries and wages	7,973,948	8,342,733
Other compensation	2,649,012	2,570,990
Other personnel benefits	1,600	67,749
	10,624,560	**10,981,472**

The Chairman of the Board and all members of the Board are not currently remunerated by the PRA.

There is no reportable compensation provided to close family members of key management personnel during the period.

33. LEASES

The PRA entered into lease agreements for its Main Office at the 29 Floor, Citibank Tower Quadrants A, C, and D and for its four (4) local satellite offices in Davao, Baguio, Subic, and Cebu. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of sales) are excluded from the initial measurement of the lease liability and asset. The PRA classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see *Note 3.9*).

Leases for satellite offices are generally of low-value or short term for a maximum period of twelve (12) months. PRA has no lease that is tied up with its revenue or index.

Each lease generally imposes a restriction that, unless there is a contractual right for the PRA to sublet the asset to another party, the right-of-use asset can only be used by the PRA. Leases are either non-cancellable or maybe terminated with substantial fee. PRA has no leases that contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term without complying with the lease renewal notification required by the lessor.

The PRA is prohibited from selling or pledging the underlying leased assets as a security. For leases of office buildings, the PRA must keep these properties in a good state of repair and return the properties in their original condition at the end of the lease term. Further, the PRA must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the PRA's leasing activities by type of right-of-use asset recognized on the balance sheet:

Right-of-Use	Office Building
No. of right-of-use assets leased	3
Range of remaining term	2 – 4 years
Average remaining lease term	4 years
No. of leases with extension options	3
No. of leases with options to purchase	-
No. of leases with variable payments linked to an index	-
No. of leases with termination option	3

Right-of-use

Additional information on the right-of-use assets by class of assets is presented below:

	No of Assets	**Carrying Amount (P)**	**Additions (P)**	**Depreciation (P)**	**Impairment (P)**
Office building	3	-	84,015,722	5,669,534	-

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

Lease Liabilities

The roll forward analysis of finance lease liability is as follows:

	Amount
At January 1, as previously reported	P -
Effect of adoption of PFRS 16	-
As at January 1, As Restated	**-**
New lease liabilities	95,325,922
Interest expense	957,289
Payments	(19,055,175)
As at December 31, 2020	**P77,228,036**

Additional information on the lease and amounts in respect of possible future lease termination options not recognized as a liability are as follows:

Right-of-use	Office building
Lease liability (P)	77,228,036
Lease termination options recognized as a liability (P)	-
Lease termination options not recognized as a liability (P)	5,406,656
Historical rate of exercise of termination options (%)	-
Number of leases with an extension option that is not considered reasonably certain of exercise (No.)	3
Additional lease liabilities that would be incurred were it to become reasonably certain that the extension option would be exercised (P)	-

On transition to PFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognized under PFRS 16 was five per cent (5%) and the ROU asset was depreciated over the lease term.

The following are the amounts recognized in the Statement of Comprehensive Income:

	Amount
Depreciation expense of leased assets, building and other structures	12,267,489
Interest expense on finance lease liability	613,795
Total amount recognized in Statement of Comprehensive ncome	**12,881,284**

The use of extension and termination options gives the PRA added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the PRA's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

At December 31, 2020, the PRA had no committed leases which had not commenced.

The lease liabilities are secured by the related underlying assets. The undiscounted schedule of minimum lease payable of the Authority related to its lease agreements is shown below:

	2020	2019
Rent payable within:		
One (1) year	19,295,971	17,621,540
More than one (1) year up to five (5) years	63,906,066	2,415,540
Beyond five (5) years	-	-
Total	**83,202,037**	**20,037,080**

Lease payments not recognized as a liability

The PRA has elected not to recognize a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expenses relating to payments not included in the measurement of the lease liability are as follows:

	2020	2019
Short-term lease	54,366	69,708
Leases of low value assets	148,180	534,144
Variable lease payments	-	-
Total	**202,546**	**603,852**

For interest expense in relation to leasing liabilities, refer to finance costs (*Note 29*).

34. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATION (RR) NO. 15-2010

In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year:

a. Withholding Taxes:

The details of total withholding taxes for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Creditable (Expanded)	5,028,626	17,275,992
Compensation and benefits	8,089,895	5,913,627
Creditable (VAT)	2,830,378	6,652,604
Total	**15,948,899**	**29,842,223**

b. Other Taxes & Licenses:

	2020	2019
Local		
Community tax	10,500	11,130
National		
BIR annual registration (Exempted)	-	-

35. LEGAL CASES

The Authority has a pending case which is Civil Case No. R-MKT-17-01543-CV vs. former employees for the cause of action to Recover Sum of Money. As of December 31, 2020, parties entered into compromise agreements except for one (1) employee whose case was parked pending re-entry from Canada.