**NATIONAL TOBACCO ADMINISTRATION**

**Notes to Financial Statements**

*(All amounts in Philippine Peso)*

# CORPORATE INFORMATION

The National Tobacco Administration (NTA) is a non-stock government-owned and controlled corporation (GOCC) created under Executive Order (EO) No. 116 dated January 30, 1987, which was implemented by EO No. 245 dated July 24, 1987. The NTA’s registered office is located in Scout Reyes corner Panay Avenue, Quezon City. Its temporary office is currently situated in 3rd and 4th Floors, Ben-Lor Building, Quezon Avenue, Quezon City, due to the reconstruction of the old building.

Under EO No. 245, Series of 1987, eight tobacco agencies were merged to the NTA, namely, Philippine Tobacco Administration, Philippine Virginia Tobacco Administration (PVTA), Philippine Tobacco Board, Philippine Virginia Tobacco Board, Philippine Tobacco Research and Training Center (PTRTC), Virginia Tobacco Fuel Wood Corporation, Virginia Flue-Curing Board, and National Tobacco Classification Council.

NTA is a GOCC attached to the Department of Agriculture (DA). It is headed by the Administrator and assisted by the Deputy Administrator. The NTA Board of Directors (BOD), composed of eight members, serve as the policy-making body of the Agency. NTA has eight Provincial Branch Offices (PBOs): five are located in Region I, two are in Region II, and one is in the Cordillera Administrative Region (CAR).

Under its charter, the NTA, as the sole tobacco Agency in the Philippines, was given two mandates, namely:

1. Improve the economic and living conditions and raise the quality of life of the tobacco farmers, including those who depend upon the industry for their livelihood; and
2. Promote the balanced and integrated growth and development of the tobacco industry to help make agriculture a solid base for industrialization.

In addition, Section 33 of Republic Act (RA) No. 9211, entitled, Tobacco Regulation Act of 2003, mandates the NTA to implement the following programs and projects:

1. Tobacco Growers Assistance Program to support financially the NTA registered tobacco farmers who may be displaced due to the implementation of the said RA or has voluntarily ceased planting tobacco;
2. Promote Tobacco Growers Cooperative Program to assist tobacco farmers in developing alternative farming systems, plant alternative crops and other livelihood projects;
3. National Tobacco Free Public Education Program to provide scholarship for dependents of tobacco farmers in collaboration with state colleges and universities; and
4. Research and Development Program to undertake studies concerning technologies and methods to reduce the risk of dependence on or injury from tobacco product usage and exposure and development of alternative uses of tobacco and similar research programs.

To effectively pursue the aforementioned mandates, the NTA has been entrusted with the powers and functions to:

1. Promulgate and enforce rules and regulations on the production, standardization, classification, grading and trading of tobacco products as may be necessary to attain its purposes and objectives;
2. Conduct agricultural and industrial research and establish, operate and maintain research stations;
3. Accept and receive financial and other support from private and other sources for the development and promotion of the Philippine tobacco industry;
4. Provide incentives and other financial assistance to tobacco growers and associations, directly or in conjunction with accredited financial institutions; and
5. Impose administrative sanctions for violations of the rules and regulations issued by the NTA.

The NTA fulfills its mandates through its operations as it envisions the following:

Vision

*An improved quality of life of the tobacco farmers and other stakeholders through increased productivity and other income-generating activities.*

Mission

*For the effective actualization of the vision, NTA is committed to enhance capabilities, build synergistic relationship among sectors, and mobilize resources for the development of the tobacco industry, for the benefit of the tobacco farmers and other industry stakeholders.*

The financial statements of NTA were approved and authorized for issue by the NTA BOD on May 19, 2022.

# BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

1. **Statement of Compliance with International Public Sector Accounting Standards (IPSASs)**

The financial statements have been prepared in compliance with IPSASs, formerly Philippine Public Sector Accounting Standards (PPSASs), prescribed for adoption by the COA under COA Resolution No. 2014-003 dated January 24, 2014. The PPSASs were renamed to IPSASs per COA Resolution No. 2020-01 dated January 9, 2020.

These IPSASs were published in the 2012 Handbook of International Public Sector Accounting Pronouncements (HIPSAP) of the International Public Sector Accounting Standards Board. Under COA Resolution No. 2017-006 dated April 26, 2017, additional six IPSASs and updates on the IPSASs, prescribed for adoption through COA Resolution No. 2014-003 in accordance with the 2016 HIPSAP, were adopted.

The NTA adopted the IPSASs on January 1, 2016. The accounting policies have been consistently applied throughout the year presented.

1. **Presentation of Financial Statements**

The NTA’s financial statements are prepared based on historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method. The accounts were reclassified in conformity with the Updated Revised Chart of Accounts (2019) prescribed under COA Circular No. 2020-002 dated January 28, 2020.

The financial statements of NTA are presented in Philippine Peso, while the functional and presentation currency and amounts are rounded off to the nearest peso, unless otherwise stated.

The IPSASs adopted by NTA require the use of accounting estimates and the exercise of judgment in applying the accounting policies. The areas where significant judgments have been made are disclosed in *Note 3.14*.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## Basis of Accounting

The NTA’s financial statements are prepared on accrual basis in accordance with the IPSASs.

## Combined Financial Statements

Separate books of accounts are maintained for the Special Account in the General Fund (SAGF) in compliance with COA Circular No. 2015-02 dated March 9, 2015. The SAGF is combined with corporate funds for purposes of financial reporting. The financial operations of the NTA have not yet been computerized due to budgetary constraints.

The eight PBOs maintain separate sets of books of accounts and prepare respective financial reports which are submitted to the NTA-Central Office (CO) for combination. The NTA adopts branch accounting system for the financial operation of its PBOs to decentralize operations and allow fiscal autonomy in the management of the PBOs.

The combined financial statements reflect the assets, liabilities, revenues and expenses of NTA CO and eight PBOs.

## Financial Instruments

1. **Financial Assets**
2. **Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 – *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through surplus or deficit, loans and receivables or available-for-sale financial assets, as appropriate. The NTA determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require the delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the NTA commits to purchase or sell the asset.

The NTA’s financial assets include: cash and cash equivalents; trade receivables; and loans and other receivables. (*See Notes 5 and 6*)

1. **Subsequent measurement**

The subsequent measurement of financial assets depends on their classification.

1. Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for purposes of selling or repurchasing in the near term.

As of December 31, 2021, the NTA has no financial assets at fair value through surplus or deficit.

1. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit. (*See Note 6.1*)

1. **Derecognition**

NTA derecognizes a financial asset or where applicable, a part of a financial asset or part of NTA of similar financial assets when:

1. The contractual rights to the cash flows from the financial asset expired or waived; and

2. The NTA has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in IPSAS 29 – *Financial Instruments: Recognition and Measurement*; and either NTA has:

• Transferred substantially all the risks and rewards of ownership of the financial asset; or

• Neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset but has transferred the control of the asset.

1. **Impairment of financial assets**

NTA assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

1. The debtors or a group of debtors are experiencing significant financial difficulty;

2. Default or delinquency in interest or principal payments;

3. The probability that debtors will enter bankruptcy or other financial reorganization; and

4. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

1. **Financial Liabilities**
2. **Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The NTA determines the classification of its financial liabilities at recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

NTA’s financial liabilities include trade and other payables, inter-agency payables and other current liabilities. (*See Notes 11, 12 and 14*)

1. **Subsequent measurement**

The measurement of financial liabilities depends on their classification.

1. Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through surplus or deficit.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

As of December 31, 2021, the NTA has no financial liabilities at fair value through surplus or deficit.

1. Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are considered an integral part of the effective interest rate. (*See Note 11*)

1. **Derecognition**

A financial liability is derecognized when the obligation under the liability expired or is discharged or cancelled.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

1. **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

## Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject of insignificant risk of changes of value. (*See Note 5*)

## Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory is received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. (*See Note 7*)

Costs incurred in bringing each product to its present location and condition is accounted for, as follows:

1. Raw materials: purchase cost using the weighted average cost method; and
2. Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overhead based on the normal operating capacity, but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost or net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost or current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of NTA.

In addition, pursuant to COA Circular No. 2016-006 dated December 29, 2016, tangible assets below the capitalization threshold of P15,000 are classified as inventories and as expense upon issuance to end-user. (*See Note 7*)

## Property, Plant, and Equipment

1. **Recognition**

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE. (*See Note 9*)

The characteristics of PPE are as follows:

* tangible items;
* are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
* are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

* it is probable that future economic benefits or service potential associated with the item will flow to the entity;
* the cost or fair value of the item can be measured reliably; and
* the cost is at least P15,000.

1. **Measurement at recognition**

An item recognized as PPE is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction, its cost is its fair value as at recognition date.

Cost includes the following:

* Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
* Expenditure that is directly attributable to the acquisition of the items; and
* Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

1. **Measurement after recognition**

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, NTA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair or replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

1. **Depreciation**

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense, unless it is included in the cost of another asset. (*See Note 19.1*)

1. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is placed in the location and its condition necessary for it to be capable of operating in the manner intended by Management.

1. Depreciation method

The straight-line method of depreciation is adopted unless another method is more appropriate for NTA’s operation.

1. Estimated useful life

NTA uses the life span of PPE prescribed by COA in determining the specific estimated useful life for each asset based on its experience, as follows:

|  |  |
| --- | --- |
| Buildings | * 20 years |
| Heavy equipment | * 10 years |
| Motor vehicles | * 7 years |
| Furniture and fixtures | * 10 years |
| Office equipment | * 5 years |

1. Residual value

NTA uses a residual value equivalent to 10 per cent of the cost of the PPE.

1. **Impairment**

An asset'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.

1. **Derecognition**

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

## Leases

**NTA as a lessee**

**Operating Lease**

Operating leases are leases that do not transfer substantially all the risk and benefits incidental to ownership of the leased item to NTA. Operating lease payments are recognized as an expense in surplus or deficit on a straight-line basis over the lease term.

In view of the construction of the new NTA-CO Building, the NTA leased from Ben-Lor Realty Trading and Publishing Corporation a 1,647-square meter office space at Ben-Lor Building, 1184 A, Brgy. Paligsahan, Quezon Avenue, Quezon City renewable for four years beginning January 2, 2019 to January 1, 2023, as provided in the Lease Contract entered and executed by the concerned parties on December 12, 2018. The monthly rental amounts to P1.176 million, exclusive of value-added tax (VAT), creditable withholding tax and final VAT withholding, with an annual escalation rate of 10 per cent starting on the second year. (*See Note 18.3*)

**NTA as a lessor**

**Operating lease**

Leases in which NTA does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term.

Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Rental income is recognized as revenue in the period in which it is earned. (*See Note 16.2*)

The properties being leased to outside parties are recorded as part of the PPE. The depreciation policies for PPE are applied to similar assets leased by NTA.

## Provisions, Contingent Liabilities and Contingent Assets

1. **Provisions**

Provisions are recognized when NTA 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 on the amount of the obligation.

Where NTA 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 as part of non-cash expenses, 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.

1. **Contingent liabilities**

NTA does not recognize a contingent liability but discloses details of any contingencies in the Notes to Financial Statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

1. **Contingent assets**

NTA does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of NTA.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the value of the asset can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

## Changes in Accounting Policies and Estimates

NTA recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application is impractical.

NTA recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

NTA corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

1. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
2. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

## Revenue from Non-exchange Transactions

1. **Recognition and measurement of assets from non-exchange transactions**

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset is recognized as an asset if the following criteria are met:

* It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
* The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

A non-exchange transaction of NTA refers to the Subsidy Income from National Government received annually by the NTA. (*See Note 24*)

1. **Recognition of revenue from non-exchange transactions**

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow. As NTA satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

1. **Measurement of revenue from non-exchange transactions**

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by NTA, unless a corresponding liability is recognized.

1. **Measurement of liabilities on initial recognition from non-exchange transactions**

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

1. **Gifts and donations**

NTA recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which are ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair values are ascertained by reference to quoted prices in an active and liquid market.

1. **Transfers**

NTA recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

1. **Transfers from other government entities**

Revenue from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized in obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to NTA and can be measured reliably.

## Revenue from Exchange Transactions

1. **Measurement of revenue**

Revenue is measured at the fair value of the consideration received or receivable.

1. **Rendering of services**

NTA recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable (*See Note 16.1*).

1. **Interest income**

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 the net carrying amount of the asset. The method applies this yield to the outstanding principal to determine interest income each period.

The interest income of NTA arises from the interest earned from the loans that are extended to tobacco farmers under the production/facility assistance projects of NTA.   
(*See Note 16.2*)

1. **Rental income**

Rental income arising from operating leases is accounted on a straight-line basis over the lease terms and included in revenue.

The property being leased to outside parties is recorded as part of the PPE account. Income earned from rentals is disclosed in *Note 16.2*.

## Budget Information

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) was prepared since the budget was not prepared on comparable basis. The SCBAA was presented showing the original and final budget and the actual amounts on comparable basis to the budget. The budget information in the financial statements is provided in *Note 29.*

## Employee Benefits

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

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

The NTA recognized provision on the regular employees’ earned leave credits in compliance with IPSAS 19 – *Provisions, Contingent Liabilities, and Contingent Assets* (*See Note 15*).

## Measurement of Uncertainty

The preparation of financial statements in conformity with IPSASs requires Management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements.

Estimates were based on the best information available at the time of preparation of the financial statements and were reviewed annually to reflect new information as it becomes available. Measurement of uncertainty exists in the financial statements and actual results could differ from the estimates.

Items requiring the use of significant estimates include, but not limited to the following:

1. **Allowance for impairment losses**

In assessing impairment, Management estimates the recoverable amount of each asset based on expected future cash flows. Estimation of uncertainty relates to assumptions about future operating results.

In the case of trade receivables, allowance for impairment losses shall be provided in an amount based on collectability of receivable balances and evaluation of such factors as aging of accounts, collection experiences of the Agency, expected loss experiences and identified doubtful accounts as required under Section 10, Chapter 7 of Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I (S*ee Note 19.2*). The provision for allowance for doubtful accounts of NTA, approved through Board Resolution No. 620-2017 dated January 13, 2017, are computed as follows:

|  |  |
| --- | --- |
| **Age of account** | **Percentage of allowance** |
| Above 10 years | 100% |
| Above 5 years to 10 years | 40% |
| Above 1 year to 5 years | 5% |

NTA recognized impairment losses amounting to P43.107 million and P39.497 million for receivables in Calendar Years (CYs) 2021 and 2020, respectively, as disclosed in *Note 19.2*.

1. **Property, Plant and Equipment**

PPEs are stated at cost less accumulated depreciation. A residual value equivalent to 10 per cent of acquisition cost is deducted before depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to 20 years, as prescribed by COA.

# RISK MANAGEMENT OBJECTIVES AND POLICIES

NTA is exposed to the following risks from its use of financial instruments:

* Credit risk
* Liquidity risk
* Interest/Market risks
* Operational risk

This note presents information about NTA’s exposure to the above risks; objectives, policies and processes for measuring and managing the risks; and management of capital.

## Risk Management Framework

The NTA BOD has the overall responsibility for the establishment and oversight of NTA’s risk management framework. The NTA Offices of the Administrator and Deputy Administrators as well as Administrative, Finance, Regulation, Industrial Research and Corporate Planning Departments are responsible for the development and monitoring of NTA’s risk management policies in their respective areas. The Heads of these offices regularly convene to develop and monitor the NTA’s risk management.

NTA’s risk management policies are established to identify and analyze the risks faced by the Agency 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 as well as products and services offered. The NTA, through its training and management standards and procedures, aims to develop a discipline and constructive control environment wherein all employees understand their roles and obligations.

NTA’s Internal Audit Service is responsible for monitoring compliance with risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risk faced by NTA.

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 below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Note** | **2021** | **2020**  **As restated** |
| **Financial Assets** |  |  |  |
| Cash and cash equivalents | 5 | 383,771,804 | 500,288,134 |
| Receivables – net | 6 | 875,561,185 | 797,579,592 |
| Investments | 8 | 14,122,433 | 14,122,433 |
|  |  | **1,273,455,422** | **1,311,990,159** |
| **Financial Liabilities** |  |  |  |
| Financial liabilities | 11 | 233,858,358 | 318,984,704 |
| Inter-agency payables | 12 | 4,517,314 | 3,709,266 |
| Other current liabilities | 14 | 35,537,337 | 29,571,328 |
|  |  | **273,913,009** | **352,265,298** |

## Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to NTA. The NTA has adopted a policy of only dealing with creditworthy counterparties. The NTA defines counterparties as having similar characteristics if they are related entities.

The credit granted by NTA to counterparties generally arises from loan assistance to tobacco farmers, and repayments of which generally are through the proceeds from their harvest. The NTA generally does not obtain collateral from its counterparties as a means of mitigating the risk of loss from defaults but provides repossession clause in its Promissory Notes and Schedule of Payments with the counterparties. Interests, penalty clauses, and where applicable, administrative sanctions, are also applied to the loan borrowers, in case of defaults.

To encourage payments from farmer-beneficiaries, the NTA gives 20 per cent incentive from the farm inputs/implement delivered to the beneficiaries if paid in full. Likewise, tobacco farmers/borrowers are not allowed to new production assistance if the payment to outstanding loan is less than 85 per cent.

On-going credit evaluation is performed on the financial condition of loans and other receivables. Furthermore, NTA manages its credit risk by depositing its cash with high-credit quality banking institutions.

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

## Credit Risk Exposure

The gross maximum exposure to credit risk of NTA as at December 31, 2021 and 2020 without considering the effects of credit risk mitigation techniques is presented in the table below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Note** | **2021** | **2020**  **As restated** |
| **Financial Assets** |  |  |  |
| Cash and cash equivalents | 5 | 383,771,804 | 500,288,134 |
| Receivables\* | 6 | 1,324,801,091 | 1,203,712,290 |
| Investments | 8 | 14,122,433 | 14,122,433 |
|  |  | **1,722,695,328** | **1,718,122,857** |

*\* Gross of allowance amounting to P449,239,906 and P406,132,698 as at December 31, 2021 and 2020, respectively.*

1. **Management of credit risk**

The NTA BOD has delegated primary responsibility for the management of credit risk to its NTA’s Management. The overall credit risk management structure of NTA takes into consideration the following controls, among others:

* Formulating production assistance policies in consultation with the business units, credit assessment, documentary and legal procedures, and compliance with regulatory and statutory requirement.
* Establishing the authorization structure for the approval and renewal of production assistance facilities. Authorization limits are allocated to the PBO Managers and Area Heads, while larger facilities require the approval by the Administrator and/or the NTA BOD as appropriate.
* Reviewing and assessing credit risk. PBO Managers assess all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
* Providing advice, guidance and specialized skills to PBOs to promote best practice throughout NTA in the management of credit risk.
* Conducting Management meetings.

All personnel in-charge in lending is required to implement NTA’s credit policies and procedures, with credit approval authorities delegated from Management.

The audit of NTA production assistance programs is undertaken by the Internal Audit Service.

i. Impaired loans and receivables

Impaired loans and securities are loans and securities for which NTA determines that it is probable that it will be unable to collect all principal and interest due according to contractual terms of the loans, securities agreements or promissory notes.

ii. Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but NTA believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of amounts owed to NTA.

iii. Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower’s financial position and where NTA has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

1. Allowance for impairment losses

NTA establishes an allowance for impairment losses that represent its estimate of incurred losses in its loan portfolio. The main component of the allowance is specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogenous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

1. Write-off policy

Consonant with COA Circular No. 2016-005 dated December 19, 2016, NTA requests authority from COA for the write-off of a loan/security balance (and any related allowances for impairment losses) when Management determines that the loans/securities are finally uncollectible. This is determined after considering information like the occurrence of significant changes in the borrower’s financial position such that the borrower can no longer pay the obligation, death of borrowers, bankruptcy, whereabouts of borrowers cannot be located and/or the proceeds from the loan collateral will not be sufficient to pay back the entire exposure.

For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

The NTA generally does not obtain collateral from its counterparties as a means of mitigating the risk of loss from defaults but provides repossession clause in its Promissory Notes and Schedule of Payments with counterparties. Interests, penalty clauses and administrative sanctions, when applicable, may be applied to the loan borrowers, in case of defaults.

1. Settlement risk

The NTA’s activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed, providing a condition in the promissory notes with loan beneficiaries that in case there is failure of repayment at the stipulated time of payment, NTA can repossess all the farm inputs/equipment that have been previously loaned out to the beneficiaries and interests and penalty fees may be applied.

1. **Risk concentration of the maximum exposure to credit risk**

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions, concentrations indicate the relative sensitivity of NTA’s performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten NTA’s financial strength and undermine public confidence.

1. **Aging analysis**

An aging analysis of NTA’s receivables as at December 31, 2021 and 2020 is as follows:

|  | **Note** | **2021** | **2020** |
| --- | --- | --- | --- |
| Outstanding receivables: \* | 6.4 |  |  |
| 0 to one year |  | 347,820,595 | 301,658,737 |
| More than one year to five years |  | 392,061,988 | 361,710,854 |
| More than five years to 10 years |  | 250,423,051 | 235,722,158 |
| More than 10 years |  | 334,495,457 | 304,620,541 |
|  |  | **1,324,801,091** | **1,203,712,290** |

*\*Gross of allowance amounting to P449,239,906 and P406,132,698 as at December 31, 2021 and 2020, respectively.*

1. **Impairment assessment**

NTA recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold. These conditions and the other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by NTA in assessing and measuring impairment include: (a) specific/individual assessment; and (b) collective assessment. Under specific/ individual assessment, NTA assesses each individual significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment.

Among the items and factors considered by NTA when assessing and measuring specific impairment allowances are: (a) timing of the expected cash flows; (b) projected receipts or expected cash flows; (c) going concern of the counterparty’s business; (d) ability of the counterparty to repay its obligations during financial crises; and (e) availability of other sources of financial support. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment.

The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment.

Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write offs; (b) losses which are likely to occur but has not yet occurred; and (c) expected receipts and recoveries once impaired.

## Liquidity Risk

Liquidity risk is the risk that NTA might encounter difficulty in meeting obligations from its financial liabilities.

1. **Management of liquidity risk**

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

NTA maintains a portfolio of short-term liquid assets, largely made up of cash in banks to ensure that sufficient liquidity is maintained within NTA as a whole. All liquidity policies and procedures are subject to review and approval by the NTA BOD.

1. **Exposure to liquidity risk**

The liquidity risk is the adverse situation when NTA 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 planning takes into consideration various possible changes in economic, market, political, regulatory and other external factors that may affect the liquidity position of NTA.

The liquidity management policy of NTA is conservative in maintaining optimal liquid cash funds to ensure capability to adequately finance its mandated activities and other operational requirements at all times. NTA’s funding requirement is generally met through any or a combination of financial modes allowed by law that would give the most advantageous results.

The table below summarizes the maturity profile of NTA’s financial liabilities as at December 31, 2021 and 2020.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **As at December 31, 2021** | **Within**  **One Year** | **One to Five Years** | **Over Five Years** | **Total** |
| Financial liabilities | 89,595,810 | 65,239,496 | 79,023,052 | 233,858,358 |
| Inter-agency payables | 3,342,366 | 541,788 | 633,160 | 4,517,314 |
| Other current liabilities | 10,092,255 | 24,492,720 | 952,362 | 35,537,337 |
|  | **103,030,431** | **90,274,004** | **80,608,574** | **273,913,009** |
|  |  |  |  |  |
| **As at December 31, 2020** | **Within**  **One Year** | **One to Five Years** | **Over Five Years** | **Total** |
| Financial liabilities | 179,040,344 | 61,182,101 | 78,762,259 | 318,984,704 |
| Inter-agency payables | 2,769,132 | 306,974 | 633,160 | 3,709,266 |
| Other current liabilities | 6,478,800 | 22,187,164 | 905,364 | 29,571,328 |
|  | **188,288,276** | **83,676,239** | **80,300,783** | **352,265,298** |

## Market Risks

Market risk is the risk that changes in the market prices, such as interest rate, equity prices, and credit spreads (not related to changes in the obligor’s issuer’s credit standing) will affect NTA’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 NTA’s financial assets and liabilities to various standard and non-standard interest rate scenarios.

## Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with NTA’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 behaviour. Operational risks arise from all of NTA’s operations and are faced by all business entities.

NTA’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to NTA’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 Management. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

* Requirement for appropriate segregation of duties, including the independent authorization of transactions;
* Requirement 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 control 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 mandatory standards is supported by a program of periodic reviews undertaken by Internal Audit Service. The results of internal audit reviews are discussed with Management, with summaries to the NTA BOD.

# CASH AND CASH EQUIVALENTS

This account is composed of the following:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2021** | **2020**  **As restated** |
| Cash in bank |  | 382,623,694 | 497,888,909 |
| Cash on hand |  | 1,148,110 | 2,399,225 |
|  |  | **383,771,804** | **500,288,134** |

The Cash in bank account pertains to deposits made to authorized government depository banks, while Cash on hand account consists of unremitted collections from the Collecting Officers. Interest income on deposits for CYs 2021 and 2020 amounted to P179,693 and P205,949, respectively, as disclosed under *Note 22*.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Cash in bank account for CY 2020 is restated as follows:

| **Particulars** | **Amount** |
| --- | --- |
| Cash in bank, December 31, 2020 | 497,874,846 |
| Add: adjustments on stale check | 14,063 |
| **Cash in bank, December 31, 2020, as restated** | **497,888,909** |

# RECEIVABLES

|  |  | **2021** | | | **2020** | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Note** | **Current** | **Non-current** | **Total** | **Current** | **Non- current** | **Total** |
| Loans and receivables – net | 6.1 | 837,007,353 | - | 837,007,353 | 756,316,154 | - | 756,316,154 |
| Inter-agency receivables | 6.2 | 693,525 | - | 693,525 | 707,632 | - | 707,632 |
| Other receivables – net | 6.3 | 37,860,307 | - | 37,860,307 | 40,555,806 | - | 40,555,806 |
|  |  | **875,561,185** | **-** | **875,561,185** | **797,579,592** | **-** | **797,579,592** |

1. **Loans and Receivables**

|  | **2021** | | | **2020** | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Current** | **Non-current** | **Total** | **Current** | **Non-current** | **Total** |
| Loans receivable | 1,042,653,874 | 5,414,040 | 1,048,067,914 | 940,889,628 | 5,414,040 | 946,303,668 |
| Notes receivable | - | 77,734,275 | 77,734,275 | - | 77,734,275 | 77,734,275 |
| Trade receivables | 48,406,133 | 781,245 | 49,187,378 | 27,663,773 | 781,245 | 28,445,018 |
| Interest receivables | 100,783,706 | 187,395 | 100,971,101 | 100,783,706 | 187,395 | 100,971,101 |
|  | 1,191,843,713 | 84,116,955 | 1,275,960,668 | 1,069,337,107 | 84,116,955 | 1,153,454,062 |
| Less: Allowance for impairment losses | 354,836,360 | 84,116,955 | 438,953,315 | 313,020,953 | 84,116,955 | 397,137,908 |
|  | **837,007,353** | **-** | **837,007,353** | **756,316,154** | **-** | **756,316,154** |

The Receivables account consists of research and regulation fees collectible from tobacco trading centers and manufacturers; loan assistance granted to tobacco farmers, cooperatives and tobacco traders; accrued interest on loans and due from officers and employees.

Notes receivable represents receivables from tobacco traders and cooperatives out of the tobacco trading augmentation loans availed from the Omnibus Credit Line (OCL) with the Philippine National Bank (PNB) per Credit Agreement dated June 24, 1996.

The Allowance for impairment on Loans and receivables account amounted to P265.715 million, P77.734 million, P9.321 million, and P86.183 million in CY 2021 and P224.019 million, P77.734 million, P9.284 million, and P86.101 million in CY 2020 for loans receivable, notes receivable, trade receivables, and interest receivable, respectively. The non-current loans and receivables were provided with a 100 per cent allowance.

1. **Inter-agency Receivables**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2021** | | | **2020** | | |
|  | **Current** | **Non-current** | **Total** | **Current** | **Non-current** | **Total** |
| Due from NGAs | 615,000 | - | 615,000 | 629,107 | - | 629,107 |
| Due from GOCCs | 78,525 | - | 78,525 | 78,525 | - | 78,525 |
|  | **693,525** | **-** | **693,525** | **707,632** | **-** | **707,632** |

1. **Other Receivables**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2021** | | | | **2020** | | |
|  | **Current** | **Non-current** | **Total** | **Current** | | **Non-current** | **Total** | |
| Disallowances and charges | 30,677,736 | - | 30,677,736 | 32,017,428 | | - | 32,017,428 | |
| Due from officers and employees | 4,236,035 | - | 4,236,035 | 5,429,399 | | - | 5,429,399 | |
| Other receivables | 10,153,338 | 3,079,789 | 13,233,127 | 9,023,980 | | 3,079,789 | 12,103,769 | |
|  | 45,067,109 | 3,079,789 | 48,146,898 | 46,470,807 | | 3,079,789 | 49,550,596 | |
| Less: Allowance for impairment losses | 7,206,802 | 3,079,789 | 10,286,591 | 5,915,001 | | 3,079,789 | 8,994,790 | |
|  | **37,860,307** | **-** | **37,860,307** | **40,555,806** | | **-** | **40,555,806** | |

1. **Aging/Analysis of Receivables**

*As at December 31, 2021*

|  | **0 to 1 year** | **More than**  **1 to 5 years** | **More than**  **5 to 10 years** | **More than 10 years** | **Total** |
| --- | --- | --- | --- | --- | --- |
| Loans receivable | 319,325,872 | 375,304,110 | 219,325,445 | 134,112,487 | 1,048,067,914 |
| Notes receivable | - | - | - | 77,734,275 | 77,734,275 |
| Trade receivables | 25,483,923 | 13,630,755 | 792,282 | 9,280,418 | 49,187,378 |
| Interest receivables | - | - | 24,646,464 | 76,324,637 | 100,971,101 |
| Inter-agency receivables | - | - | - | 693,525 | 693,525 |
| Due from officers and employees | 2,208,193 | 1,079,203 | 464,568 | 484,071 | 4,236,035 |
| Disallowances and charges | 800,907 | 882,919 | 2,341,502 | 26,652,408 | 30,677,736 |
| Other receivables | 1,700 | 1,165,001 | 2,852,790 | 9,213,636 | 13,233,127 |
|  | **347,820,595** | **392,061,988** | **250,423,051** | **334,495,457** | **1,324,801,091** |

*As at December 31, 2020*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **0 to 1 year** | **More than**  **1 to 5 years** | **More than**  **5 to 10 years** | **More than 10 years** | **Total** |
| Loans receivable | 292,224,649 | 344,183,055 | 203,695,823 | 106,200,141 | 946,303,668 |
| Notes receivable | - | - | - | 77,734,275 | 77,734,275 |
| Trade receivables | 4,771,562 | 13,960,011 | 489,944 | 9,223,501 | 28,445,018 |
| Interest receivables | - | - | 24,783,089 | 76,188,012 | 100,971,101 |
| Inter-agency receivables | - | - | - | 707,632 | 707,632 |
| Due from officers and employees | 4,034,043 | 477,611 | 432,174 | 485,571 | 5,429,399 |
| Disallowances and charges | 628,483 | 2,096,420 | 2,324,399 | 26,968,126 | 32,017,428 |
| Other receivables | - | 993,757 | 3,996,729 | 7,113,283 | 12,103,769 |
|  | **301,658,737** | **361,710,854** | **235,722,158** | **304,620,541** | **1,203,712,290** |

The Allowance for impairment losses – receivables as at December 31, 2021 is computed as follows:

|  | **Note** | **Amount** |
| --- | --- | --- |
| Allowance for impairment losses, December 31, 2020 |  |  |
| Loans and receivables | 6.1 | 397,137,908 |
| Other receivables | 6.3 | 8,994,790 |
|  |  | 406,132,698 |
| Provision for impairment losses – receivables CY 2021 | 19.2 | 43,107,208 |
| **Allowance for impairment losses, December 31, 2021** |  | **449,239,906** |

# INVENTORIES

|  |  | **2021** | | **2020** | |
| --- | --- | --- | --- | --- | --- |
|  | **Note** | **Inventories carried at lower of cost and NRV** | **Inventories carried at fair value less costs to sell** | **Inventories carried at lower of cost and NRV** | **Inventories carried at fair value less costs to sell** |
| **Agricultural and marine supplies inventory** |  |  |  |  |  |
| Carrying amount, January 1 |  | 10,361,500 | - | 6,898,736 | - |
| Additions/acquisitions during the year |  | 18,208,825 | - | 31,843,849 | - |
| Expensed during the year, except write-down | 18.4 | (331,529) | - | (183,985) | - |
| Other adjustments |  | (17,223,392) | - | (28,197,100) | - |
| **Carrying amount, December 31** |  | **11,015,404** | **-** | **10,361,500** | **-** |
|  |  |  |  |  |  |
| **Semi-expendable inventory** |  |  |  |  |  |
| Carrying amount, January 1 |  | 3,863,873 | - | 2,881,444 | - |
| Additions/acquisitions during the year |  | 977,270 | - | 1,002,129 | - |
| Expensed during the year, except write-down |  | - | - | - | - |
| Other adjustments |  | 753,092 | - | (19,700) | - |
| **Carrying amount, December 31** |  | **5,594,235** | **-** | **3,863,873** | **-** |
|  |  |  |  |  |  |
| **Medical, dental and laboratory supplies inventory** | | | | | |
| Carrying amount, January 1 |  | 3,210 | - | 3,210 | - |
| Additions/acquisitions during the year |  | 3,146,482 | - | 880,437 | - |
| Expensed during the year, except write-down | 18.4 | (2,777,196) | - | (880,437) | - |
| Other adjustments |  | 38,440 | - | - | - |
| **Carrying amount, December 31** |  | **410,936** | **-** | **3,210** | **-** |
|  |  |  |  |  |  |
| **Accountable forms inventory** |  |  |  |  |  |
| Carrying amount, January 1 |  | 394,302 | - | 414,679 | - |
| Additions/acquisitions during the year |  | 192,985 | - | 358,085 | - |
| Expensed during the year, except write-down | 18.4 | (83,140) | - | (116,380) | - |
| Other adjustments |  | (162,765) | - | (262,082) | - |
| **Carrying amount, December 31** |  | **341,382** | **-** | **394,302** | **-** |
|  |  |  |  |  |  |
| **Finished goods inventory** |  |  |  |  |  |
| Carrying amount, January 1 |  | 474,016 | - | 1,180,189 | - |
| Additions/acquisitions during the year |  | 1,014,386 | - | 2,004,346 | - |
| Expensed during the year, except write-down |  | (1,309,004) | - | (2,710,519) | - |
| Other adjustments |  | 12,325 | - | - | - |
| **Carrying amount, December 31** |  | **191,723** | **-** | **474,016** | **-** |
|  |  |  |  |  |  |
| **Office supplies inventory** |  |  |  |  |  |
| Carrying amount, January 1 |  | 383,753 | - | 345,805 | - |
| Additions/acquisitions during the year |  | 2,701,481 | - | 2,768,874 | - |
| Expensed during the year, except write-down | 18.4 | (2,781,884) | - | (2,680,632) | - |
| Other adjustments |  | (112,677) | - | (50,294) | - |
| **Carrying amount, December 31** |  | **190,673** | **-** | **383,753** | **-** |
|  |  |  |  |  |  |
| **Raw materials inventory** |  |  |  |  |  |
| Carrying amount, January 1 |  | 39,298 | - | 58,888 | - |
| Additions/acquisitions during the year |  | 990,530 | - | 1,965,167 | - |
| Expensed during the year, except write-down |  | (970,240) | - | (1,984,757) | - |
| Other adjustments |  | - | - | - | - |
| **Carrying amount, December 31** |  | **59,588** | **-** | **39,298** | **-** |
|  |  |  |  |  |  |
| **Other supplies inventory** |  |  |  |  |  |
| Carrying amount, January 1 |  | 14,827,079 | - | 11,678,133 | - |
| Additions/acquisitions during the year |  | 4,455,440 | - | 3,985,168 | - |
| Expensed during the year, except write-down | 18.4 | (979,723) | - | (941,544) | - |
| Other adjustments |  | (3,522,436) | - | 105,322 | - |
| **Carrying amount, December 31** |  | **14,780,360** | **-** | **14,827,079** | **-** |
|  |  | **32,584,301** | **-** | **30,347,031** | **-** |

The Agricultural and marine supplies inventory consists of fertilizers, fungicides and desuckercides intended for distribution to farmers as loans in CY 2021.

Semi-expendable inventory includes tangible properties which are below the capitalization threshold of P15,000, as prescribed under paragraph 5.4 of COA Circular No. 2016-006 dated December 29, 2016 which are recognized as expense upon issuance/distribution to the end-users.

Finished goods inventory and raw materials inventory accounts pertain to the meat products and ingredients for meat processing under the NTA Kadiwa ni Ani at Kita*.*

Other supplies inventory includes unserviceable properties which are below the capitalization threshold of P15,000 as at December 31, 2021. It also includes materials used in the Improved Tobacco Seedling Production project of the NTA such as cacha, seedling tray and plastic sheet which are expected to last for three cropping seasons.

# INVESTMENTS

The account consists of the following:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2021** | **2020** |
| Time deposits |  | 1,121,933 | 1,121,933 |
| Investment in bonds |  | 500 | 500 |
| Other investments |  | 13,000,000 | 13,000,000 |
|  |  | **14,122,433** | **14,122,433** |

The Time deposits account includes special deposit of P1.116 million which is a part of the investment with the Trust Management Group of the Philippine Veterans Bank (PVB) under Investment Management Agreement No. 4450-42-000064 dated June 17, 2003 executed between the PVB and NTA. This was opened as a requirement for the release of P100 million loans to tobacco traders from the funds of the Provincial Government of Ilocos Sur transferred to NTA.

The NTA entered into an agreement with PVB for the latter to manage the fund and to grant loans to tobacco farmers, manufacturers/companies, trading centers and/or tobacco-based farmers’ cooperatives as may be identified and authorized by NTA under a “directional loan arrangement” and shall be withdrawn by NTA upon collection by the PVB of the loans from the loan borrowers.

The Other investments account of P13 million represents investment in fully completing and implementing the NTA employees housing project located in Montalban, Rizal drawn from the corporate funds of NTA. The P500 investment in bonds pertains to PVTA, a defunct tobacco Agency merged into the NTA.

# PROPERTY, PLANT, AND EQUIPMENT (PPE)

Breakdown of this account is as follows:

As at December 31, 2021

|  | **Land** | **Land improvements, building and other structures** | **Various equipment** | **Furniture and fixtures, books, motor vehicles and other PPE** | **Construction in progress** | **Total** |
| --- | --- | --- | --- | --- | --- | --- |
| **Cost:** |  |  |  |  |  |  |
| Balance, 01/01/2021 | 101,428,104 | 459,070,184 | 218,828,704 | 55,823,444 | - | 835,150,436 |
| Additions | 142,100 | 17,349,768 | 8,043,484 | 1,063,929 | - | 26,599,281 |
| Disposals | - | (50,292,923) | (1,342,890) | (121,684) | - | (51,757,497) |
| Adjustments | - | (4,384,974) | (1,819,047) | 14,027 | - | (6,189,994) |
| Balance, 12/31/2021 | 101,570,204 | 421,742,055 | 223,710,251 | 56,779,716 | - | 803,802,226 |
| **Accumulated depreciation:** |  |  |  |  |  |  |
| Balance, 01/01/2021 | - | 142,011,830 | 141,601,875 | 24,656,177 | - | 308,269,882 |
| Depreciation (*Note 19.1*) | - | 12,803,681 | 14,711,401 | 4,691,919 | - | 32,207,001 |
| Disposals | - | (32,775,753) | (1,099,978) | (387,422) | - | (34,263,153) |
| Adjustments | - | 58,303 | (171,494) | 327,295 | - | 214,104 |
| Balance, 12/31/2021 | - | 122,098,061 | 155,041,804 | 29,287,969 | - | 306,427,834 |
| **Carrying value, 12/31/2021** | **101,570,204** | **299,643,994** | **68,668,447** | **27,491,747** | **-** | **497,374,392** |

As at December 31, 2020

|  | **Land** | **Land improvements, building and other**  **structures** | **Various equipment** | **Furniture and fixtures, books, motor vehicles and other PPE** | **Construction in progress** | **Total** |
| --- | --- | --- | --- | --- | --- | --- |
| **Cost:** |  |  |  |  |  |  |
| Balance, 01/01/2019 | 102,444,248 | 411,267,422 | 226,769,189 | 40,395,313 | 11,500,701 | 792,376,873 |
| Additions |  | 44,482,737 | 4,775,496 | 23,897,006 | - | 73,155,239 |
| Disposals |  | - | (12,268,310) | (8,199,584) | - | (20,467,894) |
| Adjustments | (1,016,144) | 3,320,025 | (447,671) | (269,291) | (11,500,701) | (9,913,782) |
| Balance, 12/31/2020 | 101,428,104 | 459,070,184 | 218,828,704 | 55,823,444 | - | 835,150,436 |
| **Accumulated depreciation:** |  |  |  |  |  |  |
| Balance, 01/01/2019 | - | 128,166,979 | 135,486,916 | 28,759,544 | - | 292,413,439 |
| Depreciation (*Note 19.1*) | - | 13,164,922 | 16,966,874 | 3,170,897 | - | 33,302,693 |
| Disposals | - | - | (11,083,634) | (5,628,654) | - | (16,712,288) |
| Adjustments | - | 679,929 | 231,719 | (1,645,610) | - | (733,962) |
| Balance, 12/31/2020 | - | 142,011,830 | 141,601,875 | 24,656,177 | - | 308,269,882 |
| **Carrying value, 12/31/2020** | **101,428,104** | **317,058,354** | **77,226,829** | **31,167,267** | **-** | **526,880,554** |

# OTHER ASSETS – CURRENT AND NON-CURRENT

1. **Other Current Assets**

This account consists of the following:

|  |  | **2021** | **2020** |
| --- | --- | --- | --- |
| **Advances** |  |  |  |
| Disbursing officers |  | 1,658,734 | 1,665,026 |
| Advances to officers and employees |  | 212,179 | 15,000 |
| Advances for operating expenses |  | 49,068 | 46,999 |
| Payroll fund |  | 35,273 | 36,489 |
|  |  | 1,955,254 | 1,763,514 |
| **Prepayments** |  |  |  |
| Prepaid insurance |  | 214,655 | 1,323,421 |
| Prepaid rent |  | 27,450 | 27,450 |
| Other prepaid expenses |  | 92,597,737 | 93,855,552 |
|  |  | 92,839,842 | 95,206,423 |
| **Others** |  |  |  |
| Guaranty deposits |  | 5,443,720 | 5,373,345 |
| Other current deposits |  | 55,620 | 55,620 |
|  |  | 5,499,340 | 5,428,965 |
|  |  | **100,294,436** | **102,398,902** |

The Advances account consists of payment extended to officers and employees of NTA for payroll, operating expenses and other transactions with specific purpose.

The balance of Disbursing officers account represents advances to regular disbursing officers of the merged tobacco agencies which remained dormant for more than 10 years.

The Prepayments account includes rental deposits of PBOs and model farm; insurance of vehicles, buildings and fidelity bonds of accountable officers; deferred charges; and other prepaid expenses. It also includes 15 per cent mobilization fee and cost of materials amounting to P0.583 million paid to Renaissance Builders Company, Inc. in the 1980s for the construction of the defunct PTRTC, now Main Research Center in Batac, Ilocos Norte, and Letters of Credit with the PNB for various suppliers’ account in the amount of P3.488 million.

Prepaid rent and guaranty deposits pertain to advance deposit given to lessor for the sub-office in Mindoro and the deposit made to electric cooperatives, respectively.

1. **Other Non-current Assets**

|  |  | **2021** | **2020** |
| --- | --- | --- | --- |
| Investments |  | 28,633,897 | 28,633,897 |
| Defunct tobacco agencies accounts |  | 1,508,498 | 1,508,498 |
| Unserviceable property |  | 829,646 | 4,207,943 |
| Other non-current assets |  | 84,987,222 | 84,987,222 |
|  |  | 115,959,263 | 119,337,560 |
| Less: Allowance for impairment losses |  |  |  |
| Investments |  | 28,633,897 | 28,633,897 |
| Defunct tobacco agencies |  | 1,508,498 | - |
| Dormant receivables |  | 83,690,242 | 72,766,129 |
|  |  | **2,126,626** | **17,937,534** |

The Investments account of P28.634 million which was reclassified to Other asset account represents the balance of the Land Bank of the Philippines (LBP) bonds purchased from the Tradal Ventures Management Corporation and Stalwart Management Services Corporation through Associated Bank in CYs 1988 and 1989. The case filed with the Office of the Ombudsman (OMB) against the NTA officials responsible and accountable for the transactions under Case Nos. OMB-C-C-10-0393-I and OMB-C-A-10-0413-I were dismissed by the OMB in a Decision and Resolution dated November 2, 2011 and April 2, 2012, respectively, due to lapse of prescription period. Thus, 100 per cent allowance for impairment loss was provided.

The Defunct tobacco agencies accounts include loans receivables, interest receivables, trade receivables, due from officers and employees, other receivables, disallowances and other accounts that were previously recorded in the books of accounts of the defunct tobacco agencies which remained non-moving for more than 10 years.

The Other non-current assets account includes non-moving accounts carried over from the books of the eight tobacco agencies consolidated in the NTA books in CY 1987. The accounts have been dormant for more than 20 years and were reclassified in CY 2004 based on the recommendation of the COA.

The Allowance for impairment recognized in the Other non-current assets account amounted to P12.433 million and nil in CYs 2021 and 2020, respectively. (*See Note 19.2*)

# FINANCIAL LIABILITIES

The breakdown of the account is as follows:

|  | **2021** | | | **2020**  **As restated** | | |
| --- | --- | --- | --- | --- | --- | --- |
| **Current** | **Non-current** | **Total** | **Current** | **Non-current** | **Total** |
| Accounts payable | 147,022,122 | - | 147,022,122 | 235,108,415 | - | 235,108,415 |
| Due to officers and employees | 8,107,084 | - | 8,107,084 | 5,147,137 | - | 5,147,137 |
| Notes payable | - | 78,729,152 | 78,729,152 | - | 78,729,152 | 78,729,152 |
|  | **155,129,206** | **78,729,152** | **233,858,358** | **240,255,552** | **78,729,152** | **318,984,704** |

The Accounts payable account consists of unliquidated or certified obligations as at December 31, 2021. The Due to officers and employees account comprises unpaid claims of officers and employees of the NTA.

The Notes payable account represents long-term loan from the PNB through the OCL per Credit Agreement with NTA dated June 24, 1996 which was transferred to the Philippine Deposit Insurance Corporation (PDIC) by way of *dacion en pago* agreement on July 30, 2002. The loan is payable for a period of eight years with grace period of four years and the repayment started on the fifth year up to July 2009.

However, the interest and penalties from CY 2006 up to date was not recorded in the books of NTA pending the result of Management’s request for the renegotiation on lowering the interest rate and condonation of penalties. Moreover, NTA manifested to surrender the property located in San Isidro, Rodriguez, Rizal as settlement of NTA’s principal loan, including interests and penalties thereon. On December 16, 2021, Management was informed that the letter-request for loan restructuring was forwarded to the Legal Department of PDIC for review and transmittal to the PDIC BOD, for approval. On January 10, 2022, Management wrote a follow-up letter to PDIC on the status of request for loan restructuring. In a letter dated February 3, 2022, the PDIC informed NTA Management that it is currently evaluating the proposal of loan restructuring and NTA will be notified on the result of the counter proposal once the final terms are approved by the appropriate approving authority.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Accounts payable account for CY 2020 is restated as follows:

| **Particulars** | **Amount** |
| --- | --- |
| Accounts payable, December 31, 2020 | 235,218,086 |
| Add (deduct) adjustments on: |  |
| Collection from overpayment of wages 2020 | 669 |
| Payment of salary differential 2020 | (108,691) |
| Reversion of overstated travelling expenses | (1,540) |
| Reversion of overstated other supplies expense | (109) |
| **Accounts payable, December 31, 2020, as restated** | **235,108,415** |

# INTER-AGENCY PAYABLES

The breakdown of this account is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Note** | **2021** | **2020** |
| Due to Bureau of Internal Revenue (BIR) | 30.1(b) | 2,497,195 | 1,768,498 |
| Due to Government Service Insurance System (GSIS) | 31 | 1,822,069 | 1,678,822 |
| Due to Home Development Mutual Fund (Pag-IBIG) |  | 119,123 | 216,724 |
| Due to Philippine Health Insurance Corporation (PhilHealth) |  | 78,927 | 45,222 |
|  |  | **4,517,314** | **3,709,266** |

# INTRA-AGENCY PAYABLES

The Intra-agency payables account amounted to nil in CY 2021 and P1.272 million in CY 2020 as restated. The account represents net of intra-agency receivables representing float items such as unrecorded capital outlay by PBOs, online deposits not taken up by NTA-CO and fertilizers intended for distribution to farmers.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Intra-agency payables account for CY 2020 is restated as follows:

| **Particulars** | **Amount** |
| --- | --- |
| Intra-agency payables, December 31, 2020 | 511,067 |
| Add (deduct) adjustments on: |  |
| Receivables – Candon | 915,200 |
| Receivables – NTA Feedmill | 11,976 |
| Receivables – Abra | 21 |
| Receivables – NTA Kadiwa | (147,165) |
| Receivables – La Union | (18,779) |
| **Intra-agency payables, December 31, 2020, as restated** | **1,272,320** |

# OTHER CURRENT LIABILITIES

The breakdown of this account is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2021** | **2020** |
| Guaranty deposits payable |  | 6,300 | 6,300 |
| Other payables |  | 35,531,037 | 29,565,028 |
|  |  | **35,537,337** | **29,571,328** |

The Other Payables account includes depository liabilities and loan payments of NTA employees withheld from their salaries for remittance to government agencies or financial institutions like the BIR, GSIS, Pag-IBIG, Quedan and Rural Credit Guarantee Corporation, Gintong Alay, and Government Employees Mutual Benefit Association.

# PROVISIONS

This account includes the provision for leave benefits payable amounting to P137.970 million and P141.689 million as at December 31, 2021 and 2020, respectively, which was recognized by the NTA in compliance with the provisions of IPSAS 19.

# SERVICE AND BUSINESS INCOME

The breakdown of this account is as follows:

|  | **Note** | **2021** | **2020** |
| --- | --- | --- | --- |
| Service income | 16.1 | 164,312,872 | 111,505,492 |
| Business income | 16.2 | 7,299,795 | 9,224,422 |
|  |  | **171,612,667** | **120,729,914** |

**16.1. Service Income**

|  |  | **2021** | **2020** |
| --- | --- | --- | --- |
| Supervision and regulation enforcement fees |  | 126,750,219 | 80,076,933 |
| Processing fees |  | 21,842,103 | 17,176,020 |
| Franchising and license fees |  | 3,751,550 | 3,382,950 |
| Inspection fees |  | 956,297 | 949,550 |
| Accreditation fees |  | 547,027 | 572,321 |
| Permit fees |  | 146,700 | 209,300 |
| Fines and penalties |  | 129,140 | 162,503 |
| Clearance and certification fees |  | 114,000 | 126,500 |
| Registration fees |  | 11,400 | 11,500 |
| Other service income |  | 10,064,436 | 8,837,915 |
|  |  | **164,312,872** | **111,505,492** |

Service income refers to the fees earned/collected from tobacco traders, manufacturers, associations and cooperatives for the regulation of tobacco industry in the Philippines.

Other service income account refers to the classification fee paid from the harvest of tobacco-beneficiaries, in relation to the Integrated Farming and Other Income Generating Activities Project (IFOIGAP) of the NTA.

**16.2. Business Income**

|  |  | **2021** | **2020** |
| --- | --- | --- | --- |
| Interest income |  | 3,974,900 | 4,688,557 |
| Rent income |  | 1,976,166 | 364,500 |
| Tuition fee |  | 32,390 | 1,000,000 |
| Income from dormitories |  | - | 7,827 |
| Fines and penalties |  | 9,900 | 700 |
| Seminar fees |  | 8,600 | 8,600 |
| Other business income |  | 56,850 | 278,400 |
|  |  | 6,058,806 | 6,348,584 |
| Sales revenue – net |  |  |  |
| Fresh meat |  | 1,223,625 | 2,000,307 |
| Processed meat |  | - | 629,623 |
| Chicken |  | 17,364 | 246,660 |
| Less: Sales discount |  | - | (752) |
|  |  | 1,240,989 | 2,875,838 |
|  |  | **7,299,795** | **9,224,422** |

Interest income pertains to the interests earned from the loan assistance projects of NTA such as IFOIGAP and Curing Barn Assistance Project (CBAP).

The sales revenue was generated through the operations of the Agency - NTA Kadiwa ni Ani at Kita. NTA markets or trades fresh and processed meat from the raw material produce of the farmers in line with NTA’s IFOIGAP.

# PERSONNEL SERVICES

This account consists of the following:

|  | **Note** | **2021** | **2020**  **As restated** |
| --- | --- | --- | --- |
| Salaries and wages | 17.1 | 107,827,217 | 119,158,239 |
| Other compensation | 17.2 | 31,593,834 | 36,093,148 |
| Personnel benefit contributions | 17.3 | 14,412,782 | 15,913,472 |
| Other personnel benefits | 17.4 | 43,974,081 | 31,493,118 |
|  |  | **197,807,914** | **202,657,977** |

* 1. **Salaries and wages**

This represents salaries and wages of regular employees of NTA amounting to P107.827 million and P119.158 million for CYs 2021 and 2020, respectively.

* 1. **Other Compensation**

Breakdown of this account is as follows:

|  |  | **2021** | **2020** |
| --- | --- | --- | --- |
| Year-end bonus |  | 9,355,147 | 10,091,245 |
| Mid-year bonus |  | 8,561,850 | 9,728,981 |
| Personnel economic relief allowance |  | 5,578,686 | 6,200,180 |
| Representation allowance |  | 2,212,735 | 2,610,765 |
| Hazard pay |  | 1,690,537 | 2,219,091 |
| Transportation allowance |  | 1,650,129 | 2,346,854 |
| Clothing allowance |  | 1,428,000 | 1,566,000 |
| Cash gift |  | 1,116,750 | 1,314,000 |
| Longevity pay |  | - | 16,032 |
|  |  | **31,593,834** | **36,093,148** |

* 1. **Personnel Benefit Contributions**

This account consists of the following:

|  |  | **2021** | **2020**  **As restated** |
| --- | --- | --- | --- |
| Retirement and life insurance premiums |  | 12,562,702 | 13,794,535 |
| PhilHealth contributions |  | 1,302,643 | 1,503,108 |
| Pag-IBIG contributions |  | 278,000 | 312,129 |
| Employees compensation insurance premiums |  | 269,437 | 303,700 |
|  |  | **14,412,782** | **15,913,472** |

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Personnel benefit contributions account for CY 2020 is restated as follows:

| **Particulars** | **Amount** |
| --- | --- |
| Personnel benefit contributions, December 31, 2020 | 15,911,552 |
| Add (deduct) adjustments on: |  |
| Pag-IBIG contribution account | 1,900 |
| Retirement and life insurance premiums | 20 |
| **Personal benefit contributions, December 31, 2020, as restated** | **15,913,472** |

* 1. **Other personnel benefits**

This account is broken down as follows:

|  |  | **2021** | **2020** |
| --- | --- | --- | --- |
| Terminal leave benefits |  | 28,527,612 | 13,785,075 |
| Performance-based bonus |  | 6,085,077 | 6,085,078 |
| Educational assistance incentive bonus |  | 3,904,419 | 5,139,569 |
| Service recognition incentive |  | 2,239,000 | 2,507,000 |
| Performance-based incentive |  | 1,677,000 | 1,158,800 |
| Productivity enhancement incentive |  | 1,123,500 | 1,256,000 |
| Rice subsidy |  | 292,973 | 465,769 |
| Loyalty pay |  | 124,500 | 300,383 |
| Collective negotiation agreement |  | - | 795,444 |
|  |  | **43,974,081** | **31,493,118** |

# MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account includes:

|  | **Note** | **2021** | **2020**  **As restated** |
| --- | --- | --- | --- |
| Financial subsidy | 18.1 | 162,826,164 | 106,584,153 |
| Professional and general services | 18.2 | 72,572,509 | 65,839,616 |
| Rent expenses | 18.3 | 22,839,048 | 20,523,483 |
| Supplies and materials | 18.4 | 9,022,562 | 6,820,323 |
| Utility expenses | 18.5 | 5,312,701 | 5,531,113 |
| Representation expenses | 18.6 | 4,736,556 | 4,855,042 |
| Traveling expenses | 18.7 | 4,547,025 | 4,351,782 |
| Communication expenses | 18.8 | 3,071,541 | 3,141,181 |
| Taxes, insurance premiums and other fees | 18.9 | 2,720,076 | 2,268,698 |
| Training and scholarship expenses | 18.10 | 2,284,725 | 1,930,921 |
| Subscription and membership contribution expenses | 18.11 | 1,588,324 | 1,286,343 |
| Repairs and maintenance expenses | 18.12 | 1,381,419 | 1,323,796 |
| Other maintenance and operating expenses | 18.13 | 6,286,896 | 26,609,950 |
|  |  | **299,189,546** | **251,066,401** |

1. **Financial Subsidy**

This account amounting to P162.826 million and P106.584 million for CYs 2021 and 2020, respectively, represents financial assistance provided to tobacco farmer-beneficiaries through IFOIGAP, CBAP, Tobacco Farm Mechanization Program and calamity assistance under Disaster Risk Reduction Management Program.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Financial subsidy account for CY 2020 is restated as follows:

| **Particulars** | **Amount** |
| --- | --- |
| Financial subsidy, December 31, 2020 | 105,709,203 |
| Add adjustments on financial subsidy (tobacco) | 874,950 |
| **Financial subsidy, December 31, 2020, as restated** | **106,584,153** |

1. **Professional and General Services**

|  |  | **2021** | **2020**  **As restated** |
| --- | --- | --- | --- |
| Security services |  | 14,143,497 | 13,463,855 |
| Auditing services |  | 12,553,028 | 12,886,528 |
| Janitorial services |  | 4,389,086 | 2,904,281 |
| Consultancy services |  | 882,000 | 785,000 |
| Legal services |  | 152,394 | 205,389 |
| Other general services |  | 36,676,490 | 35,022,863 |
| Other professional services |  | 3,776,014 | 571,700 |
|  |  | **72,572,509** | **65,839,616** |

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Professional and general services account for CY 2020 is restated as follows:

| **Particulars** | **Amount** |
| --- | --- |
| Professional and general services, December 31, 2020 | 66,067,878 |
| Deduct adjustments on: |  |
| Security services | (120,240) |
| Other general services | (108,022) |
| **Professional and general services, December 31, 2020, as restated** | **65,839,616** |

* 1. **Rent Expenses**

The rent expenses incurred by the NTA amounted to P22.839 million and P20.523 million in CYs 2021 and 2020, respectively. The NTA has started leasing in January 2019 in view of the reconstruction of the NTA-CO Building.

* 1. **Supplies and Materials**

|  |  | **2021** | **2020**  **As restated** | |
| --- | --- | --- | --- | --- |
| Office supplies expenses |  | 2,781,884 | 2,680,632 | |
| Medical, dental and laboratory supplies expenses |  | 2,777,196 | 880,437 |
| Fuel, oil and lubricants expenses |  | 2,069,090 | 2,017,345 | |
| Agricultural and marine supplies expenses |  | 331,529 | 183,985 | |
| Accountable forms expenses |  | 83,140 | 116,380 | |
| Other supplies and materials expenses |  | 979,723 | 941,544 | |
|  |  | **9,022,562** | **6,820,323** | |

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Supplies and materials account for CY 2020 is restated as follows:

| **Particulars** | **Amount** |
| --- | --- |
| Supplies and materials, December 31, 2020 | 6,809,906 |
| Add (deduct) adjustments on: |  |
| Fuel, oil and lubricants expenses | 11,976 |
| Office supplies expenses | (1,450) |
| Other supplies and materials expenses | (109) |
| **Supplies and materials, December 31, 2020, as restated** | **6,820,323** |

* 1. **Utility Expenses**

|  |  | **2021** | **2020** |
| --- | --- | --- | --- |
| Electricity expenses |  | 4,616,360 | 4,815,846 |
| Water expenses |  | 676,837 | 713,392 |
| Gas/heating expenses |  | 19,504 | 1,875 |
|  |  | **5,312,701** | **5,531,113** |

* 1. **Representation Expenses**

Representation expenses of P4.737 million and P4.855 million for CY 2021 and 2020, respectively, pertain to expenses incurred by NTA for the purpose of representational or entertainment-related activities such as meetings, receptions and other events.

* 1. **Traveling Expenses**

The traveling expenses pertains to local travels incurred by the NTA amounting to P4.547 million and P4.352 million in CYs 2021 and 2020, respectively. No foreign travel expenses were incurred in both CYs 2021 and 2020.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Traveling expenses account for CY 2020 is restated as follows:

| **Particulars** | **Amount** |
| --- | --- |
| Traveling expenses, December 31, 2020 | 4,349,722 |
| Add adjustments on local traveling expenses | 2,060 |
| **Traveling expenses, December 31, 2020, as restated** | **4,351,782** |

* 1. **Communication Expenses**

|  |  | **2021** | **2020**  **As restated** |
| --- | --- | --- | --- |
| Telephone expenses |  | 1,159,721 | 1,126,550 |
| Internet subscription expenses |  | 866,480 | 684,794 |
| Postage and courier services |  | 568,528 | 64,858 |
| Cable, satellite, telegraph and radio expenses |  | 476,812 | 1,121,979 |
| Survey expenses |  | - | 143,000 |
|  |  | **3,071,541** | **3,141,181** |

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Communication expenses account for CY 2020 is restated as follows:

| **Particulars** | **Amount** |
| --- | --- |
| Traveling expenses, December 31, 2020 | 3,130,244 |
| Add (deduct) adjustments on: |  |
| Cable, satellite, telegraph and radio expenses | 25,000 |
| Internet subscription expenses | (14,063) |
| **Traveling expenses, December 31, 2020, as restated** | **3,141,181** |

* 1. **Taxes, Insurance Premiums and Other Fees**

|  | **Note** | **2021** | **2020** |
| --- | --- | --- | --- |
| Insurance expenses |  | 2,045,023 | 1,817,782 |
| Fidelity bond premiums |  | 381,149 | 329,791 |
| Documentary stamp tax expenses | 30.1(a) | 155,180 | - |
| Taxes, duties and licenses | 30.1(a) | 138,724 | 121,125 |
|  |  | **2,720,076** | **2,268,698** |

* 1. **Training and Scholarship Expenses**

|  |  | **2021** | **2020** |
| --- | --- | --- | --- |
| Training expenses |  | 2,284,725 | 1,832,321 |
| Scholarship grants |  | - | 98,600 |
|  |  | **2,284,725** | **1,930,921** |

* 1. **Subscription and Membership Contribution Expenses**

|  | **2021** | **2020** |
| --- | --- | --- |
| Directors and committee members' fees | 1,562,800 | 1,162,800 |
| Subscription expenses | 25,524 | 98,543 |
| Membership dues and contributions to organizations | - | 25,000 |
|  | **1,588,324** | **1,286,343** |

Directors and committee members’ fees pertain to per diems paid to NTA BODs who attend committee meetings as well as regular and special board meetings.

* 1. **Repairs and Maintenance**

|  |  | **2021** | **2020** |
| --- | --- | --- | --- |
| Transportation equipment |  | 937,367 | 858,658 |
| Machinery and equipment |  | 316,335 | 117,293 |
| Furniture and fixtures |  | 65,999 | 100,300 |
| Buildings and other structures |  | 54,267 | 231,745 |
| Land improvements |  | - | 9,000 |
| Other property, plant and equipment |  | 7,451 | 6,800 |
|  |  | **1,381,419** | **1,323,796** |

* 1. **Other Maintenance and Operating Expenses (MOOE)**

|  | **2021** | **2020**  **As restated** |
| --- | --- | --- |
| Printing and binding expenses | 808,428 | 532,488 |
| Extraordinary and miscellaneous expenses | 338,173 | 352,194 |
| Awards/rewards and prizes | 320,975 | - |
| Transportation and delivery expenses | 188,845 | 295,498 |
| Advertising expenses | 60,000 | 83,574 |
| Others | 4,570,475 | 25,346,196 |
|  | **6,286,896** | **26,609,950** |

Other MOOE pertains to expenses incurred in the implementaion of programs and projects of the NTA such as Synchronized Tree Planting (STP), Tobacco Farmers’ Dependents Scholarship Program, Gulayan at Manukan sa Barangay, Vegetable Seed Distribution, and Tobacco Contract Growing System under the IFOIGAP. It also includes expenses that cannot be classified to specific expense accounts.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Other MOOE account for CY 2020 is restated as follows:

| **Particulars** | **Amount** |
| --- | --- |
| Other MOOE, December 31, 2020 | 26,617,529 |
| Deduct adjustments on: |  |
| Other MOOE - STP | (5,800) |
| Other MOOE - Others | (1,779) |
| **Other MOOE, December 31, 2020, as restated** | **26,609,950** |

# NON-CASH EXPENSES

Breakdown of this account is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Note** | **2021** | **2020**  **As restated** |
| Depreciation | 19.1 | 32,207,001 | 33,302,693 |
| Impairment loss | 19.2 | 55,540,247 | 39,497,204 |
|  |  | 87,747,248 | 72,799,897 |

1. **Depreciation**

|  | **Note** | **2021** | **2020**  **As restated** |
| --- | --- | --- | --- |
| Various equipment | 9 | 14,711,401 | 16,966,874 |
| Land improvements, building and other structures | 9 | 12,803,681 | 13,164,922 |
| Furniture and fixtures, books, motor vehicles and other PPE | 9 | 4,691,919 | 3,170,897 |
|  |  | **32,207,001** | **33,302,693** |

In accordance with IPSAS 3 *– Accounting Policies, Changes in Accounting Estimates and Errors*, the Depreciation expense account for CY 2020 is restated as follows:

| **Particulars** | **Amount** |
| --- | --- |
| Depreciation expense, December 31, 2020 | 33,329,619 |
| Deduct adjustments on depreciation-various equipment | (26,926) |
| **Depreciation expense, December 31, 2020, as restated** | **33,302,693** |

1. **Impairment Loss**

Breakdown of this account is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Note** | **2021** | **2020**  **As restated** |
| Receivables | 6.4 | 43,107,208 | 39,497,204 |
| PPE |  | 428 | - |
| Other non-current assets | 10.2 | 12,432,611 | - |
|  |  | **55,540,247** | **39,497,204** |

# DIRECT COSTS

This account consists of the following:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2021** | **2020** |
| Fresh meat |  | 1,295,905 | 1,999,444 |
| Processed meat |  | - | 515,242 |
| Chicken |  | 13,098 | 195,832 |
|  |  | **1,309,003** | **2,710,518** |

# FINANCIAL EXPENSES

|  |  | **2021** | **2020** |
| --- | --- | --- | --- |
| Bank charges |  | 21,873 | 37,647 |
| Other financial charges |  | 23,000 | - |
| Interest expense |  | - | 7,940 |
|  |  | **44,873** | **45,587** |

# OTHER NON-OPERATING INCOME

This account consists of the following:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Note** | **2021** | **2020** |
| Interest income | 5 | 179,693 | 205,949 |
| Grants and donations in kind | 25 | 142,100 | 10,000,000 |
| Miscellaneous income |  | 1,155,668 | 1,705,931 |
|  |  | **1,477,461** | **11,911,880** |

The interest income pertains to interest earned on deposits made to authorized government depository banks.

Miscellaneous income refers to revenues generated from seminar fees, certification fees and fees from the use of photocopy machines.

# GAINS/LOSSES

1. **Gains**

This account pertains to gain on sale of PPE in the amount of P14,898 and nil for CYs 2021 and 2020, respectively.

1. **Losses**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2021** | **2020** |
| Loss of assets |  | 18,384,980 | - |
| Loss on sale of assets |  | 3,336,517 | 20,464 |
| Other losses |  | - | 44,826 |
|  |  | **21,721,497** | **65,290** |

Loss of assets pertains to the loss on the derecognition of the NTA-CO building located in Diliman, Quezon City, as a result of the demolition of the said building.

Loss on sale of assets include losses incurred on sale of PPE and unserviceable properties.

# SUBSIDY INCOME FROM NATIONAL GOVERNMENT

This account represents regular subsidy received from the National Government (NG) funded through the special account in the general fund or Tobacco Fund, pursuant to RA No. 4155. The NTA has P83.639 billion accumulated share from excise tax of locally manufactured virginia type cigarette and tariff from imported leaf virginia tobacco as of December 31, 2021, which is in the custody of Department of Budget and Management (DBM) through the Bureau of Treasury (BTr). Out of this fund, P422.135 million was released by DBM to NTA for operations and program/project implementation in Fiscal Year (FY) 2021.

The NTA charged from the subsidy received from NG in FY 2021 the total amount of P162.826 million which represents financial assistance provided to tobacco farmer-beneficiaries in CY 2021 through IFOIGAP, CBAP, Tobacco Farm Mechanization Program and calamity assistance under Disaster Risk Reduction Management Program.

# RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)

|  | **Note** | **2021** | **2020**  **As restated** |
| --- | --- | --- | --- |
| Surplus/(Deficit) for the period |  | (12,580,055) | 80,229,124 |
| Non-cash (income)/expenses: |  |  |  |
| Depreciation | 19.1 | 32,207,001 | 33,302,693 |
| Impairment loss | 19.2 | 55,540,247 | 39,497,204 |
| Gains | 23.1 | (14,898) | - |
| Losses | 23.2 | 21,721,497 | 65,290 |
| Interest income | 16.2 | (3,974,900) | (4,688,557) |
| Donation | 22 | (142,100) | (10,000,000) |
| (Increase)/decrease in asset accounts: |  |  |  |
| Receivables |  | (116,791,852) | 62,219,311 |
| Inventories |  | (1,977,890) | (3,371,260) |
| Other current assets |  | 2,104,466 | (78,840,050) |
| Increase/(decrease) in liability accounts: |  |  |  |
| Financial liabilities |  | (85,814,364) | 129,418,241 |
| Inter-agency payables |  | 808,048 | (1,335,990) |
| Intra-agency payables |  | (954,110) | 43,605,776 |
| Provisions |  | (3,718,901) | 13,898,235 |
| Other current liabilities |  | 5,966,009 | 2,271,695 |
| Other adjustments | 28.1 | 12,204,562 | (78,175,349) |
|  |  | **(95,417,240)** | **228,096,363** |

# RELATED PARTY TRANSACTIONS

1. **Related Party Transactions**

For CYs 2021 and 2020, the NTA does not have dealings with related parties involving transfer of resources and obligations.

1. **Key Management Personnel**

The key management personnel of the NTA are the eight members of the NTA BOD, Administrator, two Deputy Administrators and the Department Managers. The NTA BOD consist of the Secretary of the DA as an ex-officio Chairman, the NTA Administrator as Vice Chairman and the six board members representing the different sectors of the tobacco industry: one representative from the tobacco trader/exporter sector, one representative from the tobacco manufacturing sector, two representatives from tobacco farmer sector, and one representative from the academic community sector. All members of the NTA Governing Board are appointed by the President of the Philippines. The Secretary of the DA or his authorized representative who acts as ex-officio Chairman of the Board is not remunerated by the NTA.

1. **Key Management Personnel Transactions**

The seven members of the BOD, excluding the Chairman of the Board receive per diems of P10,000 per board meeting attended and P6,000 per committee meeting attended. The aggregate remuneration of the Administrator who is part of the organization’s structure/ plantilla and on a fulltime equivalent basis include the following:

|  |  |
| --- | --- |
|  | **Aggregate remuneration** |
| Salaries and wages | 2,102,208 |
| Other compensation | 517,368 |
| Other personnel benefits | 15,000 |
|  | **2,634,576** |

# GOVERNMENT EQUITY

This account amounting to P411.330 million for CYs 2021 and 2020 includes property received through donation/grant from government agencies and non-government organizations.

1. **Capital Management**

The primary objective of the NTA’s capital management is to ensure that resources of the Agency is geared towards the attainment of its mandate and the implementation of its objectives through the programs, activities and projects (PAPs) to be undertaken for the promotion and advancement of the tobacco industry with the participation of the private sector and for the improvement of the working conditions of the tobacco farmers/traders.

With the infusion of government financial subsidy for the various PAPs, NTA maintains a sufficient level of working capital to meet its expenses and a sufficient cash flow to meet emergency and unexpected expenditures.

The NTA maintains a separate bank account for restricted cash on the subsidy released from RA No. 4155 for projects funded. This account is not combined with the regular accounts of NTA since the releases have a specific purpose.

NTA is not subject to externally-imposed capital requirements.

# ACCUMULATED SURPLUS

| **Particulars** | **Note** | **Amount** |
| --- | --- | --- |
| Accumulated surplus, January 1, 2020, as restated |  | 1,080,944,398 |
| Adjustments due to prior period errors | 28.1 | (78,175,349) |
| Surplus for CY 2020 |  | 80,866,643 |
| Add/(deduct) restatements on: |  |  |
| Personnel services |  | (1,920) |
| Maintenance and other operating expenses |  | (662,523) |
| Non-cash expenses |  | 26,926 |
| Total restatements |  | (637,519) |
| Surplus for CY 2020, as restated |  | 80,229,124 |
| **Accumulated surplus, December 31, 2020, as restated** |  | **1,082,998,173** |
| Adjustments due to prior period errors | 28.1 | 12,204,562 |
| Deficit for CY 2021 |  | (12,580,055) |
| **Accumulated surplus, December 31, 2021** |  | **1,082,622,680** |

# 28.1 Adjustment Due to Prior Period Errors

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2021** | **2020** |
| Personnel services |  | 9,631,620 | 7,567,923 |
| Accrued leave benefits |  | 2,135,925 | (12,898,674) |
| Raw materials inventory |  | 195,798 | - |
| Disallowances |  | 151,000 | 358,500 |
| Depreciation |  | 80,776 | (925,300) |
| MOOE |  | 9,443 | 404,428 |
| Impairment |  | - | (72,643,476) |
| Cost of sales |  | - | (21,045) |
| Sales discount |  | - | (17,705) |
|  |  | **12,204,562** | **(78,175,349)** |

# BUDGET INFORMATION IN FINANCIAL STATEMENTS

The original budget reflected in the SCBAA for December 31, 2020 is the proposed Corporate Operating Budget (COB) for the year 2021 submitted to the DBM for review/evaluation while the final budget is the amount approved by the DBM on November 15, 2021. The proposed/original COB is prepared considering: (a) the NTA’s various PAPs in the pursuance of its mandate; (b) the projected revenues and other sources of income to finance and support these programs; (c) the actual expenses for previous years; and (d) the effects of inflation.

The changes between the original and final budget are brought about by the following:

* Overprovision in the proposed Personnel services items based on the computed requirements for the 350 authorized positions of the NTA amounting to P13.669 million.

|  |  |
| --- | --- |
|  | **Amount** |
| Salaries and wages | 9,568,000 |
| Year-end bonus | 1,183,000 |
| Mid-year bonus | 1,081,000 |
| Retirement and life insurance premium | 1,049,000 |
| PhilHealth contribution | 564,000 |
| Cash gift | 83,000 |
| Personnel economic relief allowance | 63,000 |
| Productivity enhancement incentive | 55,000 |
| Uniform/clothing allowance | 18,000 |
| Pag-IBIG contribution | 3,000 |
| Employees compensation insurance premium | 2,000 |
|  | **13,669,000** |

* Excess in the computation of Representation and Transportation Allowances based on the rates provided under Section 56 of the General Provisions (GP) of the FY 2021 General Appropriations Act (GAA) amounting to P120,000; Collective Negotiation Agreement amounting to P0.795 million is chargeable against savings from allowable MOOE items; inclusion of Longevity Pay amounting to P54,000 which is not allowed if employees are receiving step increment pursuant to Civil Service Commission-DBM Joint Circular No. 1, Series of 2012.
* Overprovision in the proposed MOOE items amounting to P0.790 million.

|  |  |
| --- | --- |
|  | **Amount** |
| Communication expenses | 735,000 |
| Representation expenses | 39,000 |
| Advertising expenses | 9,000 |
| Documentary stamp tax expenses | 7,000 |
|  | **790,000** |

# SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

1. **Revenue Regulations No. 15-2010**

Revenue Regulations (RR) No. 21-2002 prescribing additional and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income tax returns was amended under RR No. 15-2010. The amendment that became effective on December 28, 2010 requires the inclusion in the Notes to Financial Statements, information on taxes, duties and license fees paid or accrued during the year in addition to what is required under IPSASs and such other standards and/or conventions.

Below is additional information required by RR No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

1. **Taxes and licenses**

|  |  |
| --- | --- |
|  | **Amount** |
| Documentary stamp tax expenses | 155,180 |
| Mayor’s permit fees/business permits and other licenses | 110,041 |
| Tax on interest income | 15,474 |
| Patent | 10,282 |
| Real property tax | 1,927 |
| BIR annual registration fees | 1,000 |
|  | **293,904** |

1. **Withholding taxes for 2021**

|  | **Withheld** | **Remitted** | **Balance** |
| --- | --- | --- | --- |
| Tax on compensation | 11,990,161 | 10,860,187 | 1,129,974 |
| Withholding tax on value-added tax (VAT) | 9,303,305 | 8,578,789 | 724,516 |
| Expanded withholding tax | 10,373,063 | 9,746,774 | 626,289 |
| Withholding tax on government money payments | 83,992 | 67,576 | 16,416 |
|  | **31,750,521** | **29,253,326** | **2,497,195** |

The balance as at December 31, 2021 totalling P2.497 million pertains to tax on compensation of P1.130 million, VAT and government money payments of P0.741 million, withholding taxes on creditable income of P0.626 million remitted to the BIR on January 13, 10 and 19, 2022, respectively.

1. **Tax case**

The NTA has no tax case as at December 31, 2021.

1. **RR No. 19-2011**

RR No. 19-2011 was issued to prescribe the new BIR forms that will be used for filing Income Tax covering and starting with December 31, 2011. In case of the entities using BIR form 1702, the taxpayer is now required to include as part of its notes to the audited financial statements (AFS) the schedules and information on taxable income and deductions to be taken which will be attached to the Income Tax Return (ITR).

The information is presented for purposes of filing with the BIR and is not required part of the basic financial statements.

The following are the schedules prescribed under existing revenue issuances applicable to the NTA as at December 31, 2021.

1. **Service and business income**

|  |  |  |
| --- | --- | --- |
|  | **Per AFS** | **Per ITR** |
| Service income | 164,312,872 | 164,312,872 |
| Business income | 7,299,795 | 7,479,488 |
|  | **171,612,667** | **171,792,360** |

1. **Assistance and subsidy**

|  |  |  |
| --- | --- | --- |
|  | **Per AFS** | **Per ITR** |
| Subsidy income from national government | 422,135,000 | - |
|  | **422,135,000** | **-** |

1. **Non-operating and taxable other income**

|  |  |  |
| --- | --- | --- |
|  | **Per AFS** | **Per ITR** |
| Other non-operating income | 1,477,461 | 1,335,361 |
| Gain on sale of properties | 10,022 | 10,022 |
|  | **1,487,483** | **1,345,383** |

1. **Allowable deductions**

|  |  |  |
| --- | --- | --- |
|  | **Per AFS** | **Per ITR** |
| Personnel services | 197,807,914 | 197,807,914 |
| Maintenance and other operating expenses | 299,189,546 | 299,189,546 |
| Non-cash expenses | 87,747,248 | 87,747,248 |
| Direct costs | 1,309,003 | 1,309,003 |
| Financial expenses | 44,873 | 44,873 |
| Losses | 21,721,497 | 21,716,621 |
|  | **607,820,081** | **607,815,205** |

# COMPLIANCE WITH GSIS LAW, RA No. 8291

The total employees’ and government’s share remitted to GSIS for CY 2021 were as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Withheld** | **Remitted** | **Balance** |
| Life and retirement premiums, employees’ share and loans | 21,421,194 | 19,599,125 | 1,822,069 |
| Government share | - | 12,239,912 | - |
|  | **21,421,194** | **31,839,037** | **1,822,069** |

# OTHER SIGNIFICANT MATTERS

RA No. 6758, which took effect on July 1, 1989, provides for the consolidation of allowances and additional compensation into the standardized salary rates. However, certain additional compensations are exempted from consolidation.

With the non-compliance to the requirements for the effectivity of the issuance of DBM Corporate Compensation Circular No. 10, the guidelines in implementing said law, the Supreme Court (SC) declared on August 12, 1998 in G.R. No. 109023 (*De Jesus vs. COA*) that said guidelines were ineffective. Thus, allowances such as Cost of Living Allowance (COLA) and Amelioration Allowance were not integrated into the standardized salaries of government employees.

As to the matter of whether there was non-integration or integration raged on, the SC further promulgated on September 6, 2005 in G.R. No. 160386 (*PPA vs. COA*) that “all not only incumbents as of July 1, 1989 should be allowed to receive back pay corresponding to said benefits, from July 1, 1989 to the new effectivity date of DBM CCC No. 10 - March 16, 1999.”

Since the NTA is similarly situated as the PPA, the NTA employees manifested and asserted their entitlement to COLA back pay during the period in dispute pursuant to the two aforementioned SC decisions. The computation of the entitlement is estimated to amount to P200 million or approximately 18.47 per cent of the accumulated surplus of P1.083 billion as at December 31, 2021.