PHILIPPINE GUARANTEE COPORATION
(formerly known as the Trade and Investment Development Corporation of the Philippines)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019
(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

1.1. Incorporation and Operations

The Philippine Guarantee Corporation (PHILGUARANTEE) is the government-owned and controlled corporation (GOCC) resulting from the merger and consolidation of five Philippine guarantee programs and agencies (PGPAs) effective as of August 31, 2019, pursuant to Executive Order (EO) No. 58 dated July 23, 2018. PHILGUARANTEE is the renamed Trade and Investment Development Corporation (TIDCORP), the surviving entity in the amalgamation of the PGPAs.

TIDCORP was originally established as the Philippine Export and Foreign Loan Guarantee Corporation on January 31, 1977 by virtue of Presidential Decree (PD) No. 1080. It was granted expanded functions by Republic Act (RA) No. 8494 on February 12, 1998. To strengthen its role in the development and expansion of international trade, as well as to effectively respond to the economic requirements of the country, TIDCORP was designated as the Philippine Export-Import Credit Agency (PhilEXIM) by virtue of EO No. 85 dated March 18, 2002.

Pursuant to PD No. 1080, as amended by RA No. 8494, the expanded functions of TIDCORP follow:

a. To promote and facilitate the entry of foreign loans into the country for development purposes having special regard to the needs of export-oriented industries, industries registered with the Board of Investments, public utilities, and industries the promotion of which is encouraged by government policy;

b. To guarantee loans granted by Philippine banking and financial institutions to qualified exporters, producers of export products, and contractors with approved service contracts abroad;

c. To facilitate and assist in the implementation of approved service contracts abroad entered into by Philippine entities, enterprises, or corporations with foreign exchange earning potentials, by providing counter-guarantees to Philippine banks and financial institutions issuing stand-by Letters of Credit or of Letters of Guarantee for the performance of said service contracts;

d. To meet requests from domestic entities, enterprises, and corporations to assist them in the coordination of their development and expansion plans with a view to achieving better utilization of their resources;

e. To provide technical assistance in the preparation, financing and execution of development or expansion of programs, including the formulation of specific project proposals; and

f. To undertake such actions that are consistent with the primary purposes of the Corporation.

Being the principal agency for state guarantee finance of the Philippines, the primary objective of PHILGUARANTEE is to perform its development financing role through the provision of credit guarantees in support of trade and investments, exports, infrastructure, energy, tourism, agricultural business/modernization, housing, micro-, small-, and medium-sized enterprises (MSMEs), and other priority sectors of the economy, with the end view of facilitating and promoting socio-economic and regional development.

Consistent with the above mandate, PHILGUARANTEE, directly or through the funds under its trust and/or administration, offer the following guarantee facilities or programs:

a. SME Credit Guarantee Facility (SCGF) – covers loans granted to SMEs engaged in export trade, manufacturing, import substitutes, trading activities, and industries in the list of Investment Priorities Plan (IPP) of the Board of Investments (BOI).

b. MSME Credit Guarantee Program (MCGP) – a sub-program under the SCGF, covers loans extended to MSMEs affected by the COVID-19 pandemic.

c. Medium and Large Credit Guarantee Facility (MLE-CGF) – covers loans granted to hospitals and healthcare institutions, logistics, public utilities and telecommunications, transportation, industries in the list of IPP of the BOI, as well as industries mentioned under RA No. 11494, or the "Bayanihan to Recover as One Act."

d. Developmental Loan Guarantee – covers loans extended for the development of subdivisions, townhouses, dormitories, apartments and other residential dwellings.

e. Retail Loan Guarantee – covers loans and credit facility extended for the purchase or acquisition of a single-family residence.

f. Guarantee for Small Housing Loans – a sub-program under retail loan guarantee, covers microfinance home lending or salary/multi-purpose loans to be used for housing-related purposes.

g. Guarantee for Securitization Schemes – covers securities or financial instruments backed up by a pool of assets such as receivables from loans/mortgages and/or real estate properties.

h. Guarantee for Abandoned or Unfinished Buildings – covers construction loans to developers for the completion of abandoned or unfinished residential buildings.

i. Cash Flow Guarantee (CFG) – covers socialized housing loans extended by the Social Security System (SSS), the Government Service Insurance System (GSIS), Home Development Mutual Fund (HDMF or Pag-IBIG) and their accredited financial institutions. The facility is offered through the CFG component of the Abot-Kaya Pabahay Fund (AKPF), which is under the trusteeship of the Corporation.

j. Agriculture Guarantee – covers unsecured loans of small farmers and fisherfolks (SFF) or farmers and/or fisherfolks organizations whose majority members are SFF to finance palay and other food crops or commodities production and other food production-related activities. The facility is offered through the Agricultural Guarantee Fund Pool (AGFP), which is under the administration of the Corporation.

Attached to the Department of Finance (DOF), PHILGUARANTEE is subject to the supervision and examination by the Bangko Sentral ng Pilipinas (BSP) in accordance with Section 22 of PD No. 1080, as amended. Thus, PHILGUARANTEE is mandated to comply with pertinent BSP rules and regulations, particularly, those relating to non-bank financial institutions.

The registered office address of the Corporation is at 17th Floor Citibank Tower, Citibank Plaza, Valero Street, Makati City.

1.2. Consolidation of PGPAs

Pursuant to EO No. 58, TIDCORP or PhilEXIM was merged with the Home Guaranty Corporation (HGC) with the former as the surviving entity which was renamed as PHILGUARANTEE. Moreover, the guarantee-related functions, programs, funds, assets and liabilities of the Small Business Corporation (SBC) as well as the Industrial Guarantee and Loan Fund (IGLF) were transferred to TIDCORP. Likewise, the administration of the AGFP was transferred to TIDCORP, including the penalties pertaining to the AGFP pursuant to RA No. 10000.

Consistent with the powers vested in him under Section 2 of EO No. 58, the Secretary of Finance declared August 31, 2019 as the effective date of the merger and consolidation of the five PGPAs in his Memorandum Circular No. 001-2019 dated September 3, 2019.

Below are the brief backgrounds of the merged agencies and the transferred funds and programs:

a. Home Guaranty Corporation

The former HGC was a GOCC tasked to operate a credit guarantee program in support of the government's effort to promote home ownership. Since its creation on September 15, 1950 as the Home Financing Commission by virtue of RA No. 580 and later as Home Insurance and Guaranty Corporation, HGC has institutionalized a system of credit guarantees that has become an integral part of the government's shelter program.

Pursuant to its Charter, RA No. 8763 or the "Home Guaranty Corporation Act of 2000," HGC provided risk guarantees and fiscal incentives for housing credits extended by banks, investors and other financial institutions, thereby stimulating the flow of funds from both the government and private sectors for housing and urban development.

Specifically, the former HGC had the following mandates under Section 5 of RA No. 8763:

- To guaranty the payment in favor of any natural or juridical person, of any and all forms of mortgages, loans and other forms of credit facilities and receivables arising from financial contracts exclusively for residential purposes and the necessary support facilities thereto;

- To assist private developers to undertake socialized, low and medium cost mass housing projects by encouraging private funds to finance such housing projects through a viable system of long-term mortgages, guaranties and other incentives;

- To promote homebuilding and land ownership, giving primary preference to the homeless and underprivileged sectors of the society; and

- To promote housing by the aided self-help method whereby families with some outside aid build their own houses with their own labor; to provide technical guidance to such families; to guaranty loans to such families on first liens on house and land with such other security and conditions as the Corporation shall determine.

Additionally, the former HGC was directed under RA No. 6846, or the "AKPF Act," to administer and control the CFG system of the AKPF, a fund established with the objectives of enhancing affordability of low-cost housing by low-income families, providing developmental financing for low-cost housing projects, and eliminating risks for the funding agencies involved in housing.

b. *Guarantee Programs of the Small Business Corporation*

Established on January 24, 1991 under RA No. 6977, as amended, the SBC is a government financial institution tasked to provide access to finance, financial management and capacity building to MSMEs. It offers a wide array of financial services, including among others guarantee, direct and indirect lending, financial leasing, secondary mortgage, venture capital operations and the issuance of debt instruments for compliance with the mandatory allocation provision.

At the time of the issuance of EO No. 58, SBC manages the Credit Risk Guarantee Fund (CRGF) aside from operating its regular guarantee facility. The CRGF, a component of the Yolanda Comprehensive Rehabilitation and Recovery Plan, is a credit guarantee program that provides assistance to MSMEs affected by Typhoon Yolanda in accessing credit from financial institutions for the recovery and rehabilitation of their businesses.

c. Industrial Guarantee and Loan Fund

The IGLF was established by an Agreement between the Governments of the United States of America (USA) and the Philippines under Counterpart Project Agreement No. 32 dated July 15, 1952 for the purpose of encouraging the establishment and expansion of financially, technically, and economically viable cottage, small and medium enterprises that would contribute to the country's economic development and a more equitable distribution of income. It was primarily engaged in project-based lending programs providing loanable funds to accredited participating financial institutions for re-lending to eligible MSMEs and viable privately-owned productive enterprises.

d. Agricultural Guarantee Fund Pool

The AGFP was established by virtue of Administrative Order (AO) No. 225 dated April 1, 2008, as amended by AO No. 225-A dated May 26, 2008, to mitigate the risks involved in agriculture lending thereby facilitating the provision of credit in the agriculture sector. It was placed in trust with the Land Bank of the Philippines (LBP) for the purpose of providing guarantee cover to participating financial institutions and other parties in extending financing to rice farmers under a common Rice Program and various food production programs.

1.3. Approval of Financial Statements

The financial statements of the Corporation as of and for the year ended December 31, 2020 (including the comparative financial statements as of and for the year ended December 31, 2019) were approved and authorized for issue by the Board of Directors (BOD) on July 27, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of Preparation of Financial Statements

a. Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of PHILGUARANTEE have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and applicable rules and regulations of the BSP. PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy.

As a Commercial Public Sector Entity (CPSE), PHILGUARANTEE is required to adopt the PFRS as its applicable financial reporting framework pursuant to Commission on Audit (COA) Circular No. 2015-003 dated April

16, 2015, as amended. Likewise, BSP Circular No. 494 dated September 20, 2005, as reiterated in BSP Circular No. 1011 dated August 14, 2018, mandates BSP-supervised financial institutions to adopt in all respects the PFRS in the preparation of its audited financial statements for financial reporting.

These financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

b. *Presentation of Financial Statements*

The financial statements are presented in accordance with PAS 1, *Presentation of Financial Statements.* PHILGUARANTEE presents all items of income and expenses and other comprehensive income (OCI) in a single statement of comprehensive income (SCI).

For this purpose, the Corporation adopts the guidelines laid down under COA Circular No. 2017-004 dated December 13, 2017 on the preparation of financial statements and other financial reports and implementation of PFRS by government corporations classified as CPSE, unless Management believes that a different classification and presentation of the accounts provides information that is reliable and more relevant to users of the financial statements.

PHILGUARANTEE also presents a third statement of financial position (SFP) as of the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that have a material effect on the information in the SFP at the beginning of the preceding period. The related notes to the third SFP are not required to be disclosed.

c. *Functional and Presentation Currency*

The financial statements are presented in Philippine Peso, the Corporation's functional and presentation currency, and all values represent absolute amounts, except when otherwise indicated.

Items included in the financial statements of the Corporation are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Corporation operates.

d. *Going Concern Basis of Accounting*

The financial statements were prepared on a going concern basis which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

2.2. Accounting for the Consolidation of PGPAs

a. Merger of TIDCORP and HGC

The pooling of interests method as exemplified in Philippine Interpretations Committee (PIC) Q&A No. 2012-01, as amended by PIC Q&A No. 2015-01 and PIC Q&A No. 2018-13, was applied in accounting for the merger between TIDCORP and HGC. Management believes that the merger between the two GOCCs essentially involved entities under common control, which is excluded from the scope of PFRS 3.

A business combination is a "common control combination" if the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. This means that the same party or parties have the ultimate control over the combining entities or businesses both before and after the business combination.

As wholly-owned government corporations, TIDCORP and HGC are both under the ultimate control of the National Government (NG) both before and after the merger and this control is irrefutably not transitory. The merger itself is directed by the President of the Philippines by virtue of his power of control over all executive departments, bureaus and offices, including GOCCs, under Section 17, Article VII of the 1987 Philippine Constitution.

In PIC Q&A No. 2011-02 dated August 24, 2011, the consensus is that common control business combinations shall be accounted for using either: (i) the pooling of interests method; or (ii) the acquisition method in accordance with PFRS 3, *Business Combinations.* Where the acquisition method of accounting is selected, the transaction must have a commercial substance from the perspective of the reporting entity.

Management considers the merger between TIDCORP and HGC to be without commercial substance, thus, warranting the application of the pooling of interests method. While it is true that the merger resulted in TIDCORP gaining control of the resources of HGC, the merger did not involve the payment of consideration because there was no party with an entitlement to the net assets of the former HGC. Likewise, the merger was merely imposed on the two GOCCs by the NG which basically combined its resources.

The application of the pooling of interests method to the merger between TIDCORP and HGC involved the following:

a. The assets and liabilities of the merged GOCCs are reflected in the financial statements at their carrying amounts. No adjustments were made to reflect fair values, or recognize any new assets or liabilities, at the date of the merger that otherwise would have been done under the acquisition method. Adjustments were recorded only to achieve uniform accounting policies.

b. No goodwill was recognized as a result of the merger. Intangible assets and contingent liabilities were recognized only to the extent that they were recognized by the merged corporations in accordance with applicable PFRS.

c. The income statement reflects the results of the merged corporations for the full year, irrespective of when the merger took place.

d. Comparative financial information were restated for the periods prior to the merger to reflect the combination as if it had occurred at the beginning of the earliest period presented in the financial statements regardless of the actual date of the combination.

b. Other than the Merger with HGC

Funds under the trust and/or administration of the Corporation, namely, AGFP, AKPF and CRGF, are not consolidated in these financial statements as the funds were not merged to nor are controlled by it. Instead, separate sets of books of accounts and financial statements are maintained and prepared for each fund. Only the total assets of the funds are reciprocally presented and accounted for as non-current “Other Assets” *(Note 12)* and “Trust Liabilities” *(Note 15)* in these financial statements.

Conversely, the guarantee-related assets and liabilities transferred from the IGLF and SBC, excluding those pertaining to the CRGF, which already pertain to and are controlled by the Corporation, are already reflected in these financial statements. Balances of the transferred accounts as at August 31, 2019 follow:

	IGLF	SBC
Assets		
Cash and cash equivalents	7,392,576	-
Financial assets at FVOCI	4,843,156,792	-
Investment securities at amortized cost	-	35,000,000
Receivables, net	2,128,579,733	-
Other current assets	422,793	-
Investment property	3,773,301	-
Property and equipment	52,285	-
	6,983,377,480	35,000,000
Liabilities		
Financial liabilities	196,347,849	-
Inter-agency payables	4,390,986	-
Other liabilities	794,521	-
	201,533,356	-

	IGLF	SBC
Equity		
Government equity	803,303,979	35,000,000
Retained earnings, unappropriated	5,735,238,240	-
Surplus reserves	263,943,897	
Cumulative changes in fair value	(20,641,992)	-
	6,781,844,124	35,000,000
	6,983,377,480	35,000,000

2.3. Adoption of New and Amended PFRS

Except with respect to the following new and amended PFRS, the accounting policies adopted in the preparation and presentation of the financial statements are consistent with those of prior years. Unless otherwise indicated, these new and amended standards were adopted as of January 1 of the applicable reporting period and their adoption did not have a significant impact on the financial statements.

a. *Effective in 2019 that are Relevant to the Corporation*

(i) *Amendments to PFRS 9, Financial Instruments – Prepayment Features with Negative Compensation.* These amendments confirm that when a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rates.

(ii) *PFRS 16, Leases.* This standard supersedes PAS 17*, Leases.* The new accounting model under PFRS 16 requires a lessee to recognize a “right-of-use (ROU) asset” and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating distinction between operating and finance leases. Lessor accounting, however, remains unchanged and the distinction between operating and finance lease is retained.

The Corporation has adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard, where the amount of ROU assets and lease liabilities is the same as of January 1, 2019. The adoption of the standard did not result in any adjustments to the amounts recognized in the financial statements as at January 1, 2019 nor to the opening balance of Retained Earnings for the current period. Accordingly, comparative information were not restated.

The new accounting policies of the Corporation as a lessee are disclosed in Note 2.19(a) while the accounting policies of the Corporation as a lessor, as described in Note 2.19(b), were not significantly affected.

(iii) *Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatments.* This interpretation clarifies how the recognition and measurement requirements of PAS 12, *Income Taxes,* are applied where there is uncertainty over income tax treatments. Specifically, it addresses whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity considers changes in facts and circumstances, and how an entity determines taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates.

b. *Effective in 2019 that are Not Relevant to the Corporation*

(i) *Amendments to PAS 19, Employee Benefits – Plan Amendment, Curtailment or Settlement.* The amendments specify how entities remeasure a defined benefit plan when a change, i.e. an amendment, curtailment or settlement, to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

(ii) *Amendments to PAS 28, Investment in Associates – Long-term* Interests *in Associates and Joint Ventures.* These amendments clarify that an entity applies PFRS 9, *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

(iii) *Annual Improvements to PFRS (2015 – 2017 Cycle)*

- *Amendments to PFRS 3, Business Combinations and PFRS 11, Joint Arrangements – Re-measurement of Previously Held Interests in a Joint Operation.* The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it re-measures previously held interests in that business. Conversely, the amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.

- *Amendments to PAS 12, Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity.* The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, OCI or equity according to where the entity originally recognized those past transactions or events.

- *Amendments to PAS 23, Borrowing Costs – Borrowing Costs Eligible for Capitalization*. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

c. *Effective in 2020 that are Relevant to the Corporation*

(i) *Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material.* The amendments refine the definition of material in PAS 1 and align the definition used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

(ii) *Conceptual Framework for Financial Reporting issued on March 29, 2018.* The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

(iii) *Amendments to PFRS 16, Leases – COVID-19-related Rent Concessions.* The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

Under the amendments, a lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of the COVID-19 pandemic;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

d. *Effective in 2020 that are Not Relevant to the Corporation*

(i) *Amendments to PFRS 3, Business Combinations – Definition of a Business.* The amendments clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

(ii) *Amendments to PFRS 7, Financial Instruments: Disclosures, and PFRS 9, Financial Instruments – Interest Rate Benchmark Reform*. The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

e. *Effective Subsequent to 2020 but Not Adopted Early*

The following pronouncements were issued and adopted by the FRSC before the year ending December 31, 2020 and are mandatorily effective for annual periods beginning on or after January 1, 2021. Unless otherwise indicated, the Corporation does not expect that future adoption of these pronouncements will have a significant impact on the financial statements.

Effective Beginning On or After January 1, 2021

(i) *Amendments to PFRS 9, Financial Instruments, PFRS 7, Financial Instruments: Disclosures, PFRS 4, Insurance Contracts, and PFRS 16, Leases – Interest Rate Benchmark Reform – Phase 2.* The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate is replaced with an alternative nearly risk-free interest rate:

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of interbank offered rate reform;
- Relief from discontinuing hedging relationships; and
- Relief from the separately identifiable requirement when a risk-free interest rate instrument is designated as a hedge of a risk component.

The amendments also require entities to disclose additional information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to interbank offered rate reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

Effective Beginning On or After January 1, 2022

(ii) *Amendments to PFRS 3, Business Combinations – Reference to the Conceptual Framework.* The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued on March 29, 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential "Day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or Philippine Interpretation IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments added a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

(iv) *Amendments to PAS 37, Provisions, Contingent Liabilities and Contingent Assets – Costs of Fulfilling a Contract.* The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach." The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded, unless they are explicitly chargeable to the counterparty under the contract.

(v) *Annual Improvements to PFRS (2018 – 2020 Cycle)*

- *Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards – Subsidiary as a First-time Adopter.* The amendment permits a subsidiary that elects to apply Paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply Paragraph D16(a) of PFRS 1.

- *Amendments to PFRS 9, Financial Instruments – Fees in the "10 per cent" Test for Derecognition of Financial Liabilities.* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting year in which the entity first applies the amendment.

- *Amendments to PAS 41, Agriculture – Taxation in Fair Value Measurements.* The amendment removes the requirement in Paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41. This will ensure consistency with the requirements in PFRS 13.

Effective Beginning On or After January 1, 2023

(vi) *Amendments to PAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current.* The amendments clarify Paragraphs 69 to 76 of PAS 1, to specify the requirements for classifying liabilities as current or non-current. The amendments:
- Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- Make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

(vii) *PFRS 17, Insurance Contracts.* PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts,* which currently permits a

wide variety of practices in accounting for insurance contracts. This new standard applies to all types of insurance contracts, regardless of type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements of PFRS 4, which are largely based on grandfathering of previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features, or the so-called variable fee approach, or a simplified approach mainly for short-duration contracts, or the so-called premium allocation approach.

Deferred Effectivity:

(viii) Amendments to PFRS 10, Consolidated Financial Statements, and to PAS 28, Investment in Associates and Joint Ventures – Sales or Contribution of Assets between an Investor and its Associates or Joint Venture. The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

2.4. Current and Non-current Classification

The Corporation presents assets and liabilities in the SFP based on current and non-current classification.

An asset is current when it is: (i) expected to be realized or intended to be sold or consumed in normal operating cycle; (ii) held primarily for the purpose of trading; (iii) expected to be realized within 12 months after reporting date; or (iv) cash or cash equivalents, unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date. All other assets are classified as non-current.

A liability is current when: (i) it is expected to be settled in the normal operating cycle; (ii) it is held primarily for the purpose of trading; (iii) it is due to be settled within 12 months after reporting date; or (iv) there is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

2.5. Cash and Cash Equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to insignificant risk of change in value.

2.6. Financial Instruments

Financial instruments are recognized in the SFP when, and only when, the Corporation becomes a party to the contractual provisions of the instrument. For purposes of classifying financial instruments, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria under PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

a. Financial Assets

(i) Classification and Initial Measurement

At initial recognition, financial assets are classified and measured at amortized cost, at fair value through OCI (FVOCI), or at fair value through profit or loss (FVPL). The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Corporation’s business model for managing them. The Corporation initially measures a financial asset at its fair value, and in the case of a financial asset not at FVPL, plus transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are “solely payments of principal and interest” (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Corporation’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

(ii) Subsequent Measurement

Financial assets are measured at amortized cost if both of the following conditions are met: (i) the asset is held within the Corporation's business model, the objective of which is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Corporation's financial assets at amortized cost as at December 31, 2020 and 2019 are presented in the SFP as cash and cash equivalents, loans and receivables, investment securities at amortized cost, guaranty deposits and investment in sinking fund.

Financial assets at FVOCI are subsequently measured at fair value. Interest income calculated using the EIR method, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

The Corporation's financial assets at FVOCI as at December 31, 2020 and 2019 consist of investment in treasury bonds and in unquoted equity securities.

(iii) Impairment of Financial Assets

The Corporation recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

In addition, the Corporation considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(iv) Reclassification

The Corporation can only reclassify financial assets if the objective of its business model for managing those financial assets changes. A change in the objective of the Corporation's business model will be effected only at the beginning of the next reporting period following the change in the business model.

(v) Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of financial assets is derecognized when: (i) the right to receive cash flows from the asset has expired; or (ii) the Corporation has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either the Corporation has transferred substantially all the risks and rewards of the asset, or the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Corporation continues to recognize the transferred asset to the extent of its continuing involvement.

(vi) Modification of Financial Assets

The Corporation likewise derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Corporation considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Corporation considers the following factors, among others: (i) change in currency; (ii) introduction of an equity feature; (iii) change in counterparty; and (iv) if the modification results in the asset no longer considered SPPI.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a "new" financial asset.

Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

On March 25, 2020, RA No. 11469, or the “Bayanihan to Heal as One Act” (Bayanihan 1), was enacted. Bayanihan 1 provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the Enhanced Community Quarantine period without incurring interest on interest, penalties, fees and other charges.

Subsequently, on September 11, 2020, RA No. 11494, or the “Bayanihan to Recover as One Act” (Bayanihan 2), was enacted. Under Bayanihan 2, a one-time 60-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

Based on Management’s assessment, the modifications in the contractual cash flows as a result of the offer by PHILGUARANTEE of the reliefs provided under Bayanihan 1 and 2 are not substantial and therefore do not result in the derecognition of the affected financial assets.

b. *Financial Liabilities*

(i) Classification and Measurement

Financial liabilities are classified, at initial recognition as financial liabilities at FVPL, loans and borrowings, payables, or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Corporation’s financial liabilities as at December 31, 2020 and 2019 include accounts and other payables, customer and guaranty deposits, bonds payable, loans payable, advances from the NG, lease liability and liabilities arising from financial guarantees issued.

(ii) Subsequent Measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the SCI.

As at December 31, 2020 and 2019, this category generally applies to interest-bearing bonds payable, loans payable, advances from the NG and lease liability.

(iii) Financial Guarantees

The Corporation provides financial guarantees in the ordinary course of business. Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee contracts in accordance with PFRS 15, *Revenue from Contract with Customers*. The financial guarantee is subsequently carried at the higher of: (i) the amount of the loss allowance determined in accordance with PFRS 9; and (ii) the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with PFRS 15.

(iv) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired. 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 profit or loss.

c. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the SFP, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the asset and settle the liability simultaneously. As at December 31, 2020 and 2019, there are no financial assets and liabilities that were offset.

2.7. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

a. Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;

b. Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

c. Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Corporation determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting period.

2.8. Inventories

Inventories held for consumption are valued at the lower of cost or net realizable value. Costs of inventories include all costs of purchase and other costs incurred to bring the inventories to their present location and condition, and are accounted for using the moving average cost method. 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 once deployed for utilization or consumption in the ordinary course of operations, lost or disposed of.

Inventories include semi-expendable property, or those tangible items with cost below the capitalization threshold for property and equipment. These items are recognized as expense in full upon issuance to end users but are recorded in the Report on the Physical Count of Inventories for monitoring purposes.

2.9. Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Corporation as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Corporation and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Corporation beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.10. Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use.

Pursuant to COA Circular Nos. 2016-006 and 2017-004 dated December 29, 2016 and December 13, 2017, respectively, a capitalization threshold of P15,000 is applied as the minimum cost of an individual asset to be recognized as property and equipment. Tangible items below the capitalization threshold are accounted for as semi-expendable property under inventories.

Subsequent expenditures for additions, major improvements and renewals are capitalized when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to expense in the year they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate the cost of each asset, net of residual value of five per cent, over its estimated useful lives as prescribed by COA Circular No. 2017-004, to wit:

Type of Property and Equipment	Estimated Useful Life in Years
Building	30 to 50
Land improvements	20 to 30
Transportation equipment	5 to 15
Office, IT and communication equipment	5 to 15
Furniture, fixtures and books	2 to 15
Leased assets and improvements	Estimate useful life or term of lease, whichever is shorter
Others	2 to 15

Depreciation shall be for one month if the item of property and equipment is available for use on or before the 15th day of the month. Otherwise, depreciation shall be for the succeeding month. Major repairs or renovations are depreciated over the remaining useful life of the related asset. The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the SFP date, the Corporation reviews the carrying amount of its tangible assets to determine whether there are any indicators of impairment. If indicators of impairment exist, then the recoverable amount of an asset is estimated. If the recoverable amount of an asset is less than its carrying amount, the difference is recognized in the SCI as an impairment loss.

An item of property and equipment, including the related accumulated depreciation and impairment losses, if any, is derecognized upon disposal or when no future economic benefits or service potential is expected from its use or disposal. The gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the SCI when the item is derecognized.

2.11. Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recorded at cost, which includes directly attributable costs incurred. Subsequent to initial recognition, investment properties, except land, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is stated at cost less accumulated impairment losses, if any.

Investment properties include real and other properties acquired (ROPA) in settlement of loans and receivables through foreclosure or *dacion* in payment. Foreclosed properties are classified under investment properties upon: (i) entry of judgment in case of judicial foreclosure; (ii) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or notarization of the Deed of Dacion in case of *dacion* in payment.

ROPA are initially booked at the carrying amount of the loan, i.e., outstanding loan balance less allowance for credit losses computed based on PFRS 9 provisioning requirement which takes into account the fair market value of the collateral, plus booked accrued interest less allowance for credit losses, plus transaction costs incurred upon acquisition. Maintenance and other carrying costs subsequent to the foreclosure or acquisition of such property are taken up as expenses. Realized gain on sale thereof is credited to income.

Consistent with BSP Circular No. 520 dated March 20, 2006, the Corporation adopts the following policies in accounting for ROPA:

a. Land and buildings are accounted for using the cost model under PAS 40, *Investment Property*;

b. Other non-financial assets shall be accounted for using the cost model under PAS 16, *Property Plant and Equipment*;

c. Buildings and other non-financial assets are depreciated over the remaining useful life of the assets, which shall not exceed ten years and three years from the date of acquisition, respectively; and

d. Land, buildings and other non-financial assets shall be subject to the impairment provisions of PAS 36, *Impairment of Assets*.

The appraisal of all investment property is made at least every other year to determine whether impairment exists. Immediate re-appraisal is conducted on investment property that materially declined in value. If the recoverable amount or appraised value of investment property is less than its carrying amount, the difference is recognized in the SCI as impairment loss.

Investment properties, including the related accumulated depreciation and any impairment losses, is derecognized upon disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an investment are recognized in profit or loss in the period of the retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner's occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner's occupied property becomes an investment property, the Corporation accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

2.12. Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Corporation's control and there is sufficient evidence that the Corporation remains committed to its plan to sell the asset.

Assets classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense. Assets classified as held for sale are not subject to depreciation or amortization. Gains or losses arising from the sale or remeasurement of assets held for sale are recognized in profit or loss.

An asset that ceases to be classified as held for sale is measured at the lower of: (i) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held-for-sale; and, (ii) its recoverable amount at the date of the subsequent decision not to sell. Any adjustment to the carrying amount of an asset that ceases to be classified as held for sale resulting in either a gain or loss, is recognized in profit or loss. An impairment loss is also recognized for any initial or subsequent write-down of the assets held for sale to fair value less cost to sell, to the extent that it has not been previously recognized in profit or loss.

On the other hand, any gain from any subsequent increase in fair value less costs to sell of an asset up to the extent of the cumulative impairment loss that has been previously recognized is recognized in profit or loss.

As at December 31, 2020 and 2019, the Corporation has not classified any non-current asset as held for sale. Non-current assets previously presented as such in the SFP of the former HGC were reclassified as investment properties considering that the assets remained unsold for a relatively long period of time indicating that their sale are not highly probable.

2.13. Intangible Assets

Intangible assets include acquired licenses and internally developed software which are recognized if, and only if it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Corporation and the cost or fair value of the asset can be measured reliably.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the expected useful life of five years. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets if, and only if, the Corporation can demonstrate all of the following recognition requirements: (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (b) the intention to complete the intangible asset and use or sell it; (c) the ability to use or sell the intangible asset; (d) the intangible asset will generate probable future economic benefits or service potential; (e) the availability of adequate technical, financial and other resources necessary to complete the development and to use or sell the intangible asset; and (f) ability to measure reliably the expenditure attributable to the intangible asset during development.

Development costs not meeting these criteria for capitalization are expensed as incurred.

2.14. Impairment of Non-financial Assets

The Corporation assesses at each reporting date whether there is an indication that a non-financial asset, i.e. property and equipment, investment properties and intangible assets, among others, may be impaired. If any such indication exists or when annual impairment testing for a non-financial asset is required, the Corporation makes an estimate of the non-financial asset's recoverable amount. Recoverable amount is the higher of a non-financial asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the non-financial asset does not generate cash inflows that are largely independent of those from other or groups of non-financial assets.

When the carrying amount of a non-financial asset exceeds its recoverable amount, the non-financial asset is considered impaired and is written down to its recoverable amount. An impairment loss is charged against operations in the year in which it arises.

An impairment assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the SCI.

For property and equipment, after such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

2.15. Provisions and Contingencies

Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation, even if the timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense.

Where the Corporation expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain and at an amount not exceeding the related provision. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized but are disclosed in the financial statements, except if the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

2.16. Equity

Government equity represents the amount of the equity contribution of the NG, whether in cash or in kind, as approved under the Corporation's Charter, PD No. 1080, as amended.

Retained earnings (Deficit) represent all current and prior period results of operations as disclosed in profit and loss, reduced by the amount of dividends required to be declared and remitted to the NG pursuant to the RA No. 7656, or the "Dividends Law."

Cumulative changes in fair value of investments arise from cumulative mark-to-market valuation of outstanding financial assets at FVOCI.

2.17. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The five-step model follows: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires the Corporation to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The following specific recognition criteria, which did not materially change from PAS 18, *Revenue,* must also be met before revenue is recognized:

a. *Revenue Within the Scope of PFRS 15*

   (i) Fees and Commissions

   Fees earned for the provision of services over a period of time, such as guarantee fees, related commitment fees and management fees, are accrued over that period as the customer simultaneously receives and consumes the benefits provided by the Corporation. Specifically, guarantee fees received in advance are recognized as income on a straight-line basis over the expected life of the related financial guarantee contracts

Fees arising from negotiating or participating in the negotiation of a transaction, such as commission income, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(ii) Fines and Penalties

Fines and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectability.

(iii) Other Income

Income from the sale of services, such as consultancy fees, is recognized upon completion of service. Income from sale of properties is recognized upon completion of the earnings process and the collectability of the sales price is reasonably assured under “Gains” in the SCI.

b. Revenue Outside the Scope of PFRS 15

(i) Interest Income

Interest on financial instruments measured at amortized cost and FVOCI are recognized based on the EIR method of accounting. The EIR method is a method of calculating the amortized cost of a financial asset or a financial liability, and allocating the interest income or interest expense over the relevant period.

The EIR is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognized thereafter using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Recovery on Written-off Assets

Income arising from collections on accounts or recoveries from impairment of items previously written-off are recognized in the year of recovery.

(iii) Dividend Income

Dividend income is recognized when the Corporation’s right to receive the payment is established.

(iv) Rental Income

Rental income arising on leased premises is accounted for on a straight-line basis over the lease terms of on-going leases.

Collections from accounts, which did not qualify for revenue recognition, are treated as customer's deposit included as part of "Deferred Credits/Unearned Income" *(Note 16)* in the SFP.

2.18. Expense Recognition

Expenses are decreases in economic benefits during the year in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in profit or loss upon utilization of the assets or services, or at the date those are incurred. Interest expenses are recorded in profit or loss using the effective interest method.

2.19. Leases

a. *The Corporation as Lessee*

(i) On or After January 1, 2019 in Accordance with PFRS 16

The Corporation considers whether a contract is, or contains a lease at the inception of a contract. A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

At commencement date of the lease, the Corporation recognizes an ROU asset and a corresponding lease liability on the SFP, except for short-term leases, i.e. leases with a lease term of 12 months or less, and leases of low value assets. For these leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liability is measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease (if readily available) or the Corporation's incremental borrowing rate. Incremental borrowing rate is the rate of interest that the Corporation would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

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

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

payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset, or profit and loss if the ROU asset is already reduced to zero.
ROU asset is measured at cost, which consist of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The Corporation depreciates ROU assets on a straight-line basis using the expected useful life or lease term whichever is shorter. The Corporation also assesses the ROU asset for impairment when any such indicators exist.

(ii) Before January 1, 2019 in Accordance with PAS 17

Leases which do not transfer to the Corporation substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Contingent rents, if any, are recognized as an expense in the period in which they are incurred.

The Corporation determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease, only if one of the following applies: (i) there is a change in contractual terms, other than a renewal or extension of the arrangement; (ii) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term; (iii) there is a change in the determination of whether fulfillment is dependent on a specified asset; or (iv) there is a substantial change to the asset.

b. The Corporation as Lessor

Leases wherein the Corporation substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Company's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Company's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.20. Income Taxes

Tax expense recognized in the profit or loss comprises the sum of current tax and deferred tax not recognized in OCI or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, tax authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates and tax laws have been enacted or substantively enacted at the end of each reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Corporation has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes related to the same entity and the same taxation authority.

2.21. Employee Benefits

Considerations given by the Corporation in exchange for services rendered by employees or for the termination of employment are recognized and measured as follows:

a. *Post-employment Defined Contribution Plan*

   A defined contribution plan is a post-employment benefit plan under which the Corporation pays fixed contributions into an independent entity. The Corporation will have no legal or constructive obligation to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred.

   Prior to the merger, both TIDCORP and the former HGC maintained defined contributory Provident Funds covering all regular employees. Contributions to the funds consist of the employees' share which is withheld from the monthly payroll, and the employer's share which is charged to "Provident Fund Contributions" *(Note 22.1)* at the following rates of basic salary:

	Employee's Share	**Employer's Share**
TIDCORP Provident Fund	5 per cent	25 per cent
HGC Provident Fund	5 per cent	20 per cent

   Both Provident Funds are still maintained by PHILGUARANTEE after the merger. However, in view of the observation of COA that payment by the Corporation of employer's share was without approval of the President of the Philippines, thus lacks legal basis, the Corporation ceased contributing to the TIDCORP Provident Fund effective August 1, 2019. Further, employer's share contributions to the HGC Provident Fund has been limited to incumbent employees absorbed from the former HGC.

b. *Short-term Benefits*

   Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before 12 months after the end of the reporting period during which an employee services are rendered. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of "Due to Officers and Employees" *(Note 13)* in the SFP.

c. *Termination Benefits*

   Termination benefits are payable when employment is terminated by the Corporation before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits, and the payment of the benefit by the Corporation is authorized by law. The

Corporation recognizes termination benefits at the earlier of: (i) when it can no longer withdraw the offer of such benefits; and (ii) when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

d. Compensated Absences

Compensated absences are recognized for the number of paid leave days remaining at the end of the reporting period. They are included as "Leave Benefits Payable" *(Note 17)* in the SFP at the undiscounted amount that the Corporation expects to pay as a result of the unused entitlement.

2.22. Foreign Currency Transactions and Translations

The accounting records of the Corporation are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing at transaction dates. Assets and liabilities denominated in foreign currencies are translated to Philippine pesos at the prevailing Bankers Association of the Philippines closing rates at the SFP date.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.23. Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Corporation and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Related parties include key management personnel who are persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director, whether executive or otherwise, of that entity.

2.24. Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Corporation's financial position at the end of reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Corporation's financial statements in accordance with PFRS requires Management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1. Critical Management Judgments in Applying Accounting Policies

In the process of applying the Corporation's accounting policies, Management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

a. *Common Control Business Combination*

Management considers the merger between TIDCORP and HGC as a common control business combination because there was no change in the ultimate control of the NG over the affected GOCCs. In directing the merger, the NG basically combined its resources, hence, a business combination without commercial substance.

b. *Classification of Financial Assets*

The Corporation classifies and measures its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

(i) Business Model Test

The Corporation developed business models which reflect how it manages its portfolio of financial instruments. The Corporation's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments and not on an instrument-by-instrument basis.

In determining the classification of a financial instrument, the Corporation evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Corporation as those relate to the Corporation's investment and trading strategies.

(ii) Cash Flow Characteristic Test

In determining the classification of financial assets, the Corporation assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows, unless it is a variable interest rate that represents time value of money and credit risk, does not meet the amortized cost criteria.

c. *Application of ECL to Financial Assets*

The Corporation uses the general approach to calculate ECL for all debt instruments carried at amortized cost and FVOCI, together with financial guarantee contracts. The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Corporation has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

d. *Classification of Leases*

The Corporation has entered into a significant number of lease agreements as lessor. Judgment was exercised by Management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

In determining whether the lease arrangements qualify as a finance lease, the following factors have been considered: (i) the lease provides the lessee an option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable; (ii) the lease transfers ownership of the property at the end of the lease; and (iii) the lease term approximates the estimate useful life of the asset being leased.

e. *Recognition of Provisions and Contingencies*

Judgment is exercised by Management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.15 and relevant disclosures are presented in Notes 17 and 20. In dealing with the Corporation's various legal proceedings, the Corporation's estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Corporation's internal and outside counsels acting in defense of the Corporation's legal cases and are based upon the analysis of probable results.

3.2. Use of Estimates

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of resources and liabilities within the next reporting period:

a. *Estimation of ECL on Financial Assets*

When measuring allowance for ECL for relevant categories of financial assets, Management applies judgment in defining the criteria in assessing whether a financial asset has experienced SICR since initial recognition, and in the estimation of the contractual cash flows due from counterparty and those that the Corporation would expect to receive, taking into account the cash flows from the realization of collateral, if any.

The Corporation's ECL calculations are outputs of complex models with a number of underlying assumptions about future economic conditions and credit behavior of counterparties. The computation of the ECL also considers the use of reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other that may result in different levels of loss allowance.

The gross carrying amounts of financial assets as at December 31, 2020 and 2019 and the related allowances for credit losses are disclosed in Notes 5, 6, 7 and 12.

b. *Estimation of Useful Lives of Non-financial Assets*

The Corporation estimates the useful lives of property and equipment, ROU assets, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment, including ROU assets, investment properties and intangible assets as of December 31, 2020 and 2019 are disclosed in Notes 9, 10 and 11.

c. *Recognition of Deferred Tax Assets*

The Corporation reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Significant judgment is applied by Management to determine the amount of deferred tax assets that can be recognized based on the likely timing and level of the Corporation's future taxable income.

The carrying amount of deferred tax assets as at December 31, 2020 and 2019 is disclosed in Note 23.

d. *Estimation of Impairment Losses of Non-financial Assets*

The Corporation assesses impairment on its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Corporation considers important which could trigger an impairment review include (i) significant underperformance relative to expected historical or projected future operating results; (ii) significant changes in the manner of use of the acquired assets or the strategy for overall business; and (iii) significant negative industry or economic trends.

Impairment losses are recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for cash-generating unit to which the asset belongs.

The carrying amounts of non-financial assets subject to impairment as at December 31, 2020 and 2019 are disclosed in Notes 9, 10 and 11.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks are inherent in the business activities of the Corporation as well as in the business environment in which it operates. Among its identified risks are credit risk, liquidity risk, market risk, operational risk and regulatory risk. These risks are managed through a risk management framework and governance structure that provides comprehensive controls and management of major risks on an on-going basis.

Risk management is the process by which the Corporation identifies its key risks, obtains consistent and understandable risk measures, decides which risks to take on or reduce and how this will be done, and establishes procedures for monitoring the resultant risk positions. The objective of risk management is to protect the Corporation from events that hinder the sustainable achievement of the Corporation's performance objectives including failing to exploit opportunities.

The Corporation recognizes the importance of risk management in ensuring its continuing overall viability. Management, with the oversight of the Board, shall see to it that the risk management functions are implemented in all business units of the organization. Moreover, each individual within the Corporation is expected to proactively manage and is accountable for the risk exposures inherent to their respective area.

4.1. Risk Management Structure

a. *Board Level*

(i) *Board of Directors.* The Board, which meets monthly, is responsible for the overall risk management approach and for approving the risk principles and strategies.

(ii) *Risk Oversight Committee (ROC).* This Committee, which meets monthly, is responsible for the following:

- Perform oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of the Corporation, and crisis management, including receiving from Senior Management periodic information on risk exposures and risk management activities;

- Develop the risk management policy of the Corporation, ensure compliance therewith and ensure that the risk management process and compliance are embedded throughout the operations of the Corporation, especially at the Board and Management levels; and

- Provide quarterly reporting and updating the Board on key risk management issues as well as *ad hoc* reporting and evaluation on investment proposals.

(iii) *Corporate Governance Committee (CGC).* This Committee, which meets monthly, is responsible for the following:

- Oversee the periodic performance evaluation of the Board and its committees and Management, including recommending the manner by which the Board's performance may be evaluated and proposing an objective performance criteria to be approved by the Board;

- Decide whether or not a Director is able to and has been adequately carrying out his or her duties as Director bearing in mind the director's contribution and performance;

- Recommend to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for Executive Officers, and their remuneration commensurate with corporate and individual performance;

- Install and maintain a process to ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations, including reviewing and evaluating the qualifications of all persons nominated to positions in the Corporation which require appointment by the Board; and

- Develop recommendations to the Governance Commission for GOCCs (GCG) for updating the Compensation and Position Classification System and ensure that the same continues to be consistent with the Corporation's culture, strategy, control environment as well as pertinent laws, rules and regulations.

(iv) *Executive Credit Guarantee Committee (formerly Credit Committee).* This Committee, which meets monthly, is responsible for the following:

- Ensure that the credit policies set by the Board are implemented and complied with;
- Review, assess, and recommend changes or amendments to the adequacy of Corporation's existing credit policies and its overall credit administration and implementation;
- Review the quality of Corporation's guarantee portfolios assuring adherence to policies and guidelines and monitoring progress toward achieving corporate objectives without prejudice to the review to be conducted by an independent body or regulator;
- Review and approve or deny all applications for guarantee involving amounts that fall within the amount limitations set by the Board for the Committee;
- Review and endorse to the Board all applications for direct lending and guarantee involving amounts that exceed the amount limitations set by the Board for the Committee; and
- Advise on any matter of significance relating to credit including recommendations to the Board of changes in guarantee policies or directions.

(v) *Audit Committee.* This Committee, which meets quarterly, is responsible for the following:

- Oversee, monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, engage and provide oversight of the Corporation's internal and external auditors, and coordinate with COA;
- Review and approve audit scope and frequency, the annual internal audit plan, quarterly, semi-annual and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, as well as with tax, legal, regulatory and COA requirements;
- Review reports of internal and external auditors and regulatory agencies, and ensuring that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
- Ensure that internal auditors have free and full access to all the Corporation's records, properties and personnel relevant to and

required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results; and

- Ensure the development by Management of a transparent financial management system that will ensure the integrity of internal control activities throughout the organization through a procedures and policies handbook that will be used by the entire organization.

b. *Management Level*

(i) *Senior Management Committee (SMC).* The SMC is a standing advisory body responsible for providing sound and strategic guidance, advice, policies and guidelines on key matters or issues affecting the operations of the Corporation, and periodically evaluates and monitors the implementation of strategies or action plans that the Board or Management has approved.

(ii) *Enterprise Risk Management Office (ERMO).* The duties of the ERMO are as follows:

- Develop, implement and update the enterprise management plan or framework of the Corporation;

- Develop, review and update all risk policies and programs, including providing assistance to all business units in reviewing and updating their respective department/office registry;

- Conduct the review of the various risk programs in place including the risk appetite and criteria, risk registry and risk mitigation measures;

- Examine the quality of the Corporation's guarantee portfolio and periodically update the Board, ROC and Management on its performance and levels;

- Provide inputs and recommendations to the Board thru the ROC as well as Management regarding risk exposures, as well as on matters on credit, market, liquidity, legal and operational risks;

- Prepare and implement information security standards and policies, including its proper monitoring, review and updating, and conducting periodic assessment to identify weaknesses and vulnerabilities in information security-related policies and plans of the Corporation; and

- Propose and review credit policies as part of ensuring proper credit risk management parameters that are observed by the Corporation, including proposing recommendations on existing credit policies upon review and observation and providing inputs to the ROC and Management in relation to addressing credit policy implementation and deficiencies.

(iii) *Office of the Chief Risk Officer.* The Chief Risk Officer shall be responsible for the following:

- Integrate risk management into the business activities of the Corporation;

- Ensure that the Corporation manages adequately credit, market, liquidity, legal, operational and other risks:

  a. Review compliance with existing risk asset management policies, regulations, plans and procedures;

  b. Provide feedback to Management and/or marketing units on potential losses or gains in risk asset management operations based on periodic financial analysis to gauge the credit health of the Corporation and identify sound credit alternatives; and

- Advise the Board in areas of risk exposures and risk management activities of the Corporation.

(iv) *Corporate Compliance and Standards Office (CCSO).* The duties of the CCSO are as follows:

- Develop, review and update the corporate compliance program of the Corporation, including undertaking compliance testing to determine effectiveness and relevance of compliance program and activities;

- Responsible for reporting to the Board through the CGC all compliance-related activities, actions and recommendations, as well as Management's compliance reporting in relation to requirements or directives of regulatory bodies;

- Execute, review and update the Corporation's programs, plans and implementing activities on data protection, freedom of information and anti-red tape or ease of doing business laws, rules and regulations of the government;

- Monitor and update the annual performance scorecard of the Corporation on a quarterly basis, and report the status of the same with the GCG;

- Secure and maintain a quality management system with the end view of institutionalizing standards, process improvement and organizational productivity, including championing efforts to secure quality management recognition; and

- Conduct systems and methods study and diagnostics to identify functional gaps and determine improvement and innovation of functional areas.

(v) *The Compliance Officer.* The Compliance Officer shall be responsible for the following:

- Monitor compliance by the Corporation with the requirements under RA No. 10149, or the "GOCC Governance Act of 2011," the Corporation's Manual of Corporate Governance and the rules and regulations of the appropriate government agencies; and

- Report any violations found to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation.

(vi) *Internal Audit Office (IAO).* The IAO is primarily responsible for the examination and evaluation of the adequacy and effectiveness of the agency's governance, risk management, and internal controls, as well as the quality of performance in carrying out assigned responsibilities to achieve the agency's defined goals and objectives. Specifically, the IAO is responsible for the following:

- Examine and evaluate the adequacy and effectiveness of the internal control systems at various operations and activities of the Corporation;

- Review compliance with legal and regulatory requirements and approved Corporation's policies and procedures;

- Examine the quality of credit portfolio and periodically updates Management on the status thereof;

- Appraise performance and economical and efficient use of corporate resources;

- Recommend measures to safeguard the assets of the Corporation;

- Review the accuracy and reliability of the Corporation's accounting records and financial reports, including that of other entities where the Corporation has financial interest or where it may have review and monitoring authority through contractual agreements or covenants; and

- Recommend to Management measures to address the inherent flaws or defects in the systems and operations of the different organizational units of the Corporation.

4.2. Risk Mitigation

a. Credit Risk

Credit risk is the risk that a guaranteed obligor or direct lending client of the Corporation will fail to meet its obligations in accordance with the agreed terms. The goal of credit risk management is to create shareholder value by ensuring the credit risk exposures generate returns in excess of the cost of the underlying capital while at the same time supporting government economic development priorities and thrusts in sectors covered by its mandate.

Credit risk arises from the Corporation's outstanding guarantees and remaining direct lending portfolio, comprising of off-balance sheet commitments and on-balance sheet portfolio.

Credit risk is addressed at the operational level by specific processes and procedures as contained in the Corporation's Risk Asset Management Manual and through Credit Policy Memoranda issued from time to time. The Corporation's credit assessment process includes the determination of a credit risk rating or score for the borrower. For this purpose, it implements its own Internal Credit Risk Rating System.

The Corporation manages and controls credit risk by setting limits on the amount of risk it is willing to accept. Counterparty limits are established by the use of a credit classification system which assigns each counterparty a risk rating. The credit quality review process allows the Corporation to assess the potential loss as a result of the risks it is exposed to and take immediate corrective actions on the same.

b. Liquidity Risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

To mitigate this risk, Management has arranged diversified funding sources in addition to its core revenue base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding, if required.

Moreover, Management incorporated a Contingency Funding Plan (CFP) in the Business Plan with the following objectives:

(i) To define the level of crisis that the BOD intends for the Corporation to survive without external assistance and that the same crisis level does not escalate to a point that it cannot survive; and

(ii) To articulate in advance what to do, when, how and by whom to manage a crisis or liquidity situation to avert any escalation of the same with the minimum of financial impact.

The concept is to manage a crisis fast enough to mitigate the risks of escalation and prevent the exacerbation of the crisis by slow and wrong decisions. The CFP covers the following areas: (i) survivable liquidity stress level; (ii) activation and crisis management process; (iii) senior management crisis committee; (iv) contingency funding strategy; (v) communications; (vi) management information system requirements; and (vii) other specific crisis management preparation requirements.

Moreover, the Corporation maintains a portfolio of highly marketable securities that can be easily liquidated in the event of unforeseen interruption of cash flow. Due to the dynamic nature of the underlying businesses, the Funds and Investments Department (FID) of the Corporation closely monitors the movement and behavior of the market in order to avail of high-yielding investment media. The Corporation also maintains flexibility in funding by keeping committed credit lines available.

c. *Market Risk*

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange and equity prices.

In general, market risk is identified when a product is approved for introduction into the Corporation’s portfolios, as well as when the actual risk-taking transaction is consummated. In the product approval process, the aim is to perform a thorough analysis, evaluation and documentation of the market risk exposure arising from the product, if any, and to ensure such is within the strategic parameters and risk tolerance guidelines of the Corporation. Likewise, the FID is tasked to closely monitor the behavior of the market in terms of prevailing interest rates and mark-to-market valuation of the Corporation’s government securities measured at FVOCI.

d. *Operational Risk*

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events – whether deliberate, accidental or natural. It includes the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The Corporation undertakes the identification and assessment of operational risk through: (i) products, systems and process development; (ii) business continuity planning; and (iii) audits.

Control and mitigation of operational risks are undertaken through: (i) control mitigation activities, such as segregation of duties, clear documentation of procedures, physical assets and information access control and verification, and reconciliation; and (ii) continuity planning. Operational risk is addressed through approved documentation of processes in back office and support functions. Emphasis is placed on controls to guide day-to-day processes.

e. *Regulatory Risk*

Regulatory risk refers to the potential for the Corporation to suffer financial loss due to mid-stream changes in regulatory regime affecting current position and/or strategy.

The CCSO, the design and implementation of which is overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The CCSO is committed to safeguard the integrity of the Corporation by maintaining a high level of regulatory compliance. It is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing, and reporting compliance findings to the CGC and the Board.

5. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2020	2019 (As restated)
Cash on hand	**189,981**	41,138,561
Cash in bank – local currency	**388,886,013**	1,262,284,066
Cash in bank – foreign currency	**2,576,457**	2,714,899
Cash equivalents	**1,562,691,437**	1,459,755,898
	1,954,343,888	2,765,893,424

Cash in banks earn interest at prevailing interest rates. Cash equivalents are made for various periods of up to three months depending on the immediate cash requirements of the Corporation, and earn interest ranging from 1.20 to 1.60 per cent per annum in CY 2020 and 1.04 to 3.25 percent in CY 2019.

6. INVESTMENTS

This account consists of the following:

	2020	2019 (As Restated)
Current		
Financial assets at FVOCI	**1,741,721,747**	1,616,640,098
Investment securities at amortized cost	**15,324,196,165**	8,800,746,397
	17,065,917,912	10,417,386,495
Non-current		
Financial assets at FVOCI	**535,853,687**	535,853,687
Investment in sinking fund	**1,449,371,518**	1,297,661,810
Others	**452,460**	452,460
	1,985,677,665	1,833,967,957

Current financial assets at FVOCI refers to investments in treasury bonds held to collect and dispose anytime within 12 months from the SFP date. The investments carry interest rates per annum ranging from 1.587 to 5.75 per cent in CY 2020 and 3.25 to 6.375 per cent in CY 2019. Details of the movements in the account follow:

	2020	2019
Balance, January 1	**1,616,640,098**	420,722,073
Acquisitions or additions	**59,903,730**	1,117,043,538
Sales or reductions	**(6,170,197)**	0
Fair value gains (losses)	**71,348,116**	78,874,487
Balance, December 31	**1,741,721,747**	1,616,640,098

Investment securities at amortized cost pertains to the Corporation's held to collect placements in time deposits and government securities with maturities of more than three months from the date of acquisition. These securities have interest rates per annum ranging from 1.019 to 5.875 per cent in CY 2020 and 1.90 to 4.31 per cent in CY 2019. Details follow:

	2020	2019 (As Restated)
Treasury bills	**8,547,530,157**	4,809,185,055
Time deposits	**5,276,157,871**	3,890,233,327
Treasury and other bonds	**1,499,180,122**	100,000,000
Local bonds	**1,328,015**	1,328,015
	15,324,196,165	8,800,746,397

As at December 31, 2020 and 2019, the accumulated net unrealized gains (losses) on these financial assets, which is reflected as fair value adjustments in the statement of changes in equity, amounted to P5.595 million and P(44.348) million, respectively, net of deferred tax asset (liability) of P(2.398) million and P19.006 million, respectively.

Non-current financial assets at FVOCI consists of unquoted equity securities which include corporate club shares and investments in non-marketable equity securities, as follows:

	2020	2019 (As Restated)
Investment in HCPTI shares	**535,236,187**	535,236,187
Corporate club shares	**617,500**	617,500
	535,853,687	535,853,687

The investment in shares of Harbour Centre Port Terminal, Inc. (HCPTI) were among the assets assigned and conveyed in 2003 by the Smokey Mountain Asset Pool (SMAP), through its trustee Planters Development Bank (PDB), to the former HGC for and in consideration of the latter's assumption and payment of its guaranty obligations. Details follow:

	2020	2019 (As Restated)
Preferred shares	**417,736,695**	417,736,695
Common shares	**117,499,492**	117,499,492
	535,236,187	535,236,187

The shares are the subject of a civil case for mandamus filed on March 3, 2009 before the Regional Trial Court (RTC) Branch 90 (later re-raffled to Branch 222), Quezon City against HCPTI to compel the latter to register the shares in the name of the former HGC. The RTC rendered a Decision on November 25, 2020 dismissing the case. The Corporation filed Notice of Appeal to elevate the case to the Court of Appeals.

The corporate club shares in Tower Club, Inc. (TCI) were acquired in 2010 in consonance with the public relation activities of the former HGC. Ownership of a share represents an undivided interest in the assets of TCI which principally consists of title over the facilities and other assets of the Club and a 25-year leasehold right over two floors and their appurtenant parking units at the Philamlife Tower in Makati City.

As at December 31, 2020 and 2019, the amounts of the Corporation's non-current financial assets approximate their fair values. Impairment assessment for equity securities is no longer applicable under PFRS 9.

Further, as at December 31, 2019, certain financial assets totalling P398.454 million were assigned to the LBP as security for the payment by the Corporation of its loan obligation to the former *(Note 13).* Said loan was ultimately settled in full in December 2020.

The investment in sinking fund refers to the guarantee reserve fund established by the former HGC in 2008 at an initial amount of P453 million pursuant to Article 20 of the implementing rules and regulations (IRR) of RA No. 8763 to answer for guaranty calls. Consistent with the IRR, amounts equivalent to five percent of income before financial charges were added to the fund in subsequent years. Further increase in the sinking fund represents income earned from temporarily investing the fund primarily in government securities and short-term deposits.

The composition of the fund as at December 31, 2020 and 2019 as well as movements in the fund during the year are as follows:

	2020	2019 (As Restated)
Balance, January 1	**1,297,661,811**	1,166,117,688
Additional contributions	**118,036,184**	91,826,686
Fund income	**33,673,523**	39,717,436
Balance, December 31	**1,449,371,518**	1,297,661,810
High-yield savings account	**980,715,406**	817,182,982
Treasury bills	**339,251,196**	328,661,322
Special savings deposit	**122,721,541**	145,134,131
Others	**6,683,375**	6,683,375
	1,449,371,518	1,297,661,810

7. RECEIVABLES

This account consists of the following:

	2020	2019 (As Restated)
Current		
Loans and receivables	**512,861,341**	491,473,194
Lease receivable	**660,782,956**	615,225,675
Inter-agency receivable	**993,131,530**	4,507,864,781
Other receivables	**281,693,987**	276,210,196
	2,448,469,814	5,890,773,846
Allowance for ECL	**(63,432,485)**	(88,804,085)
	2,385,037,329	5,801,969,761
Non-current		
Loans and receivable	**7,866,019,676**	8,459,591,564
Lease receivable	**136,617,173**	140,049,711
Inter-agency receivable	**1,897,386,090**	1,886,750,049
Other receivable	**5,251,368**	5,251,368
	9,905,274,307	10,491,642,692
Allowance for ECL	**(3,410,584,476)**	(3,137,961,717)
	6,494,689,831	7,353,680,975

Loans and receivable consists of:

	Current	Non-current	Total
As at December 31, 2020			
Sales contract receivable	**369,758,100**	**3,327,822,895**	**3,697,580,995**
Subrogated claims receivable	**16,290,798**	**2,733,220,149**	**2,749,510,947**
Notes receivable	**0**	**1,299,157,164**	**1,299,157,164**
Loans receivable	**601,423**	**492,979,750**	**493,581,173**

	Current	Non-current	Total
Interest receivable	**125,040,444**	**0**	**125,040,444**
Accounts receivable	**1,170,576**	**12,839,718**	**14,010,294**
	512,861,341	**7,866,019,676**	**8,378,881,017**
As at December 31, 2019			
Sales contract receivable	369,729,232	3,327,563,087	3,697,292,319
Subrogated claims receivable	16,453,479	2,734,887,095	2,751,340,574
Notes receivable	0	1,879,394,761	1,879,394,761
Loans receivable	4,896,767	504,906,904	509,803,671
Interest receivable	100,097,234	0	100,097,234
Accounts receivable	296,482	12,839,717	13,136,199
	491,473,194	8,459,591,564	8,951,064,758

Sales contract receivable represents the outstanding receivable on investment property or acquired assets sold on installment basis to third parties. Title to the property is transferred to the buyer only upon full payment of the agreed selling price. The interest rate ranges from three to 12 per cent, with terms ranging from 5 to 25 years in both years.

Subrogated claims receivable pertains to the amounts paid by the Corporation to creditor-banks on assumption of the guaranteed portion of the loan and interest as well as other charges related thereto and the restructured accounts of defaulting clients under its various guarantee programs. Details follow:

	Current	Non-current	Total
As at December 31, 2020			
Housing	**16,290,798**	**146,649,420**	**162,940,218**
MSMEs and other priority sectors	**0**	**2,586,570,729**	**2,586,570,729**
	16,290,798	**2,733,220,149**	**2,749,510,947**
As at December 31, 2019			
Housing	16,453,479	148,292,055	164,745,534
MSMEs and other priority sectors	0	2,586,595,040	2,586,595,040
	16,453,479	2,734,887,095	2,751,340,574

Notes receivable primarily pertains to loans carried over from the IGLF under its Retail Lending Program with an outstanding balance of P1.264 billion and P1.842 billion as at December 31, 2020 and 2019, respectively. Ninety-nine per cent of these loans were extended to the Development Bank of the Philippines (DBP) and are secured by promissory notes. These notes carry interest rates per annum ranging from 3.50 to 8.50 per cent, with terms ranging from five to ten years. The account also includes notes issued to the former HGC in relation to receivables under the then Community Mortgage and Cooperative Housing programs.

Loans receivable refers to the outstanding balance of loans originated by the Corporation under its then Retail Direct Lending (RDL) and Wholesale Lending Programs (WLP). These loans earn interest ranging from 7.50 to 12.00 per cent per annum. As at December 31, 2020 and 2019, the Corporation is winding down its direct lending operations in consonance with the centralized nature of the merged guarantee functions to be discharged by PHILGUARANTEE under EO No. 58.

Accrued interest receivable is derived from the various financial assets owned by the Corporation as follows:

	2020	2019 (As Restated)
Investment securities	**66,544,411**	26,220,829
Loans receivable	**10,421,705**	9,288,261
Notes and other receivable	**48,074,328**	64,588,144
	125,040,444	100,097,234

BSP Circular No. 941, series of 2017 provides that no accrual of interest income is allowed if a loan has become non-performing. Interest on non-performing loans are taken up as income only when actual collections thereon are received.

Accounts receivable includes the non-interest bearing receivables from employees for home equity and repair loans in CY 2020 and CY 2019 amounting to P6.185 million and P7.429 million, respectively, as well as guarantee fee receivable from clients.

Lease receivable consists of the following:

	Current	**Non-current**	**Total**
As at December 31, 2020			
Operating lease receivable	**641,130,815**	**0**	**641,130,815**
Finance lease receivable	**19,652,141**	**136,617,173**	**156,269,314**
	660,782,956	**136,617,173**	**797,400,129**
As at December 31, 2019			
Operating lease receivable	582,337,171	0	582,337,171
Finance lease receivable	32,888,504	140,049,711	172,938,215
	615,225,675	140,049,711	755,275,386

Operating lease receivable is the uncollected and accrued rentals as of end of reporting period from third party tenants under the various operating lease agreements of the Corporation.

Finance lease receivable refers to the outstanding lease receivable from Guru Property Development and Management Corporation over the 25-year lease of the Victory Mall (formerly Monumento Plaza) leasehold rights. The account also includes the outstanding receivable from PHILGUARANTEE officers who availed of the car plan under lease-purchase agreements with the Corporation, pursuant to the guidelines issued by the Office of the President of the Philippines, amounting to P17.702 million and P21.442 million as at December 31, 2020 and 2019, respectively.

Inter-agency receivable pertains to the various advances to and receivable from national government agencies (NGAs), other GOCCs, local government units (LGUs), and other instrumentalities of the NG, as follows:

	Current	Non-current	Total
As at December 31, 2020			
National Housing Authority (NHA)	**0**	**1,803,729,758**	**1,803,729,758**
AGFP	**511,471,192**	**0**	**511,471,192**
AKPF	**418,420,485**	**0**	**418,420,485**
Trust funds from NGAs	**8,322,673**	**0**	**8,322,673**
NHA-HUDCC	**45,668,948**	**0**	**45,668,948**
LGUs	**8,409,881**	**0**	**8,409,881**
Others	**838,351**	**93,656,332**	**94,494,683**
	993,131,530	**1,897,386,090**	**2,890,517,620**
As at December 31, 2019			
NHA	0	1,803,729,758	1,803,729,758
AGFP	4,047,212,846	0	4,047,212,846
AKPF	392,629,425	0	392,629,425
Trust funds from NGAs	7,975,701	0	7,975,701
NHA-HUDCC	45,668,948	0	45,668,948
LGUs	8,708,829	0	8,708,829
Others	5,669,032	83,020,291	88,689,323
	4,507,864,781	1,886,750,049	6,394,614,830

Due from NHA pertains to the amounts advanced by the SMAP to NHA, the implementing agency of the Smokey Mountain Development and Reclamation Project, which was among those assigned and conveyed in 2003 by the SMAP, through its trustee PDB, to the former HGC for and in consideration of the latter's assumption and payment of its guaranty obligations.

The receivables from AGFP represents the remaining balance of funds due for transfer to the Corporation pursuant to Section 3 of EO No. 58 which directs that the equity contributions of the NG to the former HGC, IGLF and AGFP shall be transferred to PHILGUARANTEE to form part of its paid-up capital.

Due from AKFP pertains to the accumulated share of said fund in PHILGUARANTEE's operating expenses for the administration and trusteeship of the CFG component of the AKPF. On the other hand, the receivable from the trust funds from NGAs refer to the amounts advanced by the Corporation for the operating expenses of said trust funds *(Notes 12 and 15).*

Under Section 7 of RA No. 6846, the AKPF shall bear the costs of its administration and development in such amounts and/or limits as the administering agency shall deem appropriate, but not exceeding one per cent of the fund assets of the previous year. Expenses for organization and initial operations shall be provided by the administering agencies as advances, subject to reimbursement.

Other receivable consists of the following:

	Current	Non-current	Total
As at December 31, 2020			
Disallowances	**119,531,088**	**0**	**119,531,088**
Due from officers and employees	**652,931**	**5,251,368**	**5,904,299**
Others	**161,509,968**	**0**	**161,509,968**
	281,693,987	**5,251,368**	**286,945,355**
As at December 31, 2019			
Disallowances	120,891,177	0	120,891,177
Due from officers and employees	743,037	5,251,368	5,994,405
Others	154,575,982	0	154,575,982
	276,210,196	5,251,368	281,461,564

Receivable from disallowances represents the amounts disallowed in audit by COA which have become final and executory, thus, duly covered by COA Orders of Execution (COE), net of settlements made by persons found liable thereon. In 2019, the following disallowances became final and executory:

Notice of Disallowance			
No.	**Date**	**Particulars**	**Outstanding Balance**
2012-002	07/13/2012	Expenses reimbursed by BOD members	324,494
2012-004	09/19/2012	Benefits paid to BOD members	2,161,148
			2,485,642

The remaining other receivables pertain to the amounts advanced by the Corporation for mortgage redemption insurance, fire insurance, utilities and real property taxes for collection from tenants and/or clients. The account also includes the receivable from Damar Financing Corporation amounting to P5.057 million. Relative to said claim, the former HGC filed a complaint-affidavit for estafa against the concerned parties in 2013 before the Office of the Prosecutor of Makati City but the case was dismissed. A Petition for Review of the resolution dismissing the complaint is currently pending before the Department of Justice.

The rollforward analyses of the allowances for ECL on loans and other receivables are as follows:

	Balance, January 1, 2020	Additional Provision	Recoveries, Write-offs and Adjustments	Balance, December 31, 2020
Current				
Subrogated claims receivable	950,827	122,730	0	1,073,557
Sales contract receivable	37,947,084	0	(25,452,792)	12,494,292
Interest receivable	1,698,205	0	0	1,698,205
Accounts receivable	41,538	0	(41,538)	0
Others	48,166,431	0	0	48,166,431
	88,804,085	122,730	(25,494,330)	63,432,485

	Balance, January 1, 2020	Additional Provision	Recoveries, Write-offs and Adjustments	Balance, December 31, 2020
Non-current				
Subrogated claims receivable	2,595,190,789	1,104,575	0	2,596,295,364
Sales contract receivable	0	271,518,184	0	271,518,184
Notes receivable	60,410,247	0	0	60,410,247
Loans receivable	463,450,844	0	0	463,450,844
Accounts receivable	12,839,718	0	0	12,839,718
Lease receivable	818,751	0	0	818,751
Others	5,251,368	0	0	5,251,368
	3,137,961,717	272,622,759	0	3,410,584,476
	3,226,765,802	272,745,489	(25,494,330)	3,474,016,961

	Balance, January 1, 2020	Additional Provision	Recoveries, Write-offs and Adjustments	Balance, December 31, 2020
Current				
Subrogated claims receivable	689,586	261,241	-	950,827
Sales contract receivable	-	37,947,084	-	37,947,084
Interest receivable	-	1,698,205	-	1,698,205
Accounts receivable	41,538	-	-	41,538
Others	48,166,431	-	-	48,166,431
	48,897,555	39,906,530	-	88,804,085
Non-current				
Subrogated claims receivable	2,592,839,614	2,351,175	-	2,595,190,789
Sales contract receivable				-
Notes receivable	2,286,698	58,123,549	-	60,410,247
Loans receivable	286,250,942	177,199,902	-	463,450,844
Accounts receivable	12,839,718	-	-	12,839,718
Lease receivable	818,751	-	-	818,751
Others	5,251,368	-	-	5,251,368
	2,900,287,091	237,674,626	-	3,137,961,717
	2,949,184,646	277,581,156	-	3,226,765,802

8. INVENTORIES

This account consists of the following:

	2020	2019 (As Restated)
Inventory held for consumption		
Office supplies inventory	**1,253,840**	1,539,233
Other supplies and materials inventory	**15,062**	15,062
Semi-expendable property	**2,269**	870
	1,271,171	1,555,165

No item of inventory was measured at net realizable value as at December 31, 2020 and 2019 nor written-off for the years then ended.

9. INVESTMENT PROPERTY

The composition of and movements in investment properties and related accumulated depreciation and impairment accounts are as follows:

	Land	Building and Improvements	Total
Cost			
Balance, January 1, 2020	13,469,523,960	80,996,814	13,550,520,774
Additions	0	0	0
Reclassifications/Adjustments	(7,528,167)	0	(7,528,167)
Disposals/Retirements	(290,256,838)	0	(290,256,838)
Balance, December 31, 2020	13,171,738,955	80,996,814	13,252,735,769
Accumulated depreciation			
Balance, January 1, 2020	0	35,824,332	35,824,332
Depreciation	0	1,792,210	1,792,210
Disposals/Retirements	0	(2,751,515)	(2,751,515)
Balance, December 31, 2020	0	34,865,027	34,865,027
Accumulated impairment			
Balance, January 1, 2020	713,587,468	23,116,916	736,704,384
Reclassifications/Adjustments	41,611,972	(3,511,854)	38,100,118
Disposals/Retirements	(200,034,732)	0	(200,034,732)
Balance, December 31, 2020	555,164,708	19,605,062	574,769,770
	12,616,574,247	26,526,725	12,643,100,972
Cost			
Balance, January 1, 2019, as reported	9,317,850,672	80,996,814	9,398,847,486
Restatement	4,085,001,687	0	4,085,001,687
Balance, January 1, 2019 as adjusted	13,402,852,359	80,996,814	13,483,849,173
Additions	0	0	0
Reclassifications/Adjustments	92,139,755	0	92,139,755
Disposals/Retirements	(25,468,154)	0	(25,468,154)
Balance, December 31, 2019	13,469,523,960	80,996,814	13,550,520,774
Accumulated depreciation			
Balance, January 1, 2019, as reported	0	33,894,802	33,894,802
Restatement	0	0	0
Balance, January 1, 2019, as adjusted	0	33,894,802	33,894,802
Depreciation	0	1,929,530	1,929,530
Disposals/Retirements	0	0	0
Balance, December 31, 2019	0	35,824,332	35,824,332
Accumulated impairment			
Balance, January 1, 2019, as reported	0	23,116,916	23,116,916
Restatement	713,587,468	0	713,587,468
Balance, January 1, 2019, as adjusted	713,587,468	23,116,916	736,704,384
Impairment	0	0	0
Reclassification/Adjustments	41,611,972	0	41,611,972
Disposals/Retirements	0	0	0
Balance, December 31, 2019	755,199,439	23,116,916	778,316,355
	12,714,324,521	22,055,566	12,736,380,087

Investment properties in building include a two-storey building with a basement located at Commonwealth Market, National Government Center – Commonwealth Enterprise Zone (NGC-CEZ), Quezon City with a cost of P49.299 million and estimated useful life of 24 years. The whole of the Commonwealth Market is under a long-term lease with 3A Boys Corporation. On the other hand, investment properties in land include the following:

a. A 229,855-square meter property located at the NGC-CEZ commercial area in Quezon City which was previously conveyed to the former HGC in 2004 upon call on guaranty in the amount of P1.528 billion and with a total appraised value of P3.936 billion as at December 31, 2019. The property is being disposed and/or utilized through outright sale, long-term leases, joint venture or any variant scheme. To date, 31,093.06 square meter of the property are the subject of long-term leases for 20 to 25 years.

b. Urban Bagong Lipunan Improvement of Sites and Services (BLISS) projects, which were transferred and conveyed to the former HGC by then BLISS Development Corporation (BDC). Details follow:

Location	Area in Square Meters	Cost
Guadalupe BLISS	101,484	1,522,260,000
C-5 BLISS	39,992	1,105,758,826
Mandaluyong I and II BLISS, Coronado, Hulo	27,359	602,000,000
Tejeros BLISS, H. Santos St., Makati City	14,647	298,523,000
Pasig Bliss, Col. Licsi St. Pasig City	14,274	139,885,000
Muntinlupa BLISS, Bo. Putatan, Muntinlupa	11,643	56,647,000
Makati BLISS, Vito Cruz, Makati City	4,631	282,491,000
Paco BLISS	2,053	61,590,000
	216,083	4,069,154,826

c. The 295,464-square meter Legacy Memorial Estate property located at Sto. Tomas, Batangas with a book value of P1.261 billion which was conveyed to the former HGC in 2003.

Foreclosed properties previously reported as non-current assets held for sale with carrying amount of P5.778 billion were reclassified to investment property in land as at January 1, 2019 *(Note 28).* The amount represents the book value of various called projects that were: (a) funded through the issuance of Asset Participation Certificates (APCs); (b) with expired redemption period or with waiver of redemption rights; or (c) under *dacion* en pago, the titles of which had already been consolidated in the name of former HGC.

Included in the reclassified amount are the properties conveyed by the SMAP with a book value of P441.720 million. The titles of the lots were already transferred in the name of the former HGC. However, the titles bear the annotation of the adverse claim of the developer, R-II Builders, claiming among others, that said developer is entitled to the residual value of the properties.

In CY 2020 and CY 2019, the Corporation sold investment properties with carrying values of P90.222 million and P25.468 million, respectively. Rental income in CY 2020 and CY 2019 arising from the lease of investment properties amounted to P170.017 million and P272.394 million, respectively, which are presented as “Lease Income” *(Note 21.1)* in the SCI.

10. PROPERTY AND EQUIPMENT

The composition of and movements in property and equipment, including ROU assets, and related accumulated depreciation and impairment accounts are as follows:

	Land Improvements	Building and Other Structures	Transportation Equipment	Office, IT, Furniture, Fixtures and Others	Leasehold Improvements	ROU Asset	Total
Cost							
January 1, 2020	53,797,173	87,456,709	44,769,602	134,896,937	32,331,496	181,661,566	534,913,483
Additions	0	0	0	0	0	0	0
Disposal/Retirement	0	0	(6,113,662)	0	0	0	(6,113,662)
December 31, 2020	53,797,173	87,456,709	38,655,940	134,896,937	32,331,496	181,661,566	528,799,821
Accumulated depreciation							
January 1, 2020	32,858,047	44,280,505	32,727,225	102,414,329	32,070,108	7,569,232	251,919,446
Depreciation	318,271	3,267,716	1,833,913	6,107,849	261,388	36,070,925	47,860,062
Disposal/Retirement	0	0	(5,732,549)	(1,425,382)	0	0	(7,157,931)
December 31, 2020	33,176,318	47,548,221	28,828,589	107,096,796	32,331,496	43,640,157	292,621,577
Accumulated impairment							
January 1, 2020	0	0	959,285	2,324,745	0	0	3,284,030
Impairment	0	0	0	0	0	0	0
Disposal/Retirement	0	0	0	0	0	0	0
December 31, 2020	0	0	959,285	2,324,745	0	0	3,284,030
Carrying amount, 12/31/2020	20,620,855	39,908,488	8,868,066	25,475,396	0	138,021,409	232,894,214

	Land Improvements	Building and Other Structures	Transportation Equipment	Office, IT, Furniture, Fixtures and Others	Leasehold Improvements	ROU Asset	Total
Cost							
January 1, 2019	53,797,173	87,456,709	44,769,602	131,109,286	32,331,496	0	349,464,266
Additions	0	0	0	5,755,354	0	181,661,566	187,416,920
Disposal/Retirement	0	0	0	(1,967,702)	0	0	(1,967,702)
December 31, 2019	53,797,173	87,456,709	44,769,602	134,896,938	32,331,496	181,661,566	534,913,484
Accumulated depreciation							
January 1, 2019	30,599,883	41,012,789	34,209,304	98,569,373	31,670,912	0	236,062,261
Depreciation	2,258,164	3,267,716	1,904,298	4,843,892	399,196	7,569,232	20,242,498
Disposal/Retirement	0	0	(3,386,377)	(998,936)	0	0	(4,385,313)
December 31, 2019	32,858,047	44,280,505	32,727,225	102,414,329	32,070,108	7,569,232	251,919,446
Accumulated impairment							
January 1, 2019	0	0	959,285	2,411,417	0	0	3,370,702
Impairment	0	0	0	0	0	0	0
Disposal/Retirement	0	0	0	(86,672)	0	0	(86,672)
December 31, 2019	0	0	959,285	2,324,745	0	0	3,284,030
Carrying amount, 12/31/2019	20,939,126	43,176,204	11,083,092	30,157,864	261,388	174,092,334	279,710,008

The ROU asset arose from the five-year lease of the 22nd, 23rd and 24th floors and 85 parking lots of the BPI-Philam Life Building located at Ayala Avenue, Makati City with the joint venture between Manila Bay Spinning Mills, Inc. and T and K Investment Corporation as lessors. The leased property with a total area of 4,124.52 square meter will serve as the unified corporate office of PHILGUARANTEE. The lease commenced in October 2019 at initial annual rental of P37.695 million plus annual escalation of 6 per cent. The ROU asset was recognized at a discount rate of 12 per cent and is amortized over the lease term.

The Corporation has elected not to recognize ROU assets and lease liabilities for short-term leases, specifically the one-year lease of the Jade Building. As at the commencement of said lease, Management does not expect the lease over said building to be renewed. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred. For the years ended December 31, 2020 and 2019, the expenses relating to short-term leases amounted to P45.080 million and P45.562 million, respectively, which are presented as part of “Rent Expense” *(Note 22.2)* in the SCI.

11. INTANGIBLE ASSETS

The movements in intangible assets, including the related accumulated amortization, are as follows:

	2020	2019 (As Restated)
Cost		
Balance, January 1	**31,216,059**	31,216,059
Disposals/Retirements	**(52,412)**	0
Balance, December 31	**31,163,647**	31,216,059
Accumulated amortization		
Balance, January 1	**29,824,335**	28,540,043
Amortization	**579,648**	1,284,292
Balance, December 31	**30,403,983**	29,824,335
	759,664	1,391,724

The account consists of acquired computer software licenses used in operation and administration and automated systems developed by the Corporation covering backroom operations in line with the corporate initiative to improve turn-around time and benchmark with real-time processing through the automation of major processes.

12. OTHER ASSETS

This account consists of the following:

	2020	2019 (As Restated)
Current		
Prepayments	**53,192,920**	48,030,827
Guaranty deposits	**10,869,120**	11,019,120
Others	**975,017**	60,544
	65,037,057	59,110,491
Non-current		
Funds under trust and/or administration	**11,664,895,776**	11,975,081,349
Prepayments	**13,678,721**	13,678,721
Guaranty deposits	**10,176,555**	10,176,555
Others	**24,519,841**	26,541,543
	11,713,270,893	12,025,478,168

Prepayments consists of:

	Current	Non-current	Total
As at December 31, 2020			
Prepaid rent	**8,555,194**	**0**	**8,555,194**
Prepaid insurance	**3,534,471**	**0**	**3,534,471**
Prepaid taxes	**36,491,845**	**0**	**36,491,845**
Other prepayments	**4,611,410**	**13,678,721**	**18,290,131**
	53,192,920	**13,678,721**	**66,871,641**
As at December 31, 2019			
Prepaid rent	8,555,194	0	8,555,194
Prepaid insurance	170,350	0	170,350
Prepaid taxes	35,708,483	0	35,708,483
Other prepayments	3,596,800	13,678,721	17,275521
	48,030,827	13,678,721	61,709,548

Prepaid taxes pertain to creditable withholding taxes withheld by suppliers and contractors.

Other prepayments include the unamortized portion of the prepayments for dues and subscriptions, healthcare insurance, FIS system support, and for the ROP guarantee of the Corporation’s loans payable.

Guaranty deposits are non-interest bearing security deposits and cash bond refundable upon the expiration or termination of the related contracts. The account includes the refundable security deposits paid in relation to the lease of the Jade Building and three floors of the BPI-Philam Life Building amounting to P18.547 million and P11.588 million, respectively.

The Corporation acts as trustee and/or administrator of several funds pursuant to law or in accordance with various agreements. The resources and liabilities of these funds are not consolidated in these financial statements. Instead, separate sets of books of accounts and financial statements are maintained and prepared for each fund. Only the total asset of the funds are reciprocally presented as non-current assets and liabilities under “Trust Liabilities” *(Note 15)* of the Corporation, as follows:

	2020	2019 (As Restated)
AGFP	**6,929,811,695**	6,996,150,660
AKPF	**3,307,439,598**	3,249,136,835
Trust funds from NGAs	**1,103,328,412**	1,096,383,166
CRGF	**324,316,071**	633,410,688
	11,664,895,776	11,975,081,349

The administration of the AGFP, including the penalties pertaining to it under RA No. 10000, and the CRGF were transferred to the Corporation effective August 31, 2019 pursuant to Section 1 of EO No. 58. Previously, the AGFP, which is intended to mitigate the risks involved in agriculture lending, was under the administrative supervision of the Department of Agriculture and in trust with the LBP. On the other hand, the CRGF, a credit guarantee program that provides assistance to MSMEs affected by Typhoon Yolanda, was managed by the SBC.

Under the Memorandum of Agreement (MOA) dated September 30, 2019 with SBC and the Department of Trade and Industry (DTI), the Corporation shall turn-over any unused balance of the CRGF to DTI or BTr, as the case may be, upon the completion of the period of guarantee of all credit guarantee accounts under the fund. On October 27, 2020, the BOD approved the return of the unutilized funds of the CRGF to the BTr. Hence, the Corporation transferred P327.994 million to the BTr on December 28, 2020 while the remainder were remitted by tranches in the first quarter of 2021.

As successor-in-interest of the former HGC, the Corporation also acts as trustee of the CFG component of the AKPF pursuant to Section 4(b) of RA No. 6846, as well as of other funds for housing and resettlement projects for informal settler families (ISFs) in accordance with MOAs executed by and between the former HGC and several NGAs, to wit:

Year	Trust Fund	Trustor	Purpose of Project
1992	Friendship Village Resources (FVR-1) and Family Village Resources (FVR-2) Project	Department of Public Works and Highways (DPWH) and Housing and Urban Development Coordinating Council (HUDCC)	For the acquisition and development of relocation sites for the affected ISFs from the areas of Estero de Vitas and Estero Sunog Apog in Tondo, Manila and Quezon City to be relocated to FVR-1 and FVR-2 located in Barangay Tigbe, Norzagaray, Bulacan and Barangay Kabilang Baybay, General Mariano Alvarez, Cavite, respectively
1996	North Hills Village Project	DPWH, HUDCC and NHA	For the acquisition and development of relocation sites for the affected ISFs along the entire stretch of the R-10 Road right-of-way to be relocated to

Year	Trust Fund	Trustor	Purpose of Project
			North Hills Village, located in Barangay Bitungol, Norzagaray, Bulacan
1997	Montalban Heights Project	Department of Transportation and Communication (DOTC), HUDCC and NHA	For the acquisition of developed relocation sites for the ISFs affected by the construction of the EDSA LRT-III Depot Project in North Triangle, Quezon City to be relocated to Montalban Heights, San Jose, Rodriguez, Rizal
1999	Baras Project	DPWH and HUDCC	For the acquisition of developed relocation sites for the ISFs affected by the Metro Manila Flood Control projects to be relocated to Barangay Concepcion, Baras, Rizal
1998	C-5 MRB Condominium Project	Presidential Management Staff (PMS)	For the construction of 11 medium-rise buildings (MRBs) in C-5 Fort Bonifacio, Taguig City

Details of the trust funds from NGAs which are disbursed in accordance with the provisions of the pertinent MOAs follow:

	2020	2019 (As Restated)
North Hills Village Project	**473,957,193**	471,572,483
Montalban Heights Relocation Project	**248,746,301**	245,997,554
FVR-1 and FVR-2 Project	**208,986,762**	207,325,903
Baras Project	**87,705,597**	87,707,846
C-5 MRB Condominium Project	**83,932,559**	83,779,380
	1,103,328,412	1,096,383,166

Additionally, the BOD approved on April 29, 2020 the recommendation to accept the role of Program Manager of the Electric Cooperative – Partial Credit Guarantee (EC-PCG) Program. The EC-PCG Program, established by the DOF and Department of Energy (DOE), with a grant from the Global Environment Facility, guarantees commercial loans of accredited financial institutions to electric cooperative borrowers to finance power distribution system upgrades and reduce systems losses.

Consequently, the Corporation and the LGU Guarantee Corporation (LGUGC), the former Program Manager of the EC-PCG Program, entered into a Deed of Assignment and Assumption dated November 27, 2020, whereby the former accepts and assumes all rights, titles, interest and participation, responsibilities and obligations of the latter as Program Manager. Under said Deed, the contemplated assignment and assumption is to take effect upon the submission of the Final Report on the status of implementation of the projects by LGUGC to PHILGUARANTEE. Thereupon, LGUGC shall be deemed and considered as having been completely and absolutely released and discharged from all its responsibilities and obligations as Program Manager.

The Corporation received the Final Report of the LGUGC in December 2020. However, the funds of the EC-PCG are yet to be transferred under the name of the Corporation. Accordingly, no funds under trust nor trust liabilities pertinent to the Program were recognized as of even date.

As at December 31, 2020 and 2019, the outstanding guarantees issued under AKPF, EC-PCG, AGFP and the CRGF follows:

	2020	2019 (As Restated)
AKPF	**53,255,877,491**	52,373,058,161
EC-PCG	**509,006,820**	0
AGFP	**401,575,839**	518,564,264
CRGF	**6,316,000**	432,641,449
	54,172,776,150	53,324,263,874

Other current assets refer to unserviceable motor vehicles reclassified from property and equipment pending their disposal while other non-current assets consist of:

	2020	2019 (As Restated)
FCDU time deposits in trust for the BTr	**16,781,832**	18,803,535
Paintings	**3,114,463**	3,114,463
Premium reserve fund	**286,499**	286,499
Others	**4,285,576**	4,337,048
	24,468,370	26,541,545

The foreign currency deposit unit (FCDU) time deposits maintained with the LBP are held in trust under the name of the Corporation for the account of the BTr *(Note 15).* The account arose from court cases filed in the USA against pre-merger TIDCORP relative to a default account under the Guarantee Program of the Corporation which was already turned over to the NG in 1989 pursuant to AO No. 64 dated March 24, 1988 and Deed of Transfer dated March 31, 1989. The DOF and BTr released US$5.000 million to TIDCORP on April 26, 2002 for the settlement of said cases. However, the final settlement agreement between TIDCORP and Fidelity Partners, Inc., the plaintiff, amounted to only US$4.800 million, thus, leaving a balance of US$200,000.

Over the years, TIDCORP administered the excess amount pending its transfer to the BTr by maintaining the same in FCDU time deposits which earn interest ranging from 2.50 to 3.00 per cent per annum. The fund has an outstanding balance of US$373,881 as at December 31, 2020 converted at P44.89 per US$1.00 and US$370,557 as at December 31, 2019 converted at P50.744 per US$1.00. Net interest income earned on the account from April 26, 2002 to December 31, 2020 and up to December 31, 2019 amounted to US$170,402 and US$167,078, respectively.

The premium reserve fund represents the Corporation's 40 per cent pro-rata share in the 20 per cent retention of the gross insurance premiums collected under the then Credit Insurance Program which is set aside as reserves to cover future claims.

13. FINANCIAL LIABILITIES

This account consists of the following:

	2020	2019 (As restated)
Current		
Guarantee liability	**7,398,547,066**	6,965,840,328
Interest payable	**1,330,115,297**	1,124,161,782
Accounts payable	**109,756,343**	56,787,000
Loans payable	**43,633,331**	776,688,956
Lease liability	**41,560,630**	33,340,965
Due to officers and employees	**7,006,704**	7,221,056
Bonds payable	**0**	2,384,857
Others	**13,251,580**	8,310,938
	8,943,870,951	8,974,735,882
Non-current		
Lease liability	**112,348,241**	143,898,585
Loans payable	**87,264,522**	130,897,853
Bonds payable	**11,364,624**	7,574,256
Others	**242,303**	242,303
	211,219,690	282,612,997

Guarantee liability refers to the obligations arising from the financial guarantee contracts issued by the Corporation. The account includes: (a) provision for defaulted guarantee accounts; (b) amount due for approved guarantee calls or claims of banks and other financial institutions on defaulted accounts; and (c) unamortized portion of the upfront guarantee fees received from clients. Details follow:

	2020	2019 (As restated)
Due to SSS	**5,273,256,987**	5,074,463,178
Pari-passu payable	**1,522,206,234**	1,199,985,970
Unearned guarantee fees	**577,623,256**	687,040,520
Estimate liability for guaranty operations	**25,460,589**	4,350,660
	7,398,547,066	6,965,840,328

The amount due to SSS refers to the approved call on the guarantee extended by the former HGC on the APCs held by the latter. The rights to the property securing the guaranteed obligation have been conveyed to and/or claims of the mortgagee against the mortgagor have been assigned to the Corporation. Details follow:

	Principal	Accrued Interest	Total
As at December 31, 2020			
Smokey Mountain Project APCs	1,150,000,000	1,101,846,636	2,251,846,636
Suburban Housing APCs	800,000,000	1,277,717,475	2,077,717,475
Commonwealth Urban Renewal APCs	250,000,000	363,108,652	613,108,652
Tahanan APCs	138,750,685	191,833,539	330,584,224
	2,338,750,685	2,934,506,302	5,273,256,987
As at December 31, 2019			
Smokey Mountain Project APCs	1,150,000,000	1,004,096,636	2,154,096,636
Suburban Housing APCs	800,000,000	1,209,717,475	2,009,717,475
Commonwealth Urban Renewal APCs	250,000,000	341,858,652	591,858,652
Tahanan APCs	138,750,685	180,039,730	318,790,415
	2,338,750,685	2,735,712,493	5,074,463,178

As at December 31, 2020, the respective BOD of the SSS and PHILGUARANTEE has approved the proposal of the Corporation to settle in full its outstanding obligations to SSS for P4.813 billion under the terms below. The pertinent MOA relative to the settlement is still for signing by both Corporations as of even date.

Mode of Payment	Amount	Interest Rate
Cash payment	P1.1 billion payable upon signing of the agreement	2.01 per cent per annum from October 31, 2020 until exact settlement date
Deferred cash payment	P100 million per year for years 2 to 4 and P200 million for year 5	3.00 per cent per annum to be payable preferably quarterly or semi-annually effective October 31, 2020
Issuance of debenture bonds backed by sovereign guarantee	P200 million per year for redemption in years 1 to 4 and P2.413 billion balloon payment in year 5	2.75 per cent per annum to be payable preferably quarterly or semi-annually

Pari-passu payable primarily consists of the P1.514 billion provision for the P2.896 billion guaranteed account of the Philippine Phosphate Fertilizer Corporation (PhilPhos) which defaulted in its loan obligations in CY 2014. In CY 2015, PhilPhos filed a Petition for Voluntary Rehabilitation with the RTC of Ormoc City, a non-commercial court, which was later transferred to the RTC of Tacloban City, a commercial court. The Presiding Justice issued a Commencement Order on September 22, 2015 declaring PhilPhos under rehabilitation pursuant to RA No. 10142, or the “Financial Rehabilitation and Insolvency Act of 2010.”

On April 16, 2018, the Rehabilitation Court granted the Motion of PhilPhos to confirm its Revised Rehabilitation Plan. The Corporation filed a Motion for Reconsideration but was denied. A Petition for Certiorari before the Court of Appeals was filed on June 29, 2018 through the Office of the Government Corporate Counsel (OGCC) which remains pending to date. In the meantime, the Corporation closely monitors the implementation of the provisions of the court-approved New Revised Rehabilitation Plan (NRRP).

Meanwhile, in *Philippine Veterans Bank (PVB) v. TIDCORP*, Civil Case No. R-MKT-16-02-011-CV, a related case for specific performance with damages, the RTC Branch 150, Makati City adopted the Statement of Account (SOA) submitted as evidence by the Corporation. The SOA is based on the court-approved NRRP which provides that the total outstanding liabilities of PhilPhos will be subject to debt forgiveness equivalent to 50 per cent of the principal amount of the obligation. The Motion for Reconsideration filed by PVB is awaiting resolution.

Under Section 9 of PD No. 1080, as amended, the payment of obligations incurred by the Corporation under the provisions of its Charter is fully guaranteed by the Republic of the Philippines (ROP). Likewise, under Section 18 of RA No. 8763, the ROP fully and unconditionally guarantees payment of the guarantee obligations of the former HGC incurred in accordance with its Charter, subject to certain limitations and conditions.

Interest payables are derived from the outstanding loans payable and the P12 billion advanced by the NG to the former HGC in 2013 *(Note 14)*, as follows:

	2020	2019 (As Restated)
Due to Treasurer of the Philippines	**1,326,907,110**	1,117,983,056
Loans payable	**3,208,187**	6,178,726
	1,330,115,297	1,124,161,782

Accounts payable refers to goods and services acquired on account in the normal course of trade and business operations. The account includes accrued expenses or those operating expenses already incurred by the Corporation but remained unpaid as of SFP date.

Loans payable consists of the loans obtained from the Asian Development Bank (ADB) and LBP, to wit:

	Current	**Non-current**	**Total**
As at December 31, 2020			
ADB	**43,633,331**	**87,264,522**	**130,897,853**
LBP	**0**	**0**	**0**
	43,633,331	**87,264,522**	**130,897,853**
As at December 31, 2019			
ADB	43,633,331	130,897,853	174,531,184
LBP	733,055,625	0	733,055,625
	776,688,956	130,897,853	907,586,809

The loan from ADB was transferred from the IGLF pursuant to EO No. 58 effective September 1, 2019. The loan is payable every semester until October 31, 2023 and carries a service fee of 5.00 per cent per annum. On the other hand, the short-term loan/line with the LBP, which was fully paid in December 2020, carries an interest rate of 2.50 per cent per annum. Of the amount, P334.602 million is guaranteed by the ROP. Payment of the remaining balance, including interests, penalties, fees and other charges is secured by P398.454 million worth of the Corporation's rights, titles and interest on and over deposits, money market placements and/or government securities.

As at December 31, 2020 and 2019, the carrying amount of and movements in lease liability during the year are as follows:

	2020	2019
Balance, January 1	**177,239,550**	0
Addition	**0**	181,286,287
Accretion of Interest	**15,441,058**	2,806,932
Payments	**(38,771,737)**	(6,853,669)
	153,908,871	177,239,550

Due to officers and employees pertains to liability to officers and employees for salaries, benefits and other emoluments, including authorized expenses paid in advance by the officers and employees.

Bonds payable pertains to the debenture bonds issued by the Corporation as payment for calls on the guaranty which bear variable interest rates ranging from 4.106 per cent to 6.785 per cent per annum. Under RA No. 8763, the nature of the guaranty cover that the former HGC can issue may be in the form of bond coverage, in whole or in part, wherein the call payment is in the form of debenture bonds.

14. INTER-AGENCY PAYABLE

This account consists of the following:

	2020	2019 (As restated)
Current		
Income tax payable	**155,705,120**	81,290,331
Due to BIR	**133,698,074**	49,580,894
Due to other GOCCs	**6,276,419**	9,668,594
Due to GSIS	**2,909,153**	2,816,831
Due to Pag-IBIG	**1,413,634**	1,439,790
Due to PHIC	**10,800**	163,221
Due to NGAs	**1,830,253**	1,091,899
	301,843,453	146, 051,560
Non-current		
Due to Treasurer of the Philippines	**7,041,614,153**	7,041,614,153

Due to BIR refers to the various taxes withheld from employees' compensation and on certain income payments as mandated by law due for remittance to the BIR as at year-end.

Due to GSIS, Pag-IBIG and Philippine Health Insurance Corporation (PHIC) pertain to the Corporation's share in contributions, as well as the amounts withheld from employees' compensation as mandated by law representing contributions and loan amortization payments, due for remittance to said agencies as at year-end.

Due to Treasurer of the Philippines represents the outstanding balance of the P12 billion advanced by the NG to the former HGC in 2013 for the settlement of the P12 billion zero-coupon bonds issued by the latter. The obligation carries interest computed quarterly based on the average rate of the 364-day treasury bill of the preceding quarter. Interest expense recognized on the advances in CY 2020 and CY 2019 amounted to P208.924 million and P398.444 million, respectively while the unpaid interest on the advances stood at P1.340 billion as at December 31, 2020.

The Corporation has identified acquired properties, receivables and investments in non-marketable equity securities with book value totalling P15.826 billion as at December 31, 2020 to settle the advances. Proceeds from the sale or lease of these assets shall be used to pay for the said obligation.

15. TRUST LIABILITIES

This account consists of:

	2020	2019 (As Restated)
Current		
AKPF	**601,374,757**	559,865,125
Customers deposits payable	**48,840,700**	51,579,927
Guaranty deposits payable	**35,895,935**	33,905,874
FCDU time deposits in trust for the BTr	**16,781,832**	18,803,535
DOF	**3,518,154**	3,518,154
Others	**61,799,259**	61,355,205
	768,210,637	729,027,820
Non-current		
AGFP	**6,929,811,695**	6,996,150,660
AKPF	**3,307,439,598**	3,249,136,835
Trust funds from NGAs	**1,103,328,412**	1,096,383,166
CRGF	**324,316,071**	633,410,688
Microfinance institutions	**18,610,477**	18,339,329
	11,683,506,253	11,993,420,678

The current trust liability for AKPF consists of: (a) the P381.531 million transfer value of the Manila Harbor Center (MHC) acquired lots owned by said fund which were conveyed to SSS as partial settlement of the former HGC's unpaid guaranty obligations; and (b) unremitted housing loan amortizations collected by the Corporation for the account of AKPF.

Customers' deposits payable pertains to the security deposits received from prospective buyers and lessees of various properties of the Corporation while guaranty deposits payable refer to the amounts received from winning bidders and contractors to guaranty that they will enter into contract with the Corporation and/or faithfully perform the terms of their contract.

The trust liability for microfinance institutions pertain to the trust fund clients of the Guarantee Program for Small Housing Loans are required to establish. Under their contracts of guaranty, a trust fund equivalent to one per cent of the guaranteed loan shall be established upon enrollment in favor of PHILGUARANTEE to serve as collateral of the guaranteed loan. The Corporation will debit the equivalent value of any defaulted loan from the trust fund. Upon termination of the contract of guarantee, the balance of the trust fund, and the income thereof, shall be released to the client.

The non-current trust liabilities pertains to the funds under trust and/or administration of the Corporation whose resources and liabilities are not consolidated in these financial statements. Only the total assets of the funds are reciprocally presented as "Other Assets" *(Note 12)* and "Trust Liabilities" of the Corporation.

16. DEFERRED CREDITS/UNEARNED INCOME

This account consists of the following:

	2020	2019 (As restated)
Current		
Deferred credits		
Deferred finance lease revenue	**7,322,239**	9,259,906
Unearned income		
Unearned income on installment sale	**114,454,228**	115,155,590
Unearned BDC income	**8,195,308**	8,255,070
Unearned rent income	**6,544,230**	6,544,230
Other unearned income	**3,235,888**	2,855,878
	139,751,893	142,070,674
Non-current		
Deferred credits		
Deferred finance lease revenue	**11,198,050**	11,198,049
Trust projects	**902,034,681**	926,933,295
CLOP	**24,841,753**	24,944,857
Direct deposits	**7,239,323**	7,639,342
Trust insurance premiums	**849,271**	404,461
Deferred interest and other charges	**7,239,323**	7,639,342
Unearned income		
Unearned income on installment sale	**1,030,088,054**	1,036,400,315
Unearned BDC income	**73,757,771**	74,295,628
Other unearned income	**1,486,265**	1,086,246
	2,058,734,491	2,090,541,535

Deferred finance lease revenue represents the difference between the sum of the total rentals due to the lessor and the initial carrying value of the lessor's receivable to be amortized over the lease term.

Unearned income on installment sale pertains to the deferred gain on the sale of acquired assets on installment basis where the down payment is less than 25 per cent of the selling price. The unearned income is amortized and recognized as gain on sale of disposed assets upon collection based on the gross profit rate which ranges from 6.23 to 91.39 per cent.

Deferred credits – trust projects is a temporary account for collections from buyers and/or clients awaiting execution of pertinent sales documents and those collections lacking necessary information to allow application of the payment to specific accounts i.e. sales contract receivable, interest, fines and penalties, unearned income as well as applicable tax expense and tax payable accounts. The collections are analyzed and amounts are reclassified to the proper accounts upon submission of the complete documents by the buyers. Breakdown of the account is as follows:

	2020	2019 (As Restated)
Developmental projects	**369,465,882**	365,889,101
Pinesville accounts	**144,207,155**	182,516,247
Retail accounts	**96,296,165**	149,188,918
BDC projects	**55,989,482**	102,313,769
Folio accounts	**158,152,403**	54,545,564
Cooperative Housing Program projects	**7,041,527**	10,852,301
Community Mortgage Program projects	**10,852,301**	7,159,256
Others	**60,029,766**	54,468,139
	902,034,681	926,933,295

Deferred credits – Contracts of lease with options to purchase (CLOP) pertains to collections from contracts of lease with option to purchase and the excess of the book value over cost on the acquisition of BDC. Collections from CLOP are applied as down payment when the lessee exercises his option to purchase. Otherwise, these are forfeited upon end of the lease term and recognized as income by the Corporation.

17. PROVISIONS

This account consists of the following:

	2020	2019 (As Restated)
Leave benefits payable	**45,558,792**	29,773,518
Provision for legal claims	**13,770,572**	13,770,572
	59,329,364	43,544,090

Leave benefits payable pertain to the accrued money value of earned vacation and sick leave credits of the Corporation's officers and employees that remained unused at the end of the reporting period.

The provision for legal claims refers to the probable loss arising from the unlawful detainer case filed on June 9, 2017 against the Corporation by the Peninsula Enterprises and Realty Development Corporation. The amount represents the reasonable monthly rentals and interest awarded by the RTC Branch 206, Muntinlupa City to the plaintiff. The court judgment is currently the subject of a petition for money claim pending before COA.

18. OTHER PAYABLES

This account consists of the following:

	2020	2019 (As Restated)
Dividends payable	**2,195,273,197**	1,414,486,000
Undistributed collections	**14,885,226**	14,885,226
Others	**3,235,192,130**	3,109,920,317
	5,445,350,553	4,539,291,543

Dividends payable refers to the outstanding dividends due to the NG pursuant to RA No. 7656. As at December 31, 2020 and 2019, the Corporation has pending requests for dividend relief or downward adjustments in dividend rate before the Secretary of Finance for all its dividends due. One of these requests was approved by the President of the Philippines in April 2021 *(Note 26.5).*

Undistributed collections pertain to the temporary pool of collection of borrower's amortization payments directly deposited in the various depository accounts of the Corporation which are not yet posted in each borrower's ledger as at year-end due to limited information as to the identity of the depositor.

Other payables consists of:

	2020	2019 (As Restated)
Due to Subic Bay Metropolitan Authority (SBMA)	**3,152,281,490**	3,097,452,542
Due to SMAP Receiver	**57,245,454**	0
Due to Provident Fund	**14,134,261**	1,253,405
Transfer tax payable	**6,737,878**	6,737,878
Miscellaneous deposits	**2,083,972**	2,083,972
Due to Land Investment Trust certificate holders	**1,688,000**	1,688,000
Various	**1,021,075**	704,520
	3,235,192,130	3,109,920,317

The amount due to the SBMA represents the accumulated base rentals and other fees or charges due on the Subic Bay Freeport properties conveyed by the Financial Building Corporation (FBC) and the Financial Building Subic Bay Corporation (FBSBC) to the former HGC as settlement of the latter's guaranty exposure. The obligation is pursuant to the court-approved Compromise Agreement dated April 14, 2004 entered into between FBC, FBSBC and the former HGC.

In 2020, the respective BOD of the SBMA and PHILGUARANTEE has approved the assignment or *dacion* by the Corporation of the Subic Bay Freeport properties to SBMA in the amount of P2.778 billion as partial settlement of its outstanding obligations to SBMA. The draft MOA on the proposed settlement has been forwarded to COA on May 27, 2021 pursuant to the recommendation of the OGCC to obtain the latter's authorization of the same.

The amount due to the SMAP Receiver is pursuant to the Order dated November 11, 2019 of RTC Branch 222, Quezon City appointing a Receiver for the SMAP and directing the former HGC to transfer to the duly appointed Receiver all assets, properties and collectibles due to the SMAP.

Transfer tax payable pertains to the tax due on the sale or transfer of ownership or title to real properties imposed by provinces, cities or municipalities pursuant to Section 135 of RA No. 7160, or the "Local Government Code of 1991" which remained unpaid as of end of the reporting period.

19. EQUITY

19.1. Government Equity

The authorized capital stock of the Corporation, which is fully subscribed by the Government of the Philippines, is P50 billion in accordance with Section 3 of EO No. 58. Previously, PD No. 1962 dated January 11, 1985 was issued increasing the authorized capital stock of the Corporation from P2 billion, as provided under PD No. 1080, to P10 billion.

As at December 31, 2020 and 2019, total paid-in capital amounted to P27.873 billion and P26.873 billion, respectively. The amounts include the equity contributions of the NG to the former HGC, AGFP and IGLF amounting to P15.573 billion, P4 billion and P803.304 million, respectively, as well as the P35 million guarantee reserve fund of SBC, which were transferred to the Corporation pursuant to Section 3 of EO No. 58.

Additional capital contribution from the NG in CY 2020 and CY 2019 which were sourced from the General Appropriations Acts amounted to P1 billion and P500 million, respectively.

19.2. Retained Earnings (Deficit)

The account represents the net of accumulated profits and losses from prior years' operations and the effect of the transfer by the Corporation of its non-performing assets of P5.220 billion and the related real and contingent liabilities of P2.709 billion and P3.651 billion, respectively, to the NG pursuant to AO No. 64 dated March 24, 1988 and Deed of Transfer dated March 8, 1989.

As a GOCC, the Corporation is mandated under Section 3 of RA No. 7656 to declare and remit at least 50 per cent of its annual net earnings as cash, stock or property dividends to the NG. For this purpose, net earnings is defined as income derived from whatever source, whether exempt or subject to tax, net of deductions allowed under Section 29 of the National Internal Revenue Code, as amended, and income tax and other taxes paid thereon. For the years ended December 31, 2020 and 2019, the dividends due amounted to P780.787 million and P414.486 million, respectively.

As at December 31, 2020 and 2019, P263.944 million of the retained earnings transferred from the IGLF are appropriated for the Grant for Research and Promotion of SMEs established by then IGLF Review Committee (IRC). Said grant was approved under the IRC's Resolution No. 005 dated September 2, 2005.

19.3. Cumulative Changes in Fair Value of Investments

The account represents the net effect of unrealized gains (losses) on financial assets at FVOCI of the Corporation. Accordingly, the net unrealized fair value gains (losses) on the financial assets at FVOCI, net of deferred tax is presented as a separate item under equity.

19.4. Capital Management

The primary capital management objectives of the Corporation are to ensure that it complies with externally imposed capital requirements and maintains a healthy capital structure that ensures its ability to continue as a going concern in order to fulfill its mandate.

The Corporation manages its capital structure in light of changes in the economic conditions and the risk characteristics of its activities. The Corporation takes into consideration future capital requirements, capital deficiency, profitability, and projected operating cash flows, expenditures and investment opportunities. No changes were made in the objectives, policies and processes as at December 31, 2020 and 2019.

The Corporation, a non-bank financial institution, is regulated by the BSP pursuant to Section 22 of PD No. 1080, as amended. Thus, BSP sets and monitors the capital requirements for the Corporation. In implementing current capital requirements, the BSP requires the Corporation to maintain a prescribed capital and ratio of qualifying capital to risk-weighted assets. Under the current framework, the Corporation is required to maintain a capital adequacy ratio (CAR) of seven per cent, five per cent of which should be Tier 1 capital by December 31, 2012.

Under existing BSP regulations, the determination of the Corporation's compliance with regulatory requirements and ratios is based on the amount of the Corporation's unimpaired capital (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects.

As at December 31, 2020 and 2019, the Corporation's regulatory capital position (in million pesos) as reported to the BSP, follows:

	2020	2019
Tier 1 capital	**17,888.569**	18,575.717
Tier 2 capital	**0**	0
Total qualifying capital	**17,888.569**	18,575.717
Total risk-weighted assets	**142,338.465**	163,571.666
Tier 1 capital ratio	**12.568%**	11.356%
CAR	**12.568%**	11.356%

As shown above, the Corporation has complied with the BSP capital ratio requirements as at December 31, 2020 and 2019.

Total qualifying capital and risk-weighted assets are computed based on BSP regulations. The qualifying capital of the Corporation for purposes of determining the CAR excludes unbooked valuation reserves and other capital adjustments as may be required by BSP, deferred tax asset or liability and other regulatory deductions.

On the other hand, risk assets consist of total assets after exclusion of cash on hand, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

20. COMMITMENTS AND CONTINGENCIES

In the normal course of operations of the Corporation, there are various outstanding commitments and contingent liabilities with amounts not reflected in the financial statements. Management does not anticipate losses from these transactions that will adversely affect the Corporation's operations.

20.1. Outstanding Guarantees

As at December 31, 2020 and 2019, the outstanding guarantees issued in favor of foreign and domestic banks and financial institutions for loans and other credit facilities extended to borrowers, follows:

	2020	2019
Housing-related guarantees	**175,714,155,375**	207,051,109,091
MSMEs and other priority sectors	**3,077,226,586**	3,006,612,362
	178,791,381,961	210,057,721,453

As at December 31, 2020 and 2019, the provision on these outstanding guarantees recognized as "Guarantee Liability" *(Note 13)* in the SFP under "Pari-passu Payable" and "Estimated Liability for Guarantee Operations" totalled P1.548 billion and P1.204 billion, respectively.

For purposes of the Corporation, MSMEs are defined as any business activity or enterprise engaged in industry, agribusiness, and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value falling under the following categories:

Classification	Total Assets
Micro enterprises	Not more than P3,000,000
Small enterprises	P3,000,001 to P15,000,000
Medium enterprises	P15,000,001 to P100,000,000

Under Section 6(f) of PD No. 1080, as amended, the aggregate outstanding guarantee obligations of the Corporation shall not exceed 15 times its subscribed capital stock plus surplus. However, to simplify capital allocation and business monitoring, the BOD, in its Board Resolution No. 34, s. 2020, has adopted the maximum leverage ratio policy of 20 times based on unimpaired capital plus surplus for the Corporation's credit guarantee portfolio.

As at December 31, 2020 and 2019, the aggregate outstanding guarantee obligations of the Corporation has not exceeded both limitations as follows:

	Under Section 6(f) of PD No. 1080	Under Board Resolution No. 34
As at December 31, 2020		
Guarantee Capacity	**750,000.000**	**319,113.400**
Total Guarantee Obligations	**178,791.382**	**178,791.382**
Available capacity	**571,208.618**	**140,322.018**
As at December 31, 2019		
Guarantee Capacity	750,000.000	
Total Guarantee Obligations	210,057.721	
Available capacity	539,942.279	

Further, Section 7 of RA No. 8763 mandates that the composition of housing-related guaranteed accounts shall comply with the following allocation for each type of housing package:

a. At least 40 per cent shall be allocated for socialized housing packages, or those costing P450,000 and below;

b. At least 30 per cent shall be allocated for low-cost housing packages, or those costing more than P450,000 but not to exceed P3 million;

c. At least 20 per cent shall be allocated for the medium-cost housing packages, or those costing more than P3 million but not to exceed P4 million; and

d. Not more than 10 per cent may be allocated for open housing packages, or those costing more than P4 million.

Analysis of the housing-related guarantees as at December 31, 2020 and 2019 showing compliance with the mandated allocation for each housing type follows (in million pesos):

Housing Package	Guarantee Allocation Per Charter	Outstanding			Enrollment		
		Allocation Amount per Charter	Actual Amount	Percentage	Allocation Amount per Charter	Actual Amount	Percentage
As at December 31, 2020							
Socialized and low cost	Not less than 70%	123,000	118,556	67.47%	14,281	15,143	74.23%
Medium cost	Not more than 20%	35,143	28,431	16.18%	4,080	3,182	15.60%
Open housing	Not more than 10%	17,571	28,727	16.35%	2,040	2,076	10.18%
		175,714	175,714	100.00%	20,401	20,401	100.00%
As at December 31, 2019							
Socialized and low cost	Not less than 70%	144,936	138,194	66.74%	37,311	37,129	69.66%
Medium cost	Not more than 20%	41,410	33,482	16.17%	10,661	9,858	18.49%
Open housing	Not more than 10%	20,705	35,375	17.09%	5,330	6,315	11.85%
		207,051	207,051	100.00%	53,302	53,302	100.00%

20.2. Credit Surety Fund Commitments

The Credit Surety Fund (CSF) is a credit enhancement scheme developed by the BSP that aims to increase the creditworthiness of MSMEs which otherwise cannot obtain loans from banks due to their lack of acceptable collaterals, credit knowledge and credit track records. In lieu of hard collaterals, the CSF serves as security for the loans that will be obtained by qualified borrowers from lending banks by way of a surety cover.

Under RA No. 10744, or the "Credit Surety Fund Cooperative Act of 2015," the CSF, which is deposited in a trustee bank, is generated from the contributions of well-capitalized and well-managed cooperatives and non-government organizations, LGUs, GFIs and other government agencies, including the IGLF. A CSF Cooperative is established for the primary and exclusive purpose of administering the fund.

As at December 31, 2020, the Corporation has committed to contribute P61.350 million to CSFs in 2021.

20.3. Legal Cases

The Corporation is a party to various suits, claims and certain tax assessments arising in the ordinary conduct of business which are either pending decision by the courts or being contested, the outcome of which are not presently determinable. In the opinion of Management and its legal counsel, the eventual liability under these lawsuits, claims and tax assessments, if any, will not have a material or adverse effect on the Corporation's financial position and results of operations.

Notably, claims of the Corporation were sustained in six suits, some of which were already issued with the corresponding writs of execution. Based on these judgments, Management has intensified the conduct of asset hunt and implementation of other strategies to recover from the concerned judgment-debtors. To date, Management's actions were unsuccessful. Nevertheless, the Corporation continues to explore and adopt measures to enforce the final judgments and/or claims thereon. If the judgments are successfully executed, the same could redound to recoveries in an estimated amount of P83.071 million.

21. REVENUE

21.1. Service and Business Income

	2020	2019 (As restated)
Guarantee income	**1,628,825,051**	1,684,031,850
Interest income	**643,050,129**	519,339,602
Lease income	**170,017,071**	272,394,240
Fines and penalties	**7,131,768**	9,901,116
Other service and business income	**4,528,383**	348,985
	2,453,552,402	2,486,015,793

As at December 31, 2020 and 2019, the guarantee fee rates for the MCGP and SCGF were 1.00 per cent and 1.25 percent to 2.50 per cent, respectively, of the guaranteed amount. Meanwhile, the guarantee fee structure expressed as a percentage of the outstanding principal for the housing-related guarantees is as follows:

	Retail		**Developmental**	
	Standard	**Bond**	**Standard**	**Bond**
Socialized housing	1.40%	1.20%	2.00%	1.25%
Low-cost housing	1.45%	1.15%	2.25%	1.50%
Medium cost housing	1.50%	1.10%	2.50%	1.75%
Open housing	1.70%	1.50%	2.75%	2.00%

Interest income earned on the various investments and deposits maintained by the Corporation as well as on its loans and other receivables, including restructured accounts, are broken down as follows:

	2020	2019
Investment and deposits	**525,080,099**	404,243,394
Notes receivable	**92,048,362**	62,914,759
Sales contracts receivable	**21,255,107**	25,202,839
Lease receivable	**1,937,667**	8,570,006
Restructured loans	**2,599,236**	6,337,020
Loans receivable	**129,658**	12,071,584
	643,050,129	519,339,602

21.2. Gains

	2020	2019 (As restated)
Gain on sale of property and equipment	**1,699,223**	397,267
Gain on investments	**0**	4,211,256
Other gains	**12,273,895**	31,454,587
	13,973,118	36,063,110

21.3. Other Non-Operating Income

	2020	2019 (As restated)
Reversal of impairment loss	**315,396**	1,061,208
Other income	**619,496**	2,396,307
	934,892	3,457,515

22. EXPENSES

22.1. Personnel Services

	2020	2019 (As Restated)
Salaries and wages	**130,860,111**	113,698,277
Bonus and incentives	**31,720,224**	35,241,392
Terminal pay	**17,561,397**	4,953,885
GSIS and ECC contributions	**15,076,704**	12,947,260
Provident Fund contributions	**13,948,759**	18,909,332
Representation and transportation allowance	**8,500,616**	9,063,714
PHIC contributions	**1,376,940**	974,299
Pag-IBIG contributions	**192,027**	205,331
Overtime pay	**0**	57,364
Other benefits	**11,004,168**	12,942,912
	230,240,946	208,993,766

22.2. Maintenance and Other Operating Expenses

	2020	2019 (As Restated)
Traveling expenses		
Traveling expenses – local	**644,273**	2,276,576
Traveling expenses – foreign	**0**	39,435
	644,273	2,316,011
Training and scholarship expenses		
Training expenses	**129,021**	1,171,419

	2020	2019 (As Restated)
Supplies and materials expenses		
Office supplies	**2,072,015**	3,529,540
Fuel, oil and lubricants	**1,951,746**	3,518,374
Other supplies and materials	**160,539**	178,105
	4,184,300	7,226,019
Utility expenses		
Electricity	**17,192,607**	11,995,852
Water	**334,754**	460,165
	17,527,361	12,456,017
Communication expenses		
Telephone	**5,861,204**	4,283,122
Internet subscription	**1,287,156**	1,247,076
Postage and courier services	**169,121**	325,445
	7,317,481	5,855,643
Professional services		
Other professional services	**30,379,032**	25,322,307
Auditing services	**10,652,481**	11,140,568
Consultancy services	**592,200**	0
Legal services	**60,751**	760,025
	41,684,464	37,222,900
Confidential and extraordinary expenses		
Extraordinary and miscellaneous expenses	**1,687,653**	2,757,503
General services		
Janitorial services	**9,637,035**	5,891,295
Security services	**6,156,834**	6,393,900
Other general services	**366,942**	82,721
	16,160,811	12,367,916
Repairs and maintenance		
Machinery and equipment	**3,532,643**	2,540,148
Transportation equipment	**1,060,636**	2,887,409
Leased asset improvements	**484,720**	664,939
Investment property	**107,711**	724,177
Buildings and other structures	**58,062**	94,074
	5,243,772	6,910,747
Taxes, insurance and other fees		
Taxes, duties and licenses	**113,646,025**	128,296,242
Insurance expenses	**3,689,880**	2,688,417
	117,335,905	130,984,659
Other MOOE		
Rent/Lease	**45,080,326**	45,561,731
Documentary stamps	**3,150,515**	6,571,805
Advertising, promotional and marketing	**1,227,279**	1,591,531
Litigation/Acquired assets	**703,247**	170,844
Representation	**371,295**	1,008,586
Subscription	**244,577**	433,684

	2020	2019 (As Restated)
Printing and publication	**170,879**	467,893
Membership dues and contributions	**125,194**	52,066
Others	**114,735,920**	152,372,851
	165,809,232	208,230,991
	377,724,273	427,499,825

22.3. Financial Expenses

	2020	2019 (As Restated)
Interest and other finance charges	**460,187,922**	769,502,863
Guarantee fee	**1,594,066**	3,552,911
Bank charges	**5,279,454**	4,590,244
	467,061,442	777,646,018

Interest and other finance charges incurred on the various loans and other liabilities owed by the Corporation are broken down as follows:

	2020	2019
Loans payable	**36,429,077**	60,868,583
Due to Treasurer of the Philippines	**208,924,054**	398,444,116
Bonds payable	**198,793,808**	198,793,808
Due to SSS	**15,441,058**	2,806,932
Lease liability	**599,925**	108,589,424
	460,187,922	769,502,863

The guarantee fee pertains to the amount due to the NG relative to the ROP guarantee of portions of the loans payable to the LBP amounting to P334.602 million as at December 31, 2019 *(Note 13)* which were ultimately settled in full in December 2020.

22.4. Non-cash Expenses

	2020	2019 (As Restated)
Depreciation		
ROU asset	**36,332,313**	7,569,232
Office, IT, furniture, fixtures and books	**4,203,570**	4,812,818
Buildings and other structures	**3,267,716**	3,267,716
Land improvements	**1,961,162**	2,258,165
Transportation equipment	**1,833,913**	1,904,298
Investment property	**1,792,210**	1,929,530
Leasehold improvements	**261,388**	399,196
	49,652,272	22,140,955

	2020	2019 (As Restated)
Amortization		
Intangible assets	**579,648**	1,284,292
Impairment loss		
Loans and receivables and guarantees	**568,216,782**	815,135,925
Investment property	**0**	190,779
Other assets	**1,326,629**	396,500
	569,543,411	815,723,204
Losses		
Loss on sale of assets	**35,758,696**	0
Loss on guaranty	**21,109,930**	1,662,256
Foreign exchange losses	**60,474**	50,378
Loss on investments	**0**	4,211,256
Others	**136,608**	484,823
	57,065,708	6,408,713
	676,841,039	845,557,164

23. INCOME TAXES

The components of income tax expense as reported in profit or loss and OCI in the SCI are as follows:

	2020	2019 (As Restated)
Reported in profit or loss		
Current tax expense:		
Regular corporate income tax (RCIT) at 30%	**88,958,590**	(32,366,064)
Final tax at 20% and 7.50%	**140,604,229**	88,007,783
	229,562,819	55,641,719
Deferred tax expense (income) on origination and reversal of temporary differences	**(187,957,030)**	(189,029,834)
	41,605,789	(133,388,115)
Reported in OCI		
Deferred tax expense (income) on origination and reversal of temporary differences	**(21,404,434)**	(14,815,778)

A reconciliation of tax on pre-tax profit computed at the applicable statutory rates to tax expense reported in the SCI is as follows:

	2020	2019 (As Restated)
Tax on pre-tax profit at 30 per cent	**214,977,814**	79,751,893
Adjustment for income subjected to lower tax rates	**(157,524,030)**	(140,147,446)
Tax effects of non-deductible interest expense	**31,504,806**	28,029,489
	88,958,590	(32,366,064)

The net deferred tax assets and net deferred tax liabilities recognized in the SFP as at December 31, 2020 and 2019 relate to the following:

	2020	2019 (As Restated)
Deferred tax assets		
Bad debts	**632,525,426**	489,277,990
Impairment losses	**235,387,412**	130,154,473
Net operating loss carry-over (NOLCO)	**32,209,307**	50,040,543
Minimum corporate income tax (MCIT)	**981,758,227**	1,001,342,484
Accrued expenses	**0**	5,631,678
Unrealized foreign currency losses	**29,915**	29,915
Unrealized losses on financial assets at FVOCI	**8,262,581**	19,006,433
	1,890,172,868	1,695,483,516
Deferred tax liabilities		
Accrued lease income	**148,563,975**	146,079,983
Other accrued income	**43,364,482**	28,372,300
Unrealized gains on financial assets at FVOCI	**10,660,582**	0
Unrealized foreign currency gains	**141,260**	141,260
Prepaid expenses	**404,596**	404,596
	203,134,895	174,998,139

The deferred tax expense (income) recognized in the SCI for the years ended December 31, 2020 and 2019 relate to the following:

	2020	2019 (As Restated)
Reported in profit or loss		
Bad debts	**(143,247,435)**	(244,610,335)
Impairment losses	**(105,232,939)**	(312,209)
Accrued expenses	**19,584,257**	27,477,239
Accrued income	**17,831,236**	16,467,628
MCIT	**5,631,678**	(5,631,678)
Unearned income	**0**	6,531,018
Unrealized foreign current gains (losses)	**0**	(29,915)
Accrued lease income	**2,483,992**	(3,914,242)
Other accrued income	**14,992,181**	14,992,660
	(187,957,030)	(189,029,834)

	2020	2019 (As Restated)
Reported in OCI		
Unrealized losses on financial assets at FVOCI	**(21,404,434)**	(14,815,778)
	(21,404,434)	(14,815,778)

As at December 31, 2020 and 2019, the Corporation has recognized all its deferred tax assets in the SFP since Management believes that sufficient taxable profits in the future will be available against which the Corporation's deductible temporary differences, NOLCO and other tax credits can be utilized.

The Corporation is subject to the MCIT which is computed at 2 per cent of gross income net of allowable deductions, as defined under the tax regulations, or RCIT, whichever is higher. In CY 2019, the Corporation reported an excess MCIT of P5.632 million over the computed RCIT of P6.610 million.

In CY 2020 and CY 2019, the Corporation claimed itemized deductions in computing for its income tax due.

Upon effectivity of the merger, deferred tax assets and deferred tax liabilities of the former HGC amounting to P194.117 million and P23.497 million, respectively as at August 31, 2019 were transferred to the Corporation.

Details of the Corporation's NOLCO, which can be claimed as deduction from future taxable income within three years from the year the taxable loss was incurred are as follows:

Net Operating Loss Carryover				
Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2018	107,364,355	0	107,364,355	2021
2017	59,437,455	59,437,455	0	2020
2016	54,892,094	54,892,094	0	2019
	221,693,904	114,329,549	107,364,355	

Breakdown of the Corporation's excess MCIT over the RCIT with the corresponding validity periods follows:

Minimum Corporate Income Tax				
Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2019	5,631,678	5,631,678	0	2022
2018	0	0	0	2021
2017	0	0	0	2020
	5,631,678	5,631,678	0	

On March 26, 2021, RA No. 11543, or the "Corporate Recovery or Tax Incentives for Enterprises (CREATE) Act," was passed into law. The Act reduced, effective July 1, 2020, the RCIT from 30 per cent to 20 per cent for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million, excluding land on which the taxable entity's property, plant and equipment are situated, during the taxable year. Otherwise, a 25 per cent income tax rate will be imposed. Likewise, the Act reduced the MCIT rate from 2 per cent to 1 per cent effective July 1, 2020 until June 30, 2023.

The retroactive effects of the CREATE Act were not considered in these financial statements. The foregoing current and deferred taxes, deferred tax assets and deferred tax liabilities, have been measured using the RCIT of 30 per cent based on the tax laws effective as at December 31, 2020.

The CREATE Act, then CREATE bill, was not considered substantively enacted as at December 31, 2020 given that as of said date, the bill is still pending with the bicameral committee of Congress, and consequently not yet submitted to the President of the Philippines who may either approve or veto it. The Congress as the legislative body and the President representing the executive body of the Government are separate and independent from each other.

24. RELATED PARTY TRANSACTIONS

As at December 31, 2020 and 2019, the Corporation had no related party transactions, except those transactions with key management personnel which the Corporation deems to be its senior officers and the funds under its trust and/or administration when it acts in a capacity other than as trustee, as follows:

24.1. Conveyance of AKPF Properties to SSS

In CY 2009, acquired lots owned by AKFP located at the MHC in Tondo, Manila were assigned and conveyed to the SSS as partial settlement of the former HGC's unpaid guaranty obligations to SSS. The non-interest bearing receivable of AKFP from the former HGC representing the transfer value of said lots of P381.531 million has been outstanding to date and is recorded under current "Trust Liabilities" *(Note 15)* by the Corporation.

24.2. Lease Receivable under Car Plan

The BOD of TIDCORP approved on March 11, 1999, under Board Resolution No. 1211, the institution of a Car Fund to finance the acquisition of brand new motor vehicles for lease or sale to eligible officers in line with the Motor Vehicle Lease-Purchase Plan (MVLPP) for GFI officials duly approved by the President of the Philippines on July 20, 1992.

Likewise, pursuant to the MVLPP for GFI officials, the BOD of the former HGC (then known as the Home Insurance Guaranty Corporation) approved the implementation of a Car Plan for its officers. In CY 2009, the former HGC issued the Omnibus Implementing Guidelines for the MVLPP for HGC Officers shortening the repayment period from 10 years to 5 years and entitling the officers a 50 per cent subsidy of the cost of motor vehicles.

However, COA disallowed the amended MVLPP in 2010 which, after appeals by the persons liable thereon, was affirmed with finality by the Supreme Court in GR No.

232569. COA issued Notice of Finality of Decision No. 2018-269 dated July 3, 2018 therefor.

For the years ended December 31, 2020 and 2019, transactions involving the Car Plans recorded under “Finance Lease Receivable” *(Note 7)* follow:

	2020	2019 (As restated)
Balance, January 1	**21,442,160**	37,923,093
Returns due to COA disallowance	**0**	(11,028,141)
Payments	**(3,740,014)**	(5,452,792)
Balance, December 31	**17,702,146**	21,442,160

24.3. Compensation of Key Management Personnel

	2020	2019 (As restated)
Basic salary	**130,860,111**	113,698,277
Other compensation	**49,702,725**	53,350,920
Personnel benefit contributions	**30,787,340**	33,241,606
Other personnel benefits	**40,691,375**	8,660,438
	252,041,551	208,951,241

25. FAIR VALUE MEASUREMENT AND DISCLOSURES

The following table provides the fair value hierarchy of the Corporation’s assets measured at fair value:

	Carrying Amount	Fair Value			
		Total	Level 1	Level 2	Level 3
At December 31, 2020					
Financial assets at FVOCI:					
Treasury bonds	1,741,721,747	1,741,721,747	1,741,721,747	0	0
HCPTI shares	535,236,187	535,236,187	0	0	535,236,187
Club shares	617,500	617,500	0	0	617,500
	2,277,575,434	2,277,575,434	1,741,721,747	0	535,853,687
At December 31, 2019					
Financial Assets at FVOCI:					
Treasury bonds	1,616,640,098	1,616,640,098	1,616,640,098	0	0
HCPTI shares	535,236,187	535,236,187	0	0	535,236,187
Club shares	617,500	617,500	0	0	617,500
	2,152,493,785	2,152,493,785	1,616,640,098	0	535,853,687

The Corporation has no financial liabilities measured at fair value as at December 31, 2020 and 2019.

26. EVENTS AFTER THE REPORTING PERIOD

26.1. Additional Capital Infusion under RA No. 11494

On September 11, 2020, RA No. 11494, or the “Bayanihan to Recover as One Act,” was enacted. Under Section 10(e)(1) thereof, additional capital infusion of P5 billion is allocated to PHILGUARANTEE to support its credit guarantee programs as part of the response and recovery interventions for the COVID-19 pandemic. The allocated amount was ultimately received on February 17, 2021.

26.2. Deficiency Tax Assessment of IGLF for Taxable Year 2017

On April 14, 2021, the Corporation, as successor-in-interest of the IGLF, received a preliminary assessment notice (PAN) from BIR Revenue District Office (RDO) No. 49 for deficiency in income tax, expanded withholding tax, final withholding of VAT and documentary stamp tax for the taxable year 2017 totaling P14.226 million, inclusive of interest and surcharges from January 6, 2018 to April 30, 2021. A protest letter against these notices was filed on May 31, 2021. However, a formal letter of demand was received on June 17, 2021 for a total tax assessment of P14.564 million, inclusive of interest and surcharges from January 6, 2018 to July 20, 2021.

26.3. Partial Settlement of Advances from the NG

On 22 April 2021, the Corporation paid a total of P5.138 billion to the BTr to partially settle its obligations to the latter relative to the amount advanced by the NG in 2013 to settle the zero-coupon bonds issued by the former HGC in 2012. The payment covers principal of P4 billion and accrued interest as at March 31, 2021 of P1.358 billion. As at December 31, 2020, the unpaid advances from the NG and the related accrued interest amounted to P7.042 billion and P1.327 billion, respectively *(Note 13 and 14).*

26.4. Partial Recovery on World Grannary, Inc. Accounts

On April 26, 2021, the Corporation recovered P966.040 million from its defaulted World Grannary, Inc. (WGI) guarantee account. The amount represents the full, complete and final settlement of the claim of the Corporation in the corporate rehabilitation case against WGI pending before RTC Branch 57, Lucena City. Previously, the court in its Order dated July 16, 2019 granted the Receiver’s Motion to Allow the Sale of the Controlling Interest in WGI and adopted the recommendation to allocate P966.040 million of the proceeds of such sale to PHILGUARANTEE.

As at December 31, 2020 and 2019, total subrogated claims from WGI stood at P2.199 billion recorded under “Subrogated Claims Receivable” *(Note 7)* and is provided with 100 per cent allowance for impairment.

26.5. Adjustment of former HGC’s Dividend Rate for CY 2018

On April 30, 2021, the Corporation received a copy of EO No. 131 dated April 28, 2021 which approved the request of the former HGC for a downward adjustment of its dividend rate for the dividend year 2018 which is set at 50 per cent of its net earnings pursuant to RA No. 7656. Section 1 of the EO provides that the percentage of net earnings to be declared and remitted by the former HGC to the NG for CY 2018 is adjusted from at least 50 per cent to 6.58 per cent.

Relative to dividend year 2018, the former HGC remitted P151.624 million in CY 2019 and has further accrued P1 billion as dividends payable reported under “Other Payables” as at December 31, 2020 and 2019 *(Note 18).* The amount of dividends remitted in 2018 corresponds to the requested adjusted dividend rate of 6.58 per cent.

26.6. MOA dated February 16, 2021 with R-II Builders

On February 16, 2021, the Corporation, as successor-in-interest of the former HGC, executed a MOA with R-II Builders essentially agreeing to settle their disputes as regards their claims on the SMAP. R-II has offered, and the Corporation has accepted, to advance to the latter the amount of P4.227 billion to fully cover the former HGC’s guaranty exposure and/or claims in relation to the SMAP, in exchange for the former HGC’s release, waiver and quitclaim of the SMAP in favor of R-II Builders.

Immediately after the due execution of the MOA and upon securing the concurrence of NHA of its liability and the approval of the OGCC, the MOA shall be submitted to RTC Branch 222, Quezon City accompanied by the appropriate joint pleading for the agreement to be adopted in *toto* and incorporated by the court-appointed Receiver in his Report/Plan.

26.7. Signing of Supplemental Agreements on the EC-PCG Program

The Corporation signed on April 22, 2021 Supplemental Agreements to: (a) the Guarantee Reserve Escrow Agreement (GREA) with the DBP and the ROP, through the DOF and DOE; and (b) the Guarantee Program Implementation Agreement (GPIA) with the ROP through the DOF and DOE. The agreements supplement the GREA and GPIA previously executed on November 5, 2004 and amended on December 16, 2011 by the LGUGC as Program Manager of the EC-PCG Program.

27. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of the Corporation’s liabilities arising from financing activities, excluding lease liabilities which are disclosed in Note 13, follows:

	2019	Availments	Payments	Others	2020
Loans payable	907,586,809	0	(776,688,956)	0	130,897,853
Due to Treasurer of the Philippines	7,041,614,153	0	0	0	7,041,614,153
Bonds payable	9,959,112	3,790,369	(2,384,857)	0	11,364,624
Dividends payable	1,414,486,000	0	0	780,787,197	2,195,273,197
Interest payable	1,124,161,782	0	(38,502,918)	244,456,433	1,330,115,297
	10,497,807,856	3,790,369	(817,576,731)	1,025,243,630	10,709,265,124

	2018	Availments	Payments	Others	2019
Loans payable	771,637,500	369,378,827	(429,777,368)	196,347,850	907,586,809
Due to Treasurer of the Philippines	7,041,614,153	0	0	0	7,041,614,153
Bonds payable	7,352,281	7,574,255	(4,967,424)	0	9,959,112
Dividends payable	1,151,623,735	0	(151,623,735)	414,486,000	1,414,486,000
Interest payable	726,721,195	0	(52,426,940)	449,867,527	1,124,161,782
	9,698,948,864	376,953,082	(638,795,467)	1,060,701,377	10,497,807,856

Others refer to non-cash changes including the effects of accrual of dividends, transfer of loans payable from IGLF pursuant to EO No. 58, amortization of discount (premium) and accrual of interest.

28. RESTATEMENT AND PRIOR PERIOD ERRORS

The financial information in the Corporation's financial statements are restated for the periods prior to the combination of the Corporation and the former HGC to reflect the combination as if it had occurred at the beginning of the earliest period presented in the financial statements, which is accounted for using the pooling of interest method.

The following are the relevant analyses of the effects of the restatements on assets, liabilities and equity components of the Corporation's financial statements:

	As Reported, 12/31/2018	Balances from HGC	Adjustments	As Restated, 12/31/2018
Current assets				
Cash and cash equivalents	84,489,272	572,144,649	0	656,633,921
Financial assets	1,185,507,423	4,324,980,461	(452,460)	5,510,035,424
Receivables	77,638,831	1,097,740,706	533,679,099	1,709,058,636
Inventories	785,865	474,120	0	1,259,985
Non-current assets held for sale	0	5,819,480,334	(5,819,480,334)	0
Other current assets	5,404,095	203,768,354	38,559,544	247,731,993
Non-current assets				
Financial assets	0	1,701,971,375	452,460	1,702,423,835
Receivables	417,542,387	5,661,312,760	8,804,513	6,087,659,660
Investment property	48,923,805	9,294,878,156	3,402,082,718	12,745,884,679
Property, plant and equipment	58,330,970	54,235,603	(875,605)	111,690,968
Intangible assets	566,537	2,189,065	0	2,755,602
Deferred tax assets	359,231,992	226,498,122	924,509,891	1,510,240,005
Other non-current assets	24,881,083	4,260,695,122	0	4,285,576,205
	2,263,302,260	33,220,368,827	(912,720,174)	34,570,950,913
Current liabilities				
Financial liabilities	1,443,657,403	725,238,606	5,436,726,410	7,605,622,419
Inter-agency payables	8,767,425	196,378,894	(12,637,895)	192,508,424
Trust liabilities	25,084,424	637,621,402	42,781,409	705,487,235
Deferred credits/Unearned income	26,520,185	698,507,416	(565,369,485)	159,658,116
Provisions	13,770,572	2,688,404	22,846,926	39,305,902
Other payables	2,081,434	6,418,840,044	(1,859,456,425)	4,561,465,053
Non-current liabilities				
Financial liabilities	136,000,545	2,384,857	0	138,385,402

	As Reported, 12/31/2018	Balances from HGC	Adjustments	As Restated, 12/31/2018
Inter-agency payables	0	7,041,592,654	0	7,041,592,654
Deferred credits/Unearned income	43,445,345	2,121,205,431	(14,027,074)	2,150,623,702
Deferred tax liabilities	423,346	722,405,962	(562,823,829)	160,005,479
Trust liabilities	0	4,245,785,021	542,833	4,246,327,854
Equity				
Government equity	5,961,899,438	15,573,000,000	0	21,534,899,438
Revaluation surplus	0	1,685,209,429	(1,685,209,429)	0
Retained earnings (Deficit)	(5,319,429,365)	(6,850,489,293)	(1,716,093,615)	(13,886,012,273)
Cumulative changes in fair value	(78,918,492)	0	0	(78,918,492)
	2,263,302,260	33,220,368,827	(912,720,174)	34,570,950,913

The adjustments pertain to eliminating entries, correction of errors and reclassifications to conform with the Corporation's presentation, significant of which are as follows:

a. Foreclosed properties previously reported by the former HGC as non-current assets held for sale with carrying amount of P6.491 billion and allowance for impairment of P713.587 million were reclassified to investment property as at January 1, 2019 considering that the assets remained unsold for a relatively long period of time indicating that their sale are not highly probable.

b. Revaluation surplus previously recognized by the former HGC on its NGC-CEZ property was reversed for being inconsistent with the cost model adopted by the Corporation. As a result, the reported investment property, revaluation surplus and deferred tax liability as at January 1, 2019 was reduced by P2.407 billion, 1.685 billion and P722.232 million, respectively.

c. The accumulated base rentals and other fees or charges due on the Subic Bay Freeport properties payable to SBMA totaling P2.999 billion as at January 1, 2019 which was previously not booked by the former HGC was recognized resulting in increase in other payables and deferred tax asset of P2.999 billion and P899.629 million, respectively, and decrease in retained earnings of P2.099 billion.

d. The straight-line basis of recognizing rental income was adopted as at January 1, 2019 resulting in the recognition of additional lease receivable of P499.981 million with accompanying increase in retained earnings and deferred tax liability of P349.987 million and P149.994 million, respectively.

e. The amount Due to SSS as at January 1, 2019 of P4.876 billion was reclassified from other payables to guarantee liability under financial liabilities to properly reflect its nature as a guarantee-related obligation. For the same reason, unearned guarantee fees totaling P564.995 million as of even date were reclassified as guarantee liability under financial liabilities.

29. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages is the supplementary information required by the BIR under its existing Revenue Regulations (RRs) to be disclosed as part of the notes to the financial statements. This supplementary information is not a required disclosure under PFRS.

29.1. Requirements under RR No. 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 dated November 25, 2010 are as follows:

a. *Income, Final Investment Income, Gross Receipts and Fringe Benefits Taxes*

For the years 2020 and 2019, the Corporation paid or accrued a total amount of P414.809 million and P124.421 million, respectively, for income, final investment income, gross receipts (in lieu of VAT), and fringe benefit taxes, as follows:

	2020	2019
Income tax	**194,565,666**	15,074,687
Final investment income tax	**117,415,343**	60,589,602
Gross receipts tax	**102,810,515**	47,119,139
Fringe benefit tax	**17,945**	1,638,050
	414,809,469	124,421,478

b. *Documentary Stamp Taxes*

Documentary stamp taxes remitted or paid in CY 2020 and CY 2019 pertaining to loan instruments executed with clients and with banks for corporate borrowings amounted to P3.151 million and P6.572 million, respectively.

c. *Taxes and Licenses*

The details of the taxes and licenses account are broken down as follows:

	2020	2019
Gross receipts tax	**113,508,300**	126,578,015
Fringe benefit tax	**17,945**	1,640,623
Municipal licenses and permits	**10,500**	10,500
Real estate taxes and others	**109,280**	67,104
	113,646,025	128,296,242

d. *Withholding Taxes*

The details of total withholding taxes are broken down as follows:

	2020	2019
Compensation and benefits	**26,605,370**	10,437,525
Expanded withholding taxes	**6,379,866**	3,602,725

	2020	2019
Government money payments	**9,105,381**	6,102,950
	42,090,617	20,143,200

e. *Deficiency Tax Assessments and Tax Cases*

(i) *Pre-Merger TIDCORP Cases*

On September 30, 2014, TIDCORP wrote RDO No. 50 requesting for tax refund or credit of the P3.354 million excess of the accumulated VAT refunded to clients over its gross receipts tax remittances for March to May 2004 pursuant to RMC No. 9-2004 dated February 19, 2004 and RR No. 9-2004 dated June 21, 2004. To date, however, the BIR has not decided on the request despite the Corporation's two follow-up letters dated November 4, 2016 and March 8, 2018.

Likewise, TIDCORP received PAN and final assessment notice in 2015 for deficiency in income tax, expanded withholding tax, withholding tax on compensation and final withholding of VAT for taxable year 2011 totaling P113.921 million. The assessment was disputed and a protest was filed with a request for reinvestigation on February 11, 2015.

The protest was forwarded to RDO No. 50 on June 29, 2015 and the Corporation was requested to submit necessary documents, which was complied with on July 10, 2015. The Corporation is still awaiting the decision of the RDO. A follow-up letter on the matter sent in July 2018 remained unanswered to date.

(ii) *Former HGC Cases*

As successor-in-interest of the former HGC, the Corporation has a pending request for tax credit in the amount of P50 million before RDO No. 49 filed on December 28, 2007. The amount pertains to erroneously paid creditable withholding and documentary tax assessments on the assignment and conveyance of 105 lots of the SMAP to the former HGC, pursuant to the Deed of Assignment and Conveyance executed by and between the former HGC and PDB, as Trustee of SMAP.

29.2. Requirements under RR No. 19-2011

RR No. 19-2011 issued on December 9, 2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts of revenues reflected in the 2020 and 2019 statements of comprehensive income.

a. *Taxable Revenues*

The composition of the Corporation's taxable revenues for the years ended 2020 and 2019 are presented below.

	2020		2019	
	Final Tax Rate	Regular Tax Rate	Final Tax Rate	Regular Tax Rate
Rendering of services	525,080,099	1,886,261,418	370,307,099	737,838,777

b. *Deductible Cost of Services*

Deductible costs of services for the years ended 2020 and 2019 comprise of the following:

	2020	2019
	Regular Tax Rate	Regular Tax Rate
Salaries, wages and benefits	**191,796,790**	90,842,841
Material, supplies and facilities	**2,100,355**	38,493,655
Depreciation	**43,183,987**	14,085,074
Rental	**303,884**	610,575
Interest and financial expenses	**0**	0
Others	**13,132,683**	8,834,724
	250,517,699	152,866,869

c. *Taxable Non-operating and Other Income*

The details of non-operating and other income for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
	Regular Tax Rate	Regular Tax Rate
Gain from acquired assets	**0**	27,083,676
Gain on sale of property	**311,980,358**	30,027
Actual foreign exchange gain	**0**	1,821
	311,980,358	27,115,524

d. *Itemized Deductions*

The amounts of itemized deductions for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
	Regular Tax Rate	Regular Tax Rate
Interest	**227,687,237**	197,683,464
Taxes and licenses	**113,022,672**	69,034,023
Rental	**44,598,507**	14,594,173
Salaries and allowances	**29,421,717**	29,540,281
Professional fees	**16,197,734**	12,125,452
Communication, light and water	**10,969,438**	7,761,231
Depreciation	**7,230,725**	4,391,721
Security services	**5,910,978**	4,415,767
Janitorial and messenger services	**3,199,536**	2,320,799
Insurance	**2,021,954**	1,885,661
Miscellaneous	**34,692,144**	24,607,385
	494,952,642	368,359,957