

PHILIPPINE RETIREMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION

As at December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	5	314,975,884	349,597,290
Investment in time deposits	6	2,695,506,752	2,513,411,952
Receivables - net	7	105,530,902	108,325,667
Inventories	8	3,658,098	3,913,224
Other current assets	9	23,477,907	26,322,175
Total Current Assets		3,143,149,543	3,001,570,308
Non-Current Assets			
Investment in stocks	10	3,500,000	3,500,000
Other receivables	11	7,095,488	7,540,541
Property, plant and equipment	12	72,742,930	103,221,409
Intangible assets	13	3,235,965	1,579,545
Deferred tax assets	31.3	1,584,492,850	1,120,401,119
Other non-current assets	14	19,335,249,530	17,509,673,768
Total Non-Current Assets		21,006,316,763	18,745,916,382
Total Assets		24,149,466,306	21,747,486,690
LIABILITIES			
Current Liabilities			
Financial liabilities	15	59,937,612	44,988,390
Inter-agency payables	16	175,069,742	115,373,786
Other payables	18	491,095	250,457,337
Total Current Liabilities		235,498,449	410,819,513
Non-Current Liabilities			
Trust liabilities	17	19,858,191,209	17,982,092,828
Deferred credits/unearned income	19	401,093,793	366,762,803
Provisions	20	13,864,326	10,332,319
Deferred tax liabilities	31.4	1,322,609,359	908,074,293
Lease Payable	21	43,243,717	65,778,164
Total Non-Current Liabilities		21,639,002,404	19,333,040,407
Total Liabilities		21,874,500,853	19,743,859,920
EQUITY			
Government equity	22	63,217,089	63,217,089
Retained earnings	23	2,208,848,364	1,937,509,681
Other comprehensive income	10	2,900,000	2,900,000
Total Equity		2,274,965,453	2,003,626,770
Total Liabilities and Equity		24,149,466,306	21,747,486,690

The notes on pages 10 to 58 form part of these statements.

PHILIPPINE RETIREMENT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021
Income			
Service income	24.1	646,341,046	559,745,008
Business income	24.2	62,460,348	75,123,904
Gains on forex	24.3	1,913,214,370	1,175,001,564
Other non-operating income	24.4	705,720	649,000
Total Income		2,622,721,484	1,810,519,476
Expenses			
Personnel services	26	93,024,771	73,769,315
Maintenance and other operating expenses	27	100,395,254	69,334,238
Financial expenses	29	19,468	3,188,652
Direct costs	25	51,597,759	16,613,302
Loss on foreign exchange	30	1,754,312,282	1,048,487,221
Non-cash expenses	28	36,469,571	160,679,211
Total Expenses		2,035,819,105	1,372,071,939
Profit before tax		586,902,379	438,447,537
Income tax expense	31.2	131,117,000	90,831,558
Profit after tax		455,785,379	347,615,979
Net assistance/subsidy(financial assistance/subsidy/contribution)		-	-
Net income		455,785,379	347,615,979
Other comprehensive income(loss) for the period	10	-	-
Total Comprehensive Income		455,785,379	347,615,979

The notes on pages 10 to 58 form part of these statements.

PHILIPPINE RETIREMENT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2022 and 2021
(In Philippine Peso)

		Retained Earnings	Other Comprehensive Income	Government Equity	
	Note	23	10	22	Total
BALANCE AT JANUARY 1, 2021		1,989,893,702	2,900,000	63,217,089	2,056,010,791
CHANGES IN EQUITY FOR 2020					
Add/(deduct):					
Comprehensive income		347,615,979	-	-	347,615,979
Dividends	23	(400,000,000)	-	-	(400,000,000)
Other adjustments		-	-	-	-
BALANCE AT DECEMBER 31, 2021		1,937,509,681	2,900,000	63,217,089	2,003,626,770
CHANGES IN EQUITY FOR 2021					
Add/(deduct):					
Comprehensive income		455,785,379	-	-	455,785,379
Dividends	23	(167,690,588)	-	-	(167,690,588)
Other adjustments		(16,756,108)	-	-	(16,756,108)
BALANCE AT DECEMBER 31, 2022		2,208,848,364	2,900,000	63,217,089	2,274,965,453

The notes on pages 10 to 58 form part of these statements.

PHILIPPINE RETIREMENT AUTHORITY
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021
(In Philippine Peso)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows		
Collection of income/revenue	246,219,283	236,827,461
Collection of receivables	446,028,201	265,494,022
Trust receipts	9,529,901	6,131,960
Other receipts	1,094,726	696,214
Total cash inflows	702,872,111	509,149,657
Adjustments	-	1,230,196
Adjusted cash inflows	702,872,111	510,379,853
Cash outflows		
Payment of expenses	120,046,722	99,090,091
Purchase of inventories	4,184,961	1,435,076
Grant of cash advances	859,784	1,340,627
Prepayments	277,465	430,054
Refund of deposits	73,635	78,911
Payments of accounts payable	24,238,282	25,962,730
Remittance of personnel benefit contributions	22,823,613	30,581,700
Other disbursements	8,713,624	9,884,729
Total cash outflows	181,218,087	168,803,918
Adjustments	9,108,083	9,860,151
Adjusted cash outflows	190,326,169	178,664,069
Net cash provided by (used in) operating activities	512,545,941	331,715,784
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflows		
Receipt of interest earned	48,963,676	23,367,721
Proceeds from matured investments	17,909,051	76,665,868
Total cash inflows	66,872,726	100,033,589
Adjustments	-	-
Adjusted cash inflows	66,872,726	100,033,589
Cash outflows		
Purchase of property, plant and equipment	2,400,000	2,632,950
Purchase of investments	182,094,799	166,980,012
Total cash outflows	184,494,799	169,612,962
Net cash provided by (used in) investing activities	(117,622,073)	(69,579,373)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash outflows		
Interest Expenses (Right of Use)	1,933	3,181,732
Repayment of borrowings and leasing liabilities (Right of Use)	18,634,750	18,261,195
Payment of cash dividends	417,690,588	150,000,000
Total cash outflows	436,327,271	171,442,927
Net cash provided by (used in) financing activities	(436,327,271)	(171,442,927)
Net increase (decrease) in cash and cash equivalents	(41,403,403)	90,693,484
Effects of exchange rate changes on cash and cash equivalents	6,781,997	8,347,032
CASH AND CASH EQUIVALENTS, JANUARY 1	5 349,597,290	250,556,774
CASH AND CASH EQUIVALENTS, DECEMBER 31	5 314,975,884	349,597,290

The notes on pages 10 to 58 form part of these statements.

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

1. GENERAL INFORMATION

The financial statements of **PHILIPPINE RETIREMENT AUTHORITY (PRA)** were authorized for issue on March 30, 2023 as shown in the Statement of Managements Responsibility for Financial Statements signed by Sec. Ma. Esperanza Christina Garcia Frasco – Department of Tourism (DOT) Secretary/Chairman of the Board of Trustees.

The PRA is a Government Owned and/or Controlled Corporation (GOCC) created on July 4, 1985 pursuant to Executive Order (EO) No. 1037 and operates under the supervision of DOT as an attached agency through Republic Act (RA) No. 9593, also known as the Tourism Act of 2009. The 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 (forex) 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 11 basic needs of man;
- c. To provide the organizational framework to encourage foreign investment in its 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 its 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.

The 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 the PRA was transferred from the Department of Trade and Industry to the DOT.

As of December 31, 2022, the PRA is headed by General Manager and Chief Executive Officer, Atty. Bienvenido K. Chy, assisted by a Deputy General Manager and four Department Managers. The Authority has a total of 162 workforce consisting of 84 regular employees and 78 job order contracts.

The PRA's registered office address is at the 29th Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City, 1200 Philippines. The PRA has four satellite offices operating in major cities, i.e., Angeles (Subic/Clark), Baguio, Cebu and Davao. It can be reached through its website at 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 and Standing Interpretations Committee as approved by the Financial Reporting Standards Council (FRSC) and Board of Accountancy and adopted by the Securities and Exchange Commission.

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 (COA) through COA Circular No. 2017-004 dated December 13, 2017 and PAS 1, *Presentation of Financial Statements*.

3.2 Changes in accounting policies and disclosures

a. New standards and amendments effective in 2022 that are relevant to the PRA

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, 2022:

- 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 (PPE) 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 PPE used in fulfilling the contract).
- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 percent’ test for derecognition of financial liabilities* – The amendment clarifies which fees an entity includes when it applies the ‘10 percent’ 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.

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

b. New Standards effective in 2022 that are not relevant or not applicable to the PRA

- 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 the PFRSs.
- Amendments to PFRS 3, *Business Combinations, Reference to the Conceptual Framework* – The amendment updates PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS

37 or International Financial Reporting Interpretations Committee (IFRIC) 21, an acquirer applies PAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and add to PFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

- 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.

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, 2022 and have not been applied in preparing the financial statements are summarized below:

Effective for annual periods beginning on or after January 1, 2023:

- 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 12 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 PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments aim to help entities provide accounting policy disclosures that are more useful by: (i) replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and (ii) adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments introduced a definition of accounting estimates are, “monetary amounts in financial statements that are subject to measurement uncertainty” and to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.
- Amendments to PAS 12, *Income Taxes, Deferred Tax related to Assets and Liabilities from a Single Transaction* – The main change is an exemption from the initial recognition exemption provided in PAS 12. Accordingly, the initial

recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Effective for annual periods beginning on or after January 1, 2025:

- Amendments to PFRS 17, *Insurance Contracts* – On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 202062 issued by the Insurance Commission which deferred the implementation of International Financial Reporting Standards (IFRS) 17 by two (2) years after its effective date as decided by the International Accounting Standards Board.

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, 2025 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, 2025.
 - 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.
- Amendment to PFRS 17, *Initial Application of PFRS 17 and PFRS 9 – Comparative Information* – The amendment adds a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of PFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of PFRS 17, to be classified, on an instrument-by-

instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of PFRS 9. The overlay can be applied by entities that have already applied PFRS 9 or will apply it when they apply PFRS 17.

Under prevailing circumstances, the adoption of the foregoing amendments to Standards is expected to have little to no material impact on the disclosures and amounts recognized in the PRA'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.
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts* - The amendments respond to industry concerns about the impact of differing effective dates. The amendments to PFRS 4 provide two optional solutions to reduce the impact of the differing effective dates of PFRSs 9 and 17. The two optional solutions are the temporary exemption from PFRS 19 and the overlay approach. Under the temporary approach, rather than having to implement PFRS 19, some companies are permitted to continue to apply PFRS 30, *Financial Instruments*. The overlay approach to presentation alleviates temporary accounting mismatches and volatility. For designated financial assets, a company is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognized in profit or loss under PFRS 9 and those that would have been reported under PAS 39.

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

3.3 Financial Instruments

The PRA 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 (FVTPL), 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 the FVTPL; (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, 2022 and 2021, 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 the FVTPL under the fair value option, the financial assets shall be measured at the 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 the FVOCI in case the above conditions are not met.

Financial assets at the 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 the FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in the OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at the 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 the 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, 2022 and 2021, the PRA has no externally managed funds, hence, no financial assets have been classified under this category.

Below is the PRA'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 years and above = 100%

The PRA's aging of receivable is presented below:

Age	2022	2021
Less than 90 days	41,482,475	63,958,558
91-365 days	120,416,692	103,194,897
Over one year	22,334,957	18,890,345
Over three years	62,254,611	49,265,418
Total	246,488,736	235,309,218

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. The US Dollar investments are revalued and recorded using the US Dollar rates conversion at the end of the year of P55.755 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 12 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 the FVOCI 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 PRA applies an Expected Credit Loss (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 the ECLs that result from possible default events within the 12 months after the reporting date; or
- *Lifetime ECLs*. These are the 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.

The 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 the ECLs, the PRA 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 PRA'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 years past due.

It considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the PRA in full, without recourse by the PRA to actions such as realizing security (if any is held); or
- The financial asset is more than three years past due.

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

Measurement of the ECLs

The 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 PRA expects to receive). The ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the PRA 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 PRA'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 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, the PRA will request authority from 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 PRA neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the PRA recognizes its retained interest in the asset and an associated liability for the amount it may have to pay. If the PRA retains substantially all the risks and rewards of ownership of a transferred financial asset, the PRA 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 PRA 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 the OCI is recognized in profit or loss. A cumulative gain or loss that had been in the OCI 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 PRA 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 PRA's financial liabilities except for debt instruments classified at the 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 the FVTPL or other financial liabilities.

Financial liabilities at the 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 PRA 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 the 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 PRA's documented risk management or investment strategy, and information about the PRA 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 FVTPL.

Financial liabilities at the 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 PRA derecognizes financial liabilities when, and only, the PRA'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 No. 2022-004, tangible assets with acquisition cost of P50,000 and below are classified as inventories specifically as semi-expendable assets before issuance to the end-user.

3.5 Property, Plant and Equipment

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 10 percent of the acquisition cost.

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

<u>Asset</u>	<u>Estimated Useful Life</u>
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
Other PPEs	5 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.

The PRA derecognizes items of the 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 No. 2022-004, tangible assets with acquisition cost P50,000.00 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 years or the term of the lease. Generally, the lease of the PRA at its main office in BDO Towers Valero can be renewed every five 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.

Intangible assets acquired through non-exchange transactions

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

Internally generated intangible assets

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.

Recognition of an expense

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.

Subsequent measurement

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; and
- 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:

<u>Asset</u>	<u>Estimated Useful Life</u>
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 25 percent regular corporate income tax rate or two percent 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 the OCI or directly in equity, in which case, the current and deferred tax are also recognized in the OCI 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.

Derecognition of Non-financial assets

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

The PRA as a lessee

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 the 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 statement of financial position. 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.

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 the PPE, Right-of-Use Assets, Building and Other Structures and Lease Payable accounts and are presented under the

PPE and Non-Current Liabilities, respectively in the statement of financial position. (See *Notes 12, 18 and 33*)

3.10 Retained Earnings

Retained Earnings represent accumulated profit attributable to equity holders of the PRA 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 PRA recommends to the BI the issuance of the 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 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 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 seven accredited banks and 16 formerly accredited 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 percent (1/2%) to 1.5 percent (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 VFs for the conversion of deposits into active investments. The minimum qualifying deposit and the VF 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

However, the minimum qualifying age has been raised to at least 50 years old starting April 30, 2021 per Board Resolution No. 4, series of 2021.

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 the VF for more than three years were sent collection letters/notices. After three notices and the retirees still failed to pay, they were placed on a watch list 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 and COA Circular No. 2016-005 dated December 19, 2016.

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 percent (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 of members not subjected to the APF (old members prior to the introduction of the visa options the Courtesy option).

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:

Services	PRA	BI
Cancellation (plus BI fee)	US\$10.00	₱500 *
Visa downgrade	US\$10.00	₱4,020*
Re-stamping (plus BI fee)	US\$10.00	₱1,010*
Accreditation – New Marketer	US\$300.00	
Accreditation – Renewal – Marketer	US\$150.00	
ID Issuance – Marketer (for each additional representative in excess of two)	₱300.00	
Courier fee (retiree is in the Philippines)	₱150.00 **	
Courier fee (retiree is abroad)	US\$20.00 **	
Membership certification	US\$10.00	
Others service fees	US\$10.00	

*Includes ₱500 per document for BI express lane.

**Minimum charge, otherwise actual.

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.

The 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 Forex 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 PRA translated its transactions in Current Year (CY) 2022 and monetary items as at December 31, 2022 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 PRA 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. 2022-004, tangible assets with acquisition cost of P50,000 and below are classified as inventories before issuance to the end-user.

Prior period errors are omissions from, and misstatements in, the PRA'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 PRA 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 PRA's risk management framework. The Board has established the PRA's credit, finance, operational risk and executive committees, which are responsible for developing and monitoring the PRA'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 they faced, 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 PRA's Audit Committee is responsible for monitoring compliance with its risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risk faced by the Authority 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	2022	2021
Financial Assets:			
Cash and cash equivalents	5	314,975,884	349,597,290
Investment in time deposits	6	2,695,506,752	2,513,411,952
Receivables, net	7	105,530,902	108,325,667
Investment in stocks	10	3,500,000	3,500,000
Other receivables	11	7,095,488	7,540,541
Restricted fund	14	19,355,249,530	17,509,673,768
		22,481,858,556	20,492,049,218
Financial Liabilities:			
Financial liabilities-current	15	59,937,613	44,988,390
Inter-agency payables	16	175,069,742	115,373,786
Trust liabilities	17	19,858,191,209	17,982,092,828
Lease payables	21	43,243,717	65,778,164
Other payables	18	491,095	250,457,337
		20,136,933,376	18,458,690,505

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 PRA 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 PRA 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 PRA's maximum exposure to credit risk.

The table below shows the gross maximum exposure to credit risk of the PRA as of the years ended December 31, 2022 and 2021, without considering the effects of credit risk mitigation techniques.

	Note	2022	2021
Financial Assets:			
Cash and cash equivalents	5	314,975,884	349,597,290
Investment in time deposits	6	2,695,506,752	2,513,411,952
Receivables – gross	7	246,902,652	235,309,219
Investment in stocks	10	3,500,000	3,500,000
Other receivables – gross	11	11,624,845	12,069,899
		3,272,510,133	3,113,888,360

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 PRA 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 PRA'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 PRA made different judgments or utilized different estimates.

The PRA 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 PRA might encounter difficulty in meeting obligation from its financial liabilities.

a. Management of Liquidity Risk

The PRA'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 PRA's reputation.

The PRA 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 PRA intends to use internally generated funds and available short-term credit facilities.

As part of its liquidity risk management, the PRA 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 the GOCCs.

b. Exposure to Liquidity Risk

The liquidity risk is the adverse situation when the PRA 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, forex rates and credit spreads (not relating to changes in the obligor's issuer's credit standing) will affect the PRA'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 PRA'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 PRA'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 PRA's operations and are faced by all business entities.

The PRA's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the PRA'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; and
- 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 the following:

	2022	2021
Cash on hand	1,437,764	370,256
Cash in bank-local currency	99,355,081	281,639,844
Cash in bank-foreign currency	214,183,039	67,587,190
	314,975,884	349,597,290

Cash on hand is composed of various accounts mainly: (a) Cash collecting officer – local currency which amounted to P908,821 and P228,561 for the years ended December 31, 2022 and 2021, respectively; (b) Cash collecting officer – foreign currency which amounted to \$1,270.00 and \$2,120.00 as of December 31, 2022 and 2021 respectively, and translated into peso amounts using the corresponding year-end closing rates of P55.755:\$1 and P50.999:\$1 to arrive at the year-end balances of P70,809 and P108,118;

and (c) Petty cash fund amounting to P441,408 and P13,278, as of December 31, 2022 and 2021, respectively; and (d) Change funds of P0 and P5,000 as of December 31, 2022 and 2021, respectively for local currency and \$500 in foreign currency translated at P55.755:\$1 and P50.999:\$1 to arrive at the year-end balances of P27,878 and P15,300 for CYs 2022 and 2021, respectively.

Cash in bank – local currency consists of checking and savings accounts with the LBP and the DBP.

Cash in bank – foreign currency consists of savings account with the LBP and the DBP which amounted to \$3,841,503.70 and \$1,325,265.01 for the years ended December 31, 2022 and 2021, respectively, and translated into peso amounts using the corresponding year-end closing rates of P55.755:\$1 and P50.999:\$1.

Regular deposits accounts with the LBP and the DBP earn interest at rates ranging from 0.015 percent to 0.205 percent and 0.150 percent to 0.250 percent in 2022 and 2021, respectively.

6. INVESTMENTS IN TIME DEPOSITS

This account consists the following:

	2022	2021
Foreign currency time deposits	1,645,506,752	2,390,482,286
Investment in HY deposits	1,050,000,000	122,929,666
	2,695,506,752	2,513,411,952

Investment in time deposits refers only to current investments or those investments that have maturities beyond 90 days but within the next 12 months.

Current foreign currency time deposits with the LBP and the DBP amounted to US\$29,513,169.26 and US\$ 46,873,120.77 as of December 31, 2022 and 2021 and were converted to peso at year-end using the closing rates of P55.755:US\$1 and P50.999:US\$1, respectively.

Investments in HY deposits with the LBP yield interest rates of one percent in CY 2022 and 1.125 percent to 1.5 percent in CY 2021. Current Investments in US\$ time deposits with the LBP and the DBP yield interest rates of 0.15 percent to two percent in CY 2022 and 0.195 percent to two percent in CY 2021.

Included in the foreign currency time deposits is the Investments in time deposits – Restricted account amounting to US\$18,832.40 and US\$4,039,786.73 as of December 31, 2022 and 2021, 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 VD are contra accounts of the interest on VDs payable to retiree, as disclosed in Note 17.

7. RECEIVABLES

This account consists the following:

	2022	2021
Accounts receivable	66,497,834	60,993,349
Interest receivable	39,033,068	47,332,318
	105,530,902	108,325,667

7.1 Accounts receivable consist

	2022	2021
VF	67,998,836	50,347,560
Allowance for impairment-VF	(58,459,209)	(47,512,435)
<i>VF – net</i>	9,539,627	2,835,125
MF	28,666,426	61,697,175
Allowance for impairment-MF	(2,642,890)	(51,459,749)
<i>MF – net</i>	26,023,536	10,237,426
HF	10,753,754	2,753,379
Allowance for impairment-HF	(9,905,512)	(2,588,731)
<i>HF – net</i>	848,242	164,648
APF	139,069,720	120,511,105
Allowance for impairment-APF	(109,397,207)	(72,754,955)
<i>APF – net</i>	29,672,513	47,756,150
Other receivable	413,916	-
	66,497,834	60,993,349

- a. **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 VF rate is half (1/2) or 0.5 percent of the visa deposit amount converted into active investment of Section 16 of Rule VIII-A of the Implementing Rules and Regulations of EO No. 1037. From SRRV Nos. M-002162 up to M-006392, the VF is one percent of the VD 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 SRD scheme wherein the VD 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 VD converted	Annual VF collected
US\$20,000	US\$500 or its peso equivalent
US\$50,000	US\$750 or its peso equivalent

- b. **MF** represent fees due from the PRA accredited banks equivalent to one and half (1.5) percent of the outstanding daily balance of the retirees' VDs.

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. **HF** are amounts collected for the harmonization of the old and new schemes of deposit. A management fee of 1.5 percent 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. **APF** pertain to the amount collected from active members (who have not converted their requisite VD into active investment), other than those under the SRRV “Courtesy” scheme, at US\$360 for principal retiree and two 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 the following:

	2022	2021
Information material inventory	1,974,854	1,974,854
Accountable forms, plates and stickers	1,097,396	1,358,745
Office supplies inventory	253,769	188,459
Medical, dental and laboratory supplies inventory	46,983	70,696
Drugs and medicine inventory	43,200	10,146
Other supplies and materials inventory	241,896	310,324
	3,658,098	3,913,224

The Information material inventory account pertains to the cost of promotional materials while the Office supplies inventory account pertains to cost of regular office supplies such as bond papers, pens and pencils, etc.

The Drugs and medicine and other medical supplies are COVID-19 related materials and supplies purchased and/or received for use in operations.

Other inventory held for consumption pertains to Visa stickers, accountable forms and plates while the Other supplies inventory pertains to information technology consumables such as inks and cartridges.

9. OTHER CURRENT ASSETS

This account consists the following:

	2022	2021
Creditable withholding tax at source	21,530,711	24,883,456
Advances	29,007	141,557
Prepaid insurance	194,468	124,118
Other prepayments	1,723,721	1,173,044
	23,477,907	26,322,175

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

Advances pertain to cash advances granted to various disbursing officers which remained unliquidated as year-end.

Other prepaid expenses include purchases of supplies from Procurement Service which were already paid but not yet delivered as at year-end.

10. INVESTMENT IN STOCKS

The Investment in stocks account pertains to investment in proprietary shares of stock of the Baguio Country Club. The proprietary shares were purchased on July 23, 2015 in the amount of P600,000. The fair value of the club shares still amounted P3.500 million at December 31, 2022 and 2021.

11. OTHER RECEIVABLES

This account consists the following:

	2022	2021
COA disallowances	5,247,634	5,692,687
Due from officers and employees	1,335,719	1,335,719
Marketers accreditation	677,331	677,331
Other receivables	4,364,161	4,364,161
	11,624,845	12,069,898
Allowance for impairment	(4,529,357)	(4,529,357)
	7,095,488	7,540,541

COA disallowances pertain to disallowed payment of allowances and expenses which were issued with COA Order of Execution/Notice of Disallowance or Suspension.

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 in 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 MF (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.

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, 2022	168,547,001	46,280,685	18,529,724	5,890,683	239,248,093
Additions	-	-	-	-	-
(Disposals/adjustments)	-	(4,236,173)	-	-	(4,236,173)
Balance, December 31, 2022	168,547,001	42,044,512	18,529,724	5,890,683	235,011,920
Accumulated depreciation:					
Balance, January 1, 2022	86,878,421	31,081,527	13,367,324	4,699,412	136,026,684
Additions	24,039,827	4,057,643	827,357	582,167	29,506,994
(Disposals/adjustments)	-	(3,264,688)	-	-	(3,264,688)
Balance, December 31, 2022	110,918,248	31,874,482	14,194,681	5,281,579	162,268,990
Net book value, Dec. 31, 2022	57,628,753	10,170,030	4,335,043	609,104	72,742,930

Building and other structures account pertains to the condominium unit at the BDO Tower Valero, Makati City which is owned by the PRA with a total area of 598.20 square meters including four parking slots.

Included under the PPE are right-of-use assets over the following:

	2022	2021
Office building	100,199,115	100,199,115
Accumulated depreciation	(60,319,014)	(40,061,506)
Net book value	39,880,101	60,137,609

13. INTANGIBLE ASSETS

The details of the account are as follows:

	Computer software	Website	Development in Progress	Total
Cost:				
Balance, January 1, 2022	2,796,000	1,335,000	-	4,131,000
Additions	-	-	-	-
(Disposals/adjustments)	-	-	2,400,000	2,400,000
Balance, December 31, 2022	2,796,000	1,335,000	2,400,000	6,531,000
Accumulated depreciation:				
Balance, January 1, 2022	1,770,480	780,975	-	2,551,455
Additions	503,280	240,300	-	743,580
(Disposals/adjustments)	-	-	-	-
Balance, December 31, 2022	2,273,760	1,021,275	-	3,295,035
Net book value, Dec. 31, 2022	522,240	313,725	2,400,000	3,235,965
Net book value, Dec. 31, 2021	1,025,520	554,025	-	1,579,545

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

14. OTHER NON-CURRENT ASSETS

This account consists the following:

	2022	2021
Restricted funds	19,329,713,680	17,504,288,868
Guaranty deposits	5,535,850	5,384,900
	19,335,249,530	17,509,673,768

	2022		2021	
	Amount (in USD)	Amount (In Peso)	Amount (In USD)	Amount (In Peso)
RF-VD-Receiving	343,377,022	19,144,985,853	339,623,688	17,320,468,453
RF-VD-Disbursing	2,880,302	160,591,249	3,131,117	159,683,837
RF-Interest on VD	432,904	24,136,578	473,275	24,136,578
Total Restricted Fund	346,690,228	19,329,713,680	343,228,080	17,504,288,868

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

The RF-VD-Receiving and Disbursing accounts are the contra-accounts of VD of Retiree-Members account under Note 17 – Trust Liabilities.

RF-Interest on VD account pertains to the accumulated interests earned from the Restricted funds still not 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 VD, including those placed in TDs and part of Cash in bank-foreign currency with the DBP Saving Account 0405-018674-530 (Restricted), is the contra-account of the Interest on VD under Note 17 – 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 Philippine Long Distance Telephone Company.

15. FINANCIAL LIABILITIES

This account consists the following:

	2022	2021
Accounts payable	56,331,840	42,349,435
Due to officers and employees	3,605,772	2,638,955
	59,937,612	44,988,390

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 the following:

	2022	2021
Due to BIR	167,556,688	109,427,180
Due to GSIS	4,038,947	2,813,953
Due to Pag-IBIG fund	193,543	188,933
Due to PhilHealth	255,616	168,987
Due to NGAs (BI)	1,670,571	2,101,737
Due to LBP	1,354,377	672,996
	175,069,742	115,373,786

Due to Bureau of Internal Revenue (BIR) represents the last quarter income tax and withholding taxes on compensation, Value-Added Tax (VAT) and Expanded Withholding Tax for the month of December.

Due to GSIS, Philippine Health Insurance Corporation (PhilHealth), and Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno (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 the SRRV.

17. TRUST LIABILITIES

This account consists the following:

	2022	2021
Visa deposits of retiree-members	19,612,003,137	17,754,604,976
Interest on visa deposits	239,576,352	220,835,907
Customers' deposit payable	7,030,947	6,348,428
Guaranty/security deposits payable	(419,227)	303,517
	19,858,191,209	17,982,092,828

Visa deposits of retiree-members account pertains to the outstanding VD 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-VD-Receiving and RF-VD-Disbursing under Note 14 – RF. This account amounted to US\$ 351,753,262 and

US\$348,136,335 for the years ended December 31, 2022 and 2021, respectively, and was translated into peso amounts using the corresponding year-end closing rates of P55.755:US\$1 and P50.999:US\$1.

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

Interest on VD is the contra account of the Investments in TD-Foreign Currency-Restricted and RF-Interest on VD accounts under Note 6 – Investment in TD and Note 14 – RF, respectively. The account with balance of US\$4,296,948.29 and US\$4,330,201 as of December 31, 2022 and 2021, respectively, was translated to peso amounts using the corresponding year-end closing rates of P55.755:US\$1 and P50.999:US\$1.

18. OTHER PAYABLES

This account consists the following:

	2022	2021
Dividends payable	-	250,000,000
Other payables	491,095	457,337
	491,095	250,457,337

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

19. DEFERRED CREDITS/UNEARNED INCOME

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

	2022	2021
Annual PRA fee	386,988,432	354,599,582
Visitorial fee	10,083,469	8,256,932
Registration/ID fee	2,895,915	2,894,869
Harmonization fee	1,062,867	948,310
Accreditation fee	63,110	63,110
	401,093,793	366,762,803

Some retiree-members opt to pay the required fees in advance for a maximum of three years as allowed to avoid hassle of yearly SRRV ID renewal.

20. PROVISIONS

This account pertains mainly to the money value of unused leave benefits of regular employees amounting to P13.864 million and P10.332 million as of December 31, 2022 and 2021, respectively.

21. LEASE PAYABLE

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*).

This account consists of the following of the recorded lease liabilities net of the accumulated lease payments as of the report dates, as follows:

Lessor/Location	Lease Term	2022	2021
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	34,977,555	34,977,555
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	63,588,917	63,588,917
J.A.D. Savers Development Co., Inc. 4th Floor, Saver's Mall, Balibago, Angeles City, Philippines	October 29, 2020 to October 28, 2023	1,632,643	1,632,643
Total		100,199,115	100,199,115
Less: Accumulated Lease payment		56,955,398	34,420,951
Outstanding Balance		43,243,717	65,778,164

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 P63,217,089. There were no additions nor reductions of the amount during CY 2022.

23. RETAINED EARNINGS

	2022	2021
Retained Earnings, January 1	1,937,509,681	1,989,893,702
Dividend paid during the year	(167,690,588)	(400,000,000)
Net income for the year	455,785,379	347,615,979
Other adjustments, net	(16,756,108)	-
Retained earnings, December 31	2,208,848,364	1,937,509,681

24. INCOME

This account consists the following:

	2022	2021
Service income	646,341,046	559,745,008
Business income	62,460,348	75,123,904
Gains on forex	1,913,214,370	1,175,001,564
Other non-operating income	705,720	649,000
	2,622,721,484	1,810,519,476

24.1 Service Income

This account consists the following:

	2022	2021
Annual PRA fee	282,415,960	292,253,339
Visa application fee	144,829,182	52,165,856
Management fee	149,140,108	182,369,072
Visitorial fee	30,776,718	23,059,511
Registration/ID fee	5,555,737	5,332,337
Processing & other fees	23,289,732	2,636,949
Harmonization fee	10,333,609	1,927,944
	646,341,046	559,745,008

The APF pertains to the annual fee collected from active members at US\$360 for the principal retiree and two 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.

The MF are collected from private banks where retiree-members maintain their VD computed at agreed rates based on the outstanding amount of deposits. Presently there are nine accredited private banks maintaining the VD of retiree-members and 16 previously accredited private banks that still have some retirees' VD remaining with them and not yet transferred including that of Bankwise Inc. (see Note 11).

The VF represents the annual fee due from retirees who have converted their requisite VD into active investments, at the rates ranging from 0.5 percent to 1.5 percent 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 the following:

	2022	2021
Interest income	62,434,378	75,121,304
Other business income	25,970	2,600
	62,460,348	75,123,904

24.3 Gains on Forex

This account consists the following:

	2022	2021
Realized gains on forex	255,074,109	15,029,570
Unrealized gains on forex	1,658,140,261	1,159,971,994
	1,913,214,370	1,175,001,564

24.4 Other Non-operating Income

Other Non-operating income account pertains to Miscellaneous Income amounting to P705,720 and P649,000 in CYs 2022 and 2021, respectively.

25. DIRECT COST

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

	2022	2021
Marketers' fee	34,964,089	10,690,387
Bureau of Immigration (BI) fee	14,792,240	4,654,470
Medical examination fee	-	-
Visa stickers and IDs and membership kits	1,841,430	1,268,445
	51,597,759	16,613,302

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 168 and 137 accredited marketers in CYs 2022 and 2021, respectively, that were able to enrol a total of 1,900 principal retiree-applicants in CY 2022 and 546 principal retiree-applicants in 2021.

The 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 the PRA. This has been discontinued since 2021 and applicants were required to shoulder the cost of medical examination.

26. PERSONNEL SERVICES

This account consists the following:

	2022	2021
Salaries and wages	57,484,845	47,146,037
Other compensation	18,918,449	16,324,596
Benefits contribution	7,975,590	6,198,310
Other benefits	8,645,887	4,100,372
	93,024,771	73,769,315

26.1 Other Compensation

	2022	2021
Year-end bonus	5,453,565	3,985,943
Mid-year bonus	4,711,445	3,979,921
Personnel economic relief allowance	2,000,732	1,978,371
Service recognition incentive	1,644,000	796,000
Overtime pay	1,552,637	1,399,406
Representation allowance	1,163,875	1,169,500
Transportation allowance	1,012,530	1,044,955
Clothing/uniform allowance	504,000	498,000
Cash gift	414,000	421,000
Productivity incentive allowance	411,500	401,000
Longevity pay	44,665	30,000
Hazard pay	5,500	620,500
Other bonuses and allowances	-	-
	18,918,449	16,324,596

26.2 Benefits Contribution

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

	2022	2021
Retirement and life insurance premium	6,753,819	5,406,300
PhilHealth contribution	1,025,871	598,310
Pag-IBIG fund contribution	97,950	96,850
Employees compensation insurance premium	97,950	96,850
	7,975,590	6,198,310

26.3 Other Benefits

Other benefits account pertains to earned leave benefits of regular employees including terminal leaves paid to retired/resigned employees.

27. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists the following:

	2022	2021
Professional services	10,722,654	6,271,413
Repairs and maintenance	5,865,919	3,853,025
Traveling expenses	3,478,879	3,305
Communication expenses	5,536,236	5,716,612
Supplies and materials	5,641,487	2,942,450
Utility expenses	1,243,293	752,535
Training and scholarship expenses	829,866	138,854
Taxes, insurance premiums and other fees	305,524	277,620
General services	21,763,958	23,277,982
Confidential, intelligence and extraordinary expenses	93,258	32,660
Other maintenance and operating expenses	44,914,180	26,067,782
	100,395,254	69,334,238

27.1 Professional Services

	2022	2021
Auditing services	5,197,340	2,593,741
Consultancy services	4,271,100	2,655,582
Legal services	1,254,214	1,022,090
	10,722,654	6,271,413

27.2 Repairs and Maintenance

	2022	2021
Machinery and equipment	5,075,759	3,145,602
Buildings and other structures	254,774	209,543
Furniture and fixtures	55,800	472,580
Transportation equipment	479,586	25,300
Leasehold improvement	-	-
	5,865,919	3,853,025

27.3 Traveling Expenses

	2022	2021
Traveling expenses – local	1,172,258	3,305
Traveling expenses – foreign	2,306,621	-
	3,478,879	3,305

27.4 Communication expenses

	2022	2021
Internet subscription expenses	3,769,382	4,096,900
Telephone expenses	1,031,167	920,171
Postage and courier services	735,687	695,141
Cable, satellite, telegraph and radio expenses	-	4,400
	5,536,236	5,716,612

27.5 Supplies and Materials

	2022	2021
Office supplies expenses	2,232,754	1,809,350
Fuel, oil and lubricants expenses	1,439,544	919,645
Accountable forms expenses	64,368	30,974
Drugs and medicines expenses	131,135	182,196
Semi-expendable machinery and equipment expense	1,773,686	-
Other supplies and materials expenses	-	285
	5,641,487	2,942,450

27.6 Utility Expenses

Utility expenses represent those incurred by the PRA for electric consumption during CYs 2022 and 2021 totaling to P1,243,293 and P752,535, respectively.

27.7 Training and Scholarship Expenses

Training and scholarship expenses pertain to various seminars and conferences attended by employees amounting to P829,866 and P138,854 for CYs 2022 and 2021, respectively.

27.8 Taxes, Insurance Premiums and Other Fees

	2022	2021
Fidelity bond premiums	256,336	104,175
Taxes, duties and licenses	37,802	30,886
Insurance expenses	11,386	142,559
	305,524	277,620

27.9 General Services

	2022	2021
Security services	538,931	417,407
Other general services	21,225,027	22,860,575
	21,763,958	23,277,982

Other general services pertain to the salaries and wages including overtime pay of temporary workers under "job order" contracts.

27.10 Confidential, Intelligence and Extraordinary Expenses

Confidential, intelligence and extraordinary expenses consist of extraordinary and miscellaneous expenses incurred by the PRA in CYs 2022 and 2021 amounting to P93,258 and P32,660, respectively.

27.11 Other Maintenance and Operating Expenses

	2022	2021
Advertising, promotional and marketing expenses	28,932,709	14,211,728
Rent/lease expenses	896,238	655,791
Representation expenses	4,179,361	2,101,588
Membership dues and contributions to organizations	4,934,214	4,998,072
Major events and convention expenses	5,228,579	480,000
Transportation and delivery expenses	389,744	141,821
Printing and publication expenses	13,000	77,693
Subscription expenses	43,720	3,089,099
Other maintenance and operating expenses	296,615	311,990
	44,914,180	26,067,782

28. NON-CASH EXPENSES

	2022	2021
Depreciation		
Machinery and equipment	4,268,947	4,606,552
Building and other structures	4,047,516	3,998,688
Furniture and fixtures	105,665	101,222
Transportation equipment	827,357	827,357
Right of use (ROU)	20,257,509	20,257,509
	29,506,994	29,791,327
Amortization-intangible assets	743,580	743,580
Impairment loss-loans and receivables	6,218,997	130,144,304
	36,469,571	160,679,211

29. FINANCIAL EXPENSES

This account consists the following:

	2022	2021
Bank charges	17,535	6,920
Interest expense for leasing arrangements	1,933	3,181,732
	19,468	3,188,652

Finance costs for the reporting periods consist the following:

	2022	2021
Interest expense for leasing arrangements	1,933	3,181,732
	1,933	3,181,732

30. LOSS ON FOREX

This account consists the following:

	2022	2021
Realized loss on forex	2,624,712	3,194,987
Unrealized loss on forex	1,751,687,570	1,045,292,234
	1,754,312,282	1,048,487,221

Unrealized loss on forex amounting to P1.752 billion and P1.045 billion as at December 31, 2022 and 2021, resulted in the translation of monetary assets and liabilities denominated in US Dollars using the year-end closing rates of P55.755:US\$1 and P50.999: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 BIR the income tax as required under the Corporate Income Tax Law, and monthly all taxes withheld by the PRA from its suppliers/stakeholders in compliance with the existing Revenue Regulations on the taxes withheld on Government Money Payments.

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 percent 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%) percent of the gross payment thereof...”.

31.2 Income Tax Expense

This account consists of provisions for income taxes for:

	2022	2021
Income tax expense – current	180,673,666	71,826,639
Income tax expense – deferred	(49,556,666)	19,004,919
Total	131,117,000	90,831,558

31.3 Deferred Tax Assets

This account consists the following:

	2022	2021
Unrealized loss on FOREX	1,421,921,004	983,999,111
Unearned income	120,227,068	91,690,701
Allowance for impairment	42,344,778	44,711,307
Total	1,584,492,850	1,120,401,119

31.4 Deferred Tax Liabilities

This account consists the following:

	2022	2021
Unrealized gain on forex	1,322,609,359	908,074,293
Total	1,322,609,359	908,074,293

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 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:

	2022	2021
Salaries and wages	9,646,793	8,399,971
Other compensation	4,631,608	2,713,595
Other personnel benefits	36,000	32,660
	14,314,401	11,146,226

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 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 PPE (see *Note 3.9*).

Leases for satellite offices are generally of low-value or short term for a maximum period of 12 months. The 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. The 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 the PPE 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 Statement of Financial Position:

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	100,199,115	-	60,319,014	-

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	100,199,155
Adjustments	-
As at January 1,	100,199,115
New lease liabilities	-
Interest expense	3,183,665
Payments	(40,060,052)
As at December 31, 2022	P43,243,717

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

	2022	2021
Depreciation expense of leased assets, building and other structures	20,257,509	20,257,509
Interest expense on finance lease liability	1,933	3,181,732
Total amount recognized in Statement of Comprehensive income	20,259,442	23,439,241

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, 2022, 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:

	2022	2021
Rent payable within:		
One year	22,692,685	20,994,328
More than one year up to five years	23,763,476	43,834,771
Beyond five years	-	-
Total	46,456,161	64,829,099

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:

	2022	2021
Short-term lease	553,828	543,986
Leases of low value assets	169,440	119,574
Variable lease payments	-	-
Total	723,268	663,560

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, 2022 and 2021 are as follows:

	2022	2021
Creditable (Expanded)	3,184,198	3,340,948
Compensation and benefits	7,294,400	6,269,135
Creditable (VAT)	3,877,999	2,141,606
Total	14,356,597	11,751,689

b. Other Taxes & Licenses:

	2022	2021
<u>Local</u>		
Community tax	37,802	10,500
<u>National</u>		
BIR annual registration (Exempted)	-	-

35. LEGAL CASES

The PRA 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, 2021, parties entered into compromise agreements except for one employee whose case was parked pending re-entry from Canada.