

**NATIONAL ELECTRIFICATION ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018**

1. GENERAL INFORMATION/ENTITY PROFILE

The financial statements of the National Electrification Administration (NEA) were authorized for issuance on January 21, 2019 as shown in the Statement of Management's Responsibility for Financial Statements signed by Sonia B. San Diego, Deputy Administrator for Corporate Resources and Financial Services, Edgardo R. Masongsong, NEA Administrator and Felix William B. Fuentesbella, Alternate of the Chairman of the Board.

The National Electrification Administration (NEA) was originally created as a national government agency by virtue of Republic Act (RA) Nos. 2717 and 6038 dated June 19, 1960 and August 4, 1969, respectively. It existed as such for a period of more than ten (10) years. On August 6, 1973, Presidential Decree (PD) No. 269 was issued, converting NEA into a Government-Owned and Controlled Corporation (GOCC) with an authorized capital stock of P1 billion and declaring a national policy objective for the total electrification of the Philippines on an area coverage basis and the organization, promotion and development of viable rural Electric Cooperatives (ECs) to attain the said objective. Moreover, NEA is geared towards the uplifting of the standard of living in the rural areas through the service of electricity. PD No. 1370, issued on May 2, 1978, increased NEA's capital stock to P2 billion.

On October 8, 1979, PD No. 1645 amended certain provisions in PD Nos. 269 and 1370 which raised NEA's authorized capital stock to P5 billion and expanded its functions to include the development of mini-hydro and dendro thermal projects.

On June 8, 2001, RA No. 9136 or better known as the Electric Power Industry Reform Act (EPIRA) of 2001, was enacted. Section 58 of the said law gave NEA an additional mandate as follows:

- a. To prepare the ECs in operating and competing under the deregulated electricity market within five years from the effectivity of the act;
- b. To strengthen the technical capability and financial viability of rural ECs; and
- c. To review and upgrade regulatory policies with a view to enhancing the viability of the ECs as electric utilities.

The EPIRA increased NEA's authorized capital from P5 billion to P15 billion. However, no additional infusion was received from the National Government (NG). Administrative Order (AO) No. 112 dated December 7, 2004 directed the NEA to take full and sole authority and responsibility in the conversion of ECs into stock cooperatives. Pursuant to the AO, the NEA Board of Administrators promulgated the Guidelines in the Conduct of ECs Referendum (GCECR) to convert into either stock cooperative under the Cooperative Development Authority (CDA) or stock corporation under the Securities and Exchange Commission (SEC).

On September 2, 2005, Memorandum Order (MO) No. 187 was issued by the Office of the President setting the guidelines on the conversion of ECs. In compliance with the MO, the NEA Board of Administrators, in its Resolution No. 116 dated October 5, 2005, approved the amendment to the NEA GCECR.

On May 7, 2013, RA No. 10531, better known as the “National Electrification Administration Reform Act of 2013”, was signed into law which aims to:

- a. Promote the sustainable development in rural areas through rural electrification;
- b. Empower and strengthen NEA to pursue the electrification program and bring electricity through the ECs as its implementing arm to the countryside and economically unviable areas; and
- c. Empower and enable ECs to cope with the changes brought about by the restructuring of the electric power industry pursuant to RA 9136.

RA 10531 further increased NEA’s authorized capital from P15 billion to P25 billion. However, as of December 31, 2018, the NG has made no additional subscription.

From April 1, 2000 to present, NEA’s registered address and principal place of business is No. 57 NEA Building, NIA Road, Barangay Pinyahan, Diliman, Quezon City 1100.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared in compliance with the Philippine Public Sector Accounting Standards (PPSAS) prescribed by the Commission on Audit through COA Resolution No. 2014-003 dated January 24, 2014.

The accounting policies are consistently applied throughout the year presented.

The financial statements are prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The financial statements are presented in peso (P), which is also the country’s functional currency.

Amounts are rounded off to the nearest peso unless otherwise presented in the report.

The preparation of financial statements in compliance with adopted PPSAS requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity’s accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in Notes 6, 7, 8 and 9.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

The financial statements are prepared on an accrual basis in accordance with PPSAS.

Since March 31, 2005, NEA has continuously used the Electronic New Government Accounting System (e-NGAS), an Accounting System developed by the COA.

3.2 Cash and Cash Equivalents

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

In order to maximize interest income on deposits while funds are yet to be relent to the different ECs, these are temporarily placed in banks that offer the highest interest rate.

3.3 Receivables

Receivables which are expected to be realized within the normal operating cycle or one fiscal year are initially recognized at face value and subsequently measured at its net realizable value and classified as current assets in the statement of financial position. However, receivables beyond one year are classified as non-current assets.

An Allowance for Doubtful Accounts (ADA) is provided at a rate of one per cent (1%) of the estimated uncollectible receivables.

3.4 Inventories

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

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

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

Inventory is recognized as expense when deployed for utilization or consumption in the ordinary course of operations of NEA.

Further, since the adaption of the e-NGAS in 2005, Office Supplies Inventory is generated by the system and is automatically computed based on weighted average cost of the items.

3.5 Property, Plant and Equipment

a. Recognition

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

The characteristics of PPE are as follows:

- i. Tangible items;
- ii. Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- iii. Expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- i. It is probable that future economic benefit or service potential associated with the item will flow to the entity;
- ii. The cost or fair value of the item can be measured reliably; and
- iii. The cost is at least P15,000.00.

b. Measurement at Recognition

An item recognized as PPE is measured at cost.

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

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

Cost includes the following:

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

having used the item during a particular period for purposes other than to produce inventories during that period.

c. Measurement after Recognition

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

When significant parts of PPE are required to be replaced at intervals, NEA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense.

d. Depreciation

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

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

i. Initial Recognition of Depreciation

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

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

ii. Depreciation Method

The straight-line method of depreciation is adapted.

iii. Estimated Useful Life

The NEA uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA, as shown below:

| Assets | Estimated Useful Life (In Years) |
|------------------------|----------------------------------|
| Buildings | 30 |
| Land Improvements | 10 |
| Furniture and Fixtures | 10 |

| Assets | Estimated Useful Life (In Years) |
|-------------------------------|--|
| Communication Equipment | 10 |
| Motor Vehicles | 7 |
| Office Equipment | 5 |
| IT Equipment and Software | 5 |
| Technical Equipment | 5 |
| Other Machinery and Equipment | 5 |

iv. Residual Value

The NEA uses a residual value equivalent to ten per cent (10%) of the cost of the PPE.

v. Derecognition

The NEA derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. The difference between the net disposal proceeds and the carrying amount of the asset is treated as gain or loss when the asset is derecognized.

3.6 Foreign Currency Transactions

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

At each reporting date:

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

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

Current portion of NEA's foreign and domestic loans as at end of December 31, 2018 was updated using the closing rate per Reference Exchange Rate Bulletin of the Bangko Sentral ng Pilipinas (BSP) as of

December 29, 2018. Except for USAID Loan Nos. 492-T-034, 492-T-036, and 492-T-043, transactions are recorded at drawdown rates due to the provision in the Loan Agreement that the NG shall absorb Maintenance of Value Risks (MOV) in behalf of NEA.

3.7 Income and Expenses

Income includes both revenues and gains. Revenue arises in the course of the ordinary activities of the agency while gains include those arising on the disposal of non-current assets.

Income is recognized when earned or collected. It is measured at fair value of the consideration received or still collectible in the future. Interest income on overdue accounts is recognized only upon receipt of actual payment or when arrangements are formalized for its renewal, extension or restructuring.

Donations in cash or in kind are recognized as income upon receipt.

Expenses are recognized upon receipt of goods or utilization of services.

3.8 Budget Information

The annual budget is prepared on a cash basis and is published in the government website.

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

4. PRIOR PERIOD ADJUSTMENTS

The details of the account are as follows:

| Particulars | 2018 | 2017 |
|--|----------------------|--------------------|
| Reclassification-Other Payables BTr | 7,977,091,503 | 0 |
| Interest on RE loans | 61,641,902 | 182,651,238 |
| Adjustment on Payables | 29,127,706 | 3,377,491 |
| Prior Years Income | 13,824,673 | 0 |
| Adjustment on Subsidy | 4,701,635 | 0 |
| Other Prior Year's Adjustment | 2,447,103 | 4,331,447 |
| GSIS All-Risk Insurance | 896,484 | 2,508,743 |
| Reinstatement of Interest Receivable-Condonation | 895,502 | 0 |
| Adjustment on Interest Income on Deposits | 679,522 | 3,458,707 |
| Sub-Total | 8,091,306,031 | 196,327,626 |
| Liquidation of Subsidies Released to ECs | 0 | (447,281) |
| Adjustment on PHILRECA Account | 0 | (6,458,707) |
| Prior Years' Expenses | (254,664) | (2,930,777) |

| Particulars | 2018 | 2017 |
|--|----------------------|--------------|
| Adjustment on Inventory- Impairment Loss | (4,876,379) | 0 |
| Other Prior Years' Adjustment | (5,254,999) | (9,782,979) |
| Interest on Advances | (38,923,273) | 0 |
| Sub-Total | (49,309,315) | (19,619,744) |
| Total | 8,041,996,715 | 176,707,882 |

As a result, there was a P8,041,996,715 net deduction on the 2018 beginning balance of Retained Earnings. This was mainly due to the recognition of Interest from RE Loans and Interest on Advances and the reclassification of Other Payables – BTr to Subsidy from National Government. (See Note 12)

5. CASH AND CASH EQUIVALENTS

Breakdown of this account is as follows:

| Particulars | As at December 31, 2018 | As at December 31, 2017 |
|------------------------------------|--------------------------------|-------------------------|
| <i>Cash on Hand</i> | | |
| Cash – Collecting Officers | 1,982,658 | 783,716 |
| Petty Cash Fund | 94,488 | 71,280 |
| Sub-Total | 2,077,146 | 854,996 |
| <i>Cash in Bank</i> | | |
| Local Currency - Current Account | 2,834,583,296 | 6,213,075,348 |
| Local Currency - Savings Account | 684,993,999 | 1,508,615,619 |
| Foreign Currency - Savings Account | 927,978 | 877,340 |
| Sub-Total | 3,520,505,273 | 7,722,568,307 |
| <i>Cash Equivalents</i> | | |
| Foreign Currency - Time Deposits | 7,931,751 | 7,453,932 |
| Total | 3,530,514,170 | 7,730,877,235 |

Local Currency – Current Account – this account is mainly for subsidy receipts from the NG for the Sitio Electrification Project (SEP), Barangay Line Enhancement Project (BLEP), Yolanda Resettlement and Rehabilitation Plan (YRRP), Modular Genset, Pamana Fund, Lanao del Sur Metering Program, and EC Trust Fund

Local Currency – Savings Account consists of various accounts maintained with Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP), and Philippine Veterans Bank (PVB), mostly for loans to be granted to ECs.

Foreign Currency – Savings Account consists of LBP Dollar Account - NEA IFB 80 Bid Fund.

6. RECEIVABLES

This account is broken down as follows:

| Particulars | 2018 | 2017 |
|-----------------------------|----------------------|---------------|
| Loans Receivables (current) | 2,023,861,773 | 2,318,457,037 |
| Other Receivables | 3,646,974,390 | 3,191,456,563 |

| | | |
|----------------------------------|-----------------------|----------------|
| Total Current Receivables | 5,670,836,163 | 5,509,913,600 |
| Loans Receivables (non-current) | 11,076,250,541 | 10,340,362,067 |
| Total Receivables | 16,747,086,704 | 15,850,275,667 |

6.1. Loans Receivables

This account represents portion of long-term loans receivables due within one year as follows:

| Particulars | 2018 | 2017 |
|---|----------------------|---------------|
| Loans Receivable – Power Sector Assets and Liabilities Management Corporation (PSALM) | 2,155,490,219 | 2,155,490,219 |
| Loans Receivable – EC | 113,732,051 | 403,586,249 |
| Loans Receivable - Municipal System | 7,254,942 | 7,251,389 |
| Loans Receivables - NEECO II | 14,702,820 | 11,681,333 |
| Matured Loans Receivable-Others | 13,261,156 | 13,116,862 |
| | 2,304,441,188 | 2,591,126,052 |
| Allowance for Impairment Loss | (280,579,415) | (272,669,015) |
| Total | 2,023,861,773 | 2,318,457,037 |

Loan Receivable – PSALM, represents the matured portion of the ECs loans assumed by the PSALM in accordance with Section 60 of RA 9136. Non-payments of the accounts of some ECs are anchored on Section 5d of Executive Order No. 119, which states “ECs must be current in payment and continue to be current in the payment of its obligations to the National Power Corporation (NPC) to be eligible for assumption by PSALM of its Rural Electrification Loan/s.”

6.2. Long Term Receivables

This account consists of the following receivables:

| Particulars | 2018 | 2017 |
|---|-----------------------|----------------|
| Electric Cooperatives | | |
| Rural Electrification (RE) Loans | 8,175,635,649 | 7,408,114,455 |
| Calamity Loans | 1,196,510,140 | 1,361,645,883 |
| Genset | 1,156,904,121 | 1,034,725,091 |
| Single Digit Systems Loss Program (SDSLP) | 347,522,806 | 442,751,410 |
| Working Capital/Relending Loans | 56,809,190 | 73,583,834 |
| Standby Credit Facility (SCF) | (140,000,001) | 10,009,227 |
| Power Use and Bliss I Loans | 411,452 | 768,606 |
| Equity Financing Scheme for ECs (EFSEC) | (6) | (6) |
| Others | 164,330 | 174,422 |
| Sub-Total | 10,793,957,682 | 10,331,772,922 |
| PSALM | 2,155,490,220 | 2,155,490,220 |

| Particulars | 2018 | 2017 |
|---|------------------------|-----------------|
| Nueva Ecija II Electric Cooperative, Inc. (NEECO II) Loan | 270,726,248 | 282,649,447 |
| Private Franchise Loan | 2,703,079 | 3,927,998 |
| Municipal Loans | 7,251,389 | 7,251,389 |
| Others | 10,414,863 | 10,415,261 |
| Sub-Total | 2,446,585,799 | 2,459,734,315 |
| | 13,240,543,481 | 12,791,507,237 |
| Portion due within one year shown under current assets | (2,164,292,940) | (2,451,145,170) |
| Total | 11,076,250,541 | 10,340,362,067 |

Rural Electrification (RE) Loans are loans intended to address the technical and operational requirements of the ECs and comprise the major lending concern of NEA. The amount represents releases after June 26, 2001.

a. *RE Loan-Working Capital for ECs*

Objective:

- To establish a credit facility for ECs to finance the prudential requirement and security payment with Wholesale Electricity Spot Market (WESM)/Power Generation Companies (GENCOs)/National Grid Corporation of the Philippines (NGCP);
- Timely payment of power account for special/retirement package of EC employees; and
- Tax obligations.

Terms:

- Five and a half per cent interest rate per annum or NEA prevailing interest rate at the time of drawdown for repayment period up to two years or six per cent interest per annum or NEA prevailing interest rate at the time of drawdown for repayment period of three to five years;
- 18 per cent default charge per annum;
- maximum of five years repayment period; and
- validity period of two years.

b. *RE Loan – Capital Projects*

Objective:

- To finance the Capital Expenditures (CAPEX) projects of ECs

Terms:

- Six per cent interest rate per annum NEA prevailing interest rate at the time of drawdown;
- 12 per cent default charge per annum;

- maximum of 15 years repayment period but not to exceed the remaining franchise life of the EC;
- maximum of one year grace period; and
- validity period of three to five years.

Single Digit System Loss Program (SDSLP) is a loan intended to assist the ECs in the reduction of the national average systems loss and to attain a single digit level. Loanable amount depends on NEA's evaluation of the project.

Terms:

- Five and a half per cent interest rate per annum or NEA prevailing interest rate at the time of drawdown for repayment period up to two years or six per cent interest per annum or NEA prevailing interest rate at the time of drawdown for repayment period of three to 10 years;
- maximum of 10 years repayment period but not to exceed the remaining franchise life of the EC;
- maximum of six months grace period; and
- validity period of two years.

Calamity Loans are loans granted to calamity-affected ECs for the immediate repair of damaged distribution lines and restoration of power.

Terms:

- Three and one fourth per cent interest rate per annum;
- maximum of 10 years repayment period but not to exceed the remaining franchise life of the EC;
- maximum of one year grace period; and
- validity period of one year.

Stand-By Credit Facility (SCF) is a credit facility that would strengthen the ECs' credit worthiness with the GENCOs and Market Operator.

Terms:

- One year credit line renewable;
- one half of one per cent interest rate per month on the amount withdrawn;
- one and a half per cent default charge per month;
- two per cent service charge on the approved facility; and
- payable within 90 days after each avilment.

Equity Financing Scheme for the ECs (EFSEC) is a credit facility that would finance the equity requirement of the ECs in the procurement of the distribution equipment and in the implementation of their rehabilitation and upgrading projects. Maximum loanable amount is the actual equity requirement or 20 per cent of the total purchase price of the distribution equipment but not to exceed P8 million. Interest rate is six per cent per

annum, three to five years to pay with a grace period of six months. *This facility is no longer active from 2012 to present.*

Power Use and Bliss I Loans are loans extended to cooperatives to support small scale industry projects intended to provide means of livelihood in rural bliss communities, payable in five to 10 years after date of release, at five per cent to 11 per cent interest per annum and with grace period of one to two years. *This facility is no longer active since 2004.*

Receivables from PSALM arose by virtue of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act (EPIRA) of 2001, which was enacted on June 26, 2001. The RA provides that all outstanding financial obligations of the ECs to NEA and other government agencies incurred for the purpose of financing rural electrification program shall be assumed by PSALM in accordance with the program approved by the President of the Philippines. On August 28, 2002, Executive Order (EO) No. 119 was issued providing that the assumption by the PSALM of the EC's rural electrification loans from NEA is subject to compliance with some terms and conditions.

NEECO II Loan pertains to the sales price of the electric system of the defunct Nueva Ecija III Electric Cooperative, Inc. (NEECO III) which was taken over by NEA and later sold to NEECO II. The sales price consists of the book value of P208.4 million plus interest income of P111.8 million less payments previously made by NEECO III of P11.3 million. The Deed of Conditional Sale approved on January 24, 2006 provides that the sale price shall be payable over 25 years at seven per cent interest per annum. Repayment of principal commenced on January 31, 2008 while payment of the monthly interest started in January 2006.

Private Franchise Loans pertain to loans granted to finance MERALCO's depressed area electrification project and Visayan Electric Company rural electrification extension projects. However on December 31, 2006, MERALCO pre-terminated their loan by paying the amount of P886.6 million. *Both loans are no longer active since 2006.*

Municipal Loans were granted in the early sixties to finance the construction and/or improvement of electric systems of about 91 municipalities all over the country. However, with the enactment of PD 269 mandating NEA to electrify the country through the different electric cooperatives, the franchise granted to the municipal electric systems was effectively cancelled. The cancellation of franchise did not stop NEA from demanding payments. In NEA's desire to collect these accounts, the NEA Board, in its meeting on November 29, 1990, agreed that the loans be settled under the government's Debt Relief Program (DRP). On April 28, 1994, NEA submitted to the Bureau of the Treasury (BTr) the certification needed under the DRP. Unfortunately, not a single LGU availed of the program.

In view of the failure to have the accounts settled under the DRP, the NEA Legal Services Office pursued collection of these accounts using legal remedies available under the Loan Contract. Again, on March 11, 2011, NEA

sought the assistance of the DOF in the collection of the LGUs accounts through DRP.

The NEA Board, in its meeting on October 11, 2011 approved the request of government schools and municipalities for the condonation of interests and surcharges of their loans after they paid the principal subject to the approval by the COA.

6.3. Other Receivables

This account consists of the following:

| Particulars | 2018 | 2017 |
|-------------------------------------|----------------------|---------------|
| Receivables from Various ECs | 3,616,905,712 | 3,160,928,542 |
| Receivables from NPC | 25,351,080 | 25,351,080 |
| Miscellaneous Receivables | 52,469,213 | 53,825,041 |
| | 3,694,726,005 | 3,240,104,663 |
| Less: Allowance for Impairment Loss | (47,751,615) | (48,648,100) |
| Total | 3,646,974,390 | 3,191,456,563 |

Receivables from Various ECs consist of subsidy releases under “Pantawid Kuryente Katas ng VAT” funds, SEP and BLEP, and YRRP. Starting May 20, 2009, NEA implemented a new accounting treatment for the subsidy releases for rural electrification programs. Instead of recognizing as outright expense, these are now taken-up as Due from NGOs/POs and charged to Other Payables upon liquidation. The receivables from ECs consist of advances of P3.616 billion (including advance payment of interest receivable of P18.367 million) in 2018. As a result of the expeditious liquidation of receivables, the outstanding balances of SEP/BLEP, YRRP and PKKV were reduced to P3.614 billion, P2.143 million, and P8,000, respectively, as of December 31, 2018.

Receivables from NPC represent release of fund for OPAPP-PAMANA. On June 20, 2014, NEA entered into Memorandum of Agreement with NPC for the construction of Power Plant Facilities including supply, delivery, erection or installation test commissioning of Diesel Genset, and Auxilliaries for Languyan Town. On August 11, 2014, NEA released to NPC the amount of P25,351,080.

Miscellaneous Receivables substantially consist of advance payments made by NEA for and in behalf of the ECs for brokerage, handling, demurrage, storage and other charges incurred in the withdrawal from the Bureau of Custom’s custody of various equipment and materials, such as Saudi Transformers Company Ltd. (STC) 48 package Power Transformers, Wood Poles, Dodecagonal Distribution Poles–Galvanized, etc., and insurance premium.

7. INVENTORIES

This account consists of:

| Particulars | 2018 | 2017 |
|--------------------------------|------------------|------------------|
| Inventory Held for Sale | 4,876,379 | 4,876,379 |
| Inventory Held for Consumption | | |
| Office Supplies Inventory | 1,788,484 | 955,337 |
| Other Supplies Inventory | 126,810 | 295,450 |
| Spare Parts Inventory | 327,653 | 4,484 |
| <i>Sub-total</i> | 2,242,947 | 1,255,271 |
| Total | 7,119,326 | 6,131,650 |
| Allowance for Impairment Loss | (4,876,379) | 0 |
| Total | 2,242,947 | 6,131,650 |

Inventory Held for Sale account pertains to the cost of equipment and materials damaged/burned in Nueva Vizcaya Electric Cooperative (NUVELCO) Staging Area amounting to P1,224,388. This also includes Merchandise Inventory in Transit pertaining to the Equipment and Materials In-Transit (EMIT) account amounting to P3,651,991 which remains dormant for more than 10 years. On September 14, 2010, NEA requested COA the relief from accountability for the loss of these equipment and materials. On December 23, 2013, NEA received COA Decision No. 2013-247 denying NEA's request for authority to write-off the EMIT account amounting to P3,651,991 which remains dormant for more than 10 years because of COA's existing regulations which pertains only to the write-off of unliquidated cash advances and dormant accounts receivable. Said amount was reinstated as EMIT account for adjustment.

Adjustments were effected closing the difference between the actual payments made by NEA to contractors against the rates used in costing equipment and materials under IFB 38, which was part of the COA Audit Observation Memorandum (AOM) No. 2007-016 dated March 12, 2007.

JEV No. 2018-05-002793 dated May 11, 2018 was prepared taking up Allowance for Impairment Loss for the account Inventory Held for Sale in the amount of P4,876,379 per COA's recommendation under AOM No. 2018-17 (2017) dated May 7, 2018.

8. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the year ended December 31, 2018 and 2017 are as follows:

| Particulars | Land and Land Improvements | Buildings | Office Equipment Furniture and Fixtures | Transportation Equipment | Machineries and Equipment | Other Property and Equipment | Total |
|----------------------|----------------------------|-------------|---|--------------------------|---------------------------|------------------------------|-------------|
| Cost: | | | | | | | |
| At January 1, 2018 | 46,522,575 | 286,320,813 | 71,602,590 | 36,491,583 | 13,674,385 | 25,315,916 | 479,927,862 |
| Additions | 0 | 0 | 823,377 | 0 | 76,727 | 0 | 900,104 |
| Reclassification | (9,525,800) | 0 | 0 | 0 | 0 | 0 | (9,525,800) |
| At December 31, 2018 | 36,996,775 | 286,320,813 | 72,425,967 | 36,491,583 | 13,751,112 | 25,315,916 | 471,302,166 |

| Particulars | Land and Land Improvements | Buildings | Office Equipment Furniture and Fixtures | Transportation Equipment | Machineries and Equipment | Other Property and Equipment | Total |
|--|----------------------------|-------------|---|--------------------------|---------------------------|------------------------------|-------------|
| Accumulated depreciation: | | | | | | | |
| At January 1, 2018 | 695,330 | 154,973,139 | 50,087,539 | 26,411,586 | 6,835,960 | 22,802,325 | 261,805,879 |
| Charge for the year | 0 | 8,595,939 | 5,340,988 | 2,551,399 | 1,514,497 | 0 | 18,002,823 |
| At December 31, 2018 | 695,330 | 163,569,078 | 55,428,526 | 28,962,985 | 8,350,457 | 22,802,325 | 279,808,702 |
| Net carrying amount, December 31, 2018 | 36,301,445 | 122,751,735 | 16,997,440 | 7,528,598 | 5,400,655 | 2,513,591 | 191,493,464 |
| Cost: | | | | | | | |
| At January 1, 2017 | 46,522,575 | 286,320,813 | 67,371,298 | 36,491,583 | 13,461,878 | 25,315,916 | 475,484,063 |
| Additions | 0 | 0 | 4,231,292 | 0 | 212,507 | 0 | 4,443,799 |
| At December 31, 2017 | 46,522,575 | 286,320,813 | 71,602,590 | 36,491,583 | 13,674,385 | 25,315,916 | 479,927,862 |
| Accumulated depreciation: | | | | | | | |
| At January 1, 2017 | 695,330 | 146,377,201 | 44,020,572 | 23,860,188 | 5,277,427 | 22,802,325 | 243,033,043 |
| Charge for the year | 0 | 8,595,939 | 6,066,967 | 2,551,398 | 1,558,968 | 0 | 18,773,272 |
| Disposal/retirements/Addition | 0 | 0 | 0 | 0 | (435) | 0 | (435) |
| At December 31, 2017 | 695,330 | 154,973,140 | 50,087,539 | 26,411,586 | 6,835,960 | 22,802,325 | 261,805,880 |
| Net carrying amount, December 31, 2017 | 45,827,245 | 131,347,673 | 21,515,051 | 10,079,997 | 6,838,425 | 2,513,591 | 218,121,982 |

Land consists of the following:

1. Site of NEA building under TCT No. 233258 acquired on January 11, 2002 from the National Housing Authority with an acquisition cost of P36.204 million.
2. Another property with a lot area of 6,384 square meters, located at Germinal District, Bolinao, Pangasinan is the subject of Civil Case No. 2881 – Entitled “Spouses Zoilo and Julieta Cedana vs. Rose Tabucol, NEA et al” and being handled by the OGCC. NEA through the OGCC is pursuing negotiation for compromise agreement.

Buildings represent the cost of the NEA building, which includes the costs of services related to the preparation of detailed engineering design, consultancy services and the actual construction cost of the building. The construction started sometime in June 1998 and was finished in late 2000.

9. OTHER ASSETS

This account includes:

| Particulars | 2018 | 2017 |
|---|-------------------|------------------|
| Current Assets | | |
| Prepayments | 3,244,436 | 3,546,704 |
| Sub-Total | 3,244,436 | 3,546,704 |
| Non-Current Assets | | |
| Idle Land- Tandang Sora | 9,500,000 | 0 |
| Deferred Charges | 2,585,208 | 2,386,909 |
| Receivables Included in NEA’s Bail-Out Program | 1,285,594 | 1,285,594 |
| Investment in Gasifier and Equipment Manufacturing Corp. (GEMCOR) | 1,038,000 | 1,038,000 |
| Foreclosed Properties | 25,800 | 0 |
| Sub-Total | 14,434,602 | 4,710,503 |
| Total | 17,679,038 | 8,257,207 |

Other Assets is consists of the following:

- Lot area of approximately 2.5 hectares located in Tandang Sora, Quezon City with TCT No. 26581 acquired in November 28, 1989 for P9.5 million. However, the said lot is subject to court litigation pending before the Supreme Court, docketed as G.R. No. 112876, entitled Manuel Silvestre Bernardo, et al vs. Court of Appeals, et al. The case is being handled for NEA by the Office of the Government Corporate Counsel (OGCC).
- *Deferred Charges* include miscellaneous deposits to PLDT, MERALCO and IFB incidental costs.
- *Investment in GEMCOR* was an investment made in GEMCOR for 938 shares with P1,000 par value.
- *Foreclosed Properties* located in Bani/Bolinao with a book value of P25,800 were acquired in 1967 by virtue of Sheriff's Certificate of Sale issued by the Court of First Instance of Pangasinan. The corresponding Declaration of Real Property (DRP) was issued to NEA. Under the said DRP, most of the lands located at Catuday, Bolinao, Pangasinan are classified as forest and pasture lands. Verifications made on the records of the Regional Office I of the Department of Environment and Natural Resources (DENR) revealed that most of the properties are within the Alienable and Disposable (A and D) zones. The cluster on Utilization and Disposal of NEA's Acquired and Foreclosed Property is working on the possibility of titling or turnover of the same to the DENR.

10. FINANCIAL LIABILITIES

This account represents various payables as follows:

| Particulars | 2018 | | 2017 | |
|-----------------------------------|-------------------|-------------------|------------|-------------|
| | Current | Non-current | Current | Non-current |
| Accounts Payable | 24,299,757 | 6,664,421 | 40,228,183 | 9,689,316 |
| Due to Officers and Employees | 13,869,335 | 82,787,145 | 9,187,970 | 82,560,753 |
| Interest Payable on Foreign Loans | 0 | 11,786 | 0 | 11,786 |
| Total | 38,169,092 | 89,463,352 | 49,416,153 | 92,261,855 |

Due to Officers and Employees represents liabilities to officers and employees for salaries, benefits and other emoluments including cash equivalent of the employees leave credits as of reporting date. The continuous provision for the leave credits is in accordance with the International Accounting Standard- IAS 19, Employee Benefits.

Accounts Payable pertains to accrual of expenses for 2018 and 2017.

11. INTER-AGENCY PAYABLES

This account consists of payables due to the following:

| Particulars | 2018 | 2017 |
|------------------------|-----------------------|----------------|
| Due to BTr | 17,397,642,656 | 18,233,921,102 |
| Due to BIR (Note 25.3) | 2,285,142 | 3,502,932 |
| Due to GSIS | 2,309,645 | 1,942,843 |
| Due to Pag-IBIG | 334,202 | 278,023 |
| Due to PhilHealth | 130,446 | 108,688 |
| Income Tax Payable | 70,066,707 | 70,891,354 |
| Total | 17,472,768,798 | 18,310,644,942 |

Due to BTr are advances made by BTr on NEA's foreign loans from USAID, IBRD, OECF and OPEC; guaranteed loans from ADB, IBRD, EDC, UK, KFW, French, China and domestic loans from Citibank and Union/Filipinas Bank.

NEA requested for conversion into subsidy the payable to NG, including interest, totaling P18.162 billion.

After series of meetings held between and among NEA, BTR, and DOF to discuss the said request for conversion, and other issues and concerns, DOF, in its letter dated November 28, 2017 considered NEA's request for conversion into subsidy amounting to P14.915 billion. The balance of P3.246 billion is payable in four annual installments of P811 million plus interest.

On July 31, 2018, NEA made its first installment payment amounting to P982.24 million (inclusive of interest on advances amounting to P170.58 million).

NEA is still waiting for the issuance of Special Allotment Release Order (SARO) by the DBM and to be included in the 2019 Cash Operating Budget (COB) of NEA.

12. OTHER PAYABLES

This account represents payables and trust liabilities for funds received from the NG and other agencies. Details are as follows:

| Particulars | 2018 | 2017 |
|-------------------------------------|----------------------|----------------|
| Subsidy Receipts from the NG | 1,255,434,428 | 9,891,486,144 |
| EC Trust Fund - ALECO | 136,075,388 | 134,870,434 |
| Countrywide Development Funds (CDF) | 1,393,020 | 1,393,020 |
| Performance/Bidders Bonds | 641,175 | 1,069,825 |
| Retention Payable | 150,511 | 150,511 |
| NPC SPUG | 51 | 51 |
| DSWD - PKKV | (311,025) | 1,064,501 |
| Miscellaneous Payables | 6,928,115 | 8,142,530 |
| Total | 1,400,311,663 | 10,038,177,016 |

Subsidy Receipts from the NG amounting to P6,050,290,756 which consist of subsidy receipts for SEP and BLEP Projects, Calamity Fund for Yolanda Recovery and Rehabilitation Program (YRRP), Calamity Fund for Typhoon Glenda, Lanao del Sur Metering Program Fund were given by NG in prior years for release to various ECs previously recognized as trust liability was reclassified to Subsidy from National Government as income in compliance with the COA recommendation pursuant to Philippine Public Sector Accounting Standards (PPSAS) 23 and COA Circular No. 2015-010 (See Notes 4 and 21.1). The remaining balance pertains to subsidy receipts for the Mindanao Modular Gensets program.

EC Trust Fund - ALECO pertains to fund entrusted by Albay Electric Cooperative, Inc. (ALECO) to NEA.

Countrywide Development Funds (CDF) pertain to funds received for financing electrification projects as identified by Congressmen and Senators. Per record of subsidy releases, the CDF were already released to the ECs. Verification of entries upon release of the funds is to be made to reconcile payable account to cash account.

Performance/Bidders Bonds account is used to record the incurrence of liability arising from the receipt of cash to guaranty that (a) that the winning bidder shall enter into contract with NEA; and (b) performance by the contractor of the terms of the contract

Retention Payable pertains to the retention money from payments made to contractors, suppliers and other creditors covering rural electrification, mini-hydro and dendro-thermal and other projects of NEA.

Miscellaneous Payables include liabilities for amounts withheld in trust for the account of the NG, NPC and other entities intended to finance specific projects or activities or to pay specific obligations, such as the NPC O-Illaw Project.

DSWD Pantawid Kuryente Katas ng VAT (PKKV) represents the balance of the subsidy funds released but not liquidated by the ECs. The subsidy program is a joint undertaking of the Department of Social Welfare and Development (DSWD) and the NEA (thru the 119 ECs all over the country). The P500 one-time subsidy aimed to help some 4.8 million electricity consumers cope up with the higher cost of electricity brought about by the rising cost of fuel. In the Memorandum of Agreement (MOA) with the DSWD, the latter released the funds to NEA, which in turn released the same to the different ECs. The ECs applied the amount to the accounts of their residential consumers consuming 100 kilowatt hour (kWh) and below.

13. DEFERRED CREDITS/UNEARNED INCOME

This account represents the balance of the advance payments made by ECs after June 26, 2001 (effectivity of the EPIRA).

14. SERVICE AND BUSINESS INCOME

This account includes the following:

| Particulars | 2018 | 2017 |
|-----------------|--------------------|--------------------|
| Interest Income | 633,468,186 | 621,104,847 |
| Service Income | 67,115,426 | 54,307,328 |
| Total | 700,583,612 | 675,412,175 |

Interest Income pertains to the interest earned on all interest-bearing loans for rural electrification purposes.

Service income pertains to the two per cent service fees being charged on the subsidy releases to the ECs.

15. PERSONNEL SERVICES

This account consists of:

| Particulars | 2018 | 2017 |
|---------------------------------|--------------------|--------------------|
| Salaries and Wages | 150,760,387 | 133,208,818 |
| Other Compensation | 51,079,910 | 56,082,490 |
| Other Personnel Benefits | 19,910,350 | 31,848,951 |
| Personnel Benefits Contribution | 20,111,684 | 17,896,771 |
| Total | 241,862,331 | 239,037,030 |

15.1 Other Compensation

| Particulars | 2018 | 2017 |
|--|-------------------|-------------------|
| Productivity Incentive Allowance | 19,437,890 | 27,391,260 |
| Year End Bonus | 12,658,348 | 11,251,149 |
| Personnel Economic Relief Allowance (PERA) | 6,947,854 | 6,809,455 |
| Representation Allowance | 3,608,125 | 3,350,250 |
| Transportation Allowance | 2,692,193 | 2,473,376 |
| Honoraria | 2,434,000 | 1,924,000 |
| Clothing/Uniform Allowance | 1,740,000 | 1,435,000 |
| Cash Gift | 1,449,000 | 1,405,500 |
| Other Bonuses and Allowances | 92,500 | 22,500 |
| Longevity Pay | 20,000 | 20,000 |
| Total | 51,079,910 | 56,082,490 |

15.2 Other Personnel Benefits

| Particulars | 2018 | 2017 |
|------------------------------|-------------------|-------------------|
| Terminal Leave Benefits | 12,652,434 | 23,903,771 |
| Other Personnel Benefits | 7,197,916 | 7,525,000 |
| Retirement Benefits-Civilian | 60,000 | 420,180 |
| Total | 19,910,350 | 31,848,951 |

15.3 Personnel Benefits Contributions

| Particulars | 2018 | 2017 |
|---|-------------------|-------------------|
| Life and Retirement Insurance Contributions | 17,852,215 | 15,966,033 |
| PhilHealth Contributions | 1,565,657 | 1,248,238 |
| Pag-IBIG Contributions | 348,400 | 341,100 |
| ECC Contributions | 345,412 | 341,400 |
| Total | 20,111,684 | 17,896,771 |

16. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

Breakdown of MOOE is as follows:

| Particulars | 2018 | 2017 |
|--|--------------------|--------------------|
| Professional Services | 24,015,272 | 22,165,035 |
| General Services | 23,804,695 | 30,586,244 |
| Traveling Expenses | 14,779,673 | 15,414,480 |
| Repairs and Maintenance | 11,046,275 | 23,410,124 |
| Utility Expenses | 10,264,525 | 9,997,231 |
| Training Expenses | 8,662,518 | 15,477,400 |
| Supplies and Materials Expenses | 7,465,064 | 7,078,563 |
| Communication Expenses | 5,478,608 | 6,308,040 |
| Confidential, Intelligence, Extraordinary and Miscellaneous Expenses | 3,866,067 | 3,088,519 |
| Insurance Premiums and Other Fees | 1,738,645 | 1,410,894 |
| Taxes and Licenses (Note 25.2) | 1,076,246 | 2,305,683 |
| Other Maintenance and Other Operating Expenses | 1,851,333 | 4,146,495 |
| Total | 114,048,921 | 141,388,708 |

16.1 Professional Services

| Particulars | 2018 | 2017 |
|----------------------|-------------------|-------------------|
| Consultancy Services | 12,762,700 | 11,947,338 |
| Auditing Services | 11,252,572 | 10,217,696 |
| Total | 24,015,272 | 22,165,035 |

16.2 General Services

| Particulars | 2018 | 2017 |
|---------------------|-------------------|-------------------|
| General Services | 11,639,560 | 18,556,902 |
| Janitorial Services | 6,566,139 | 6,425,238 |
| Security Services | 5,598,996 | 5,604,104 |
| Total | 23,804,695 | 30,586,244 |

16.3 Travelling Expenses

| Particulars | 2018 | 2017 |
|------------------------------|-------------------|-------------|
| Travelling Expenses- Local | 14,676,918 | 15,338,844 |
| Travelling Expenses- Foreign | 102,755 | 75,636 |
| Total | 14,779,673 | 15,414,480 |

16.4 Repairs and Maintenance

| Particulars | 2018 | 2017 |
|---|-------------------|-------------|
| Repairs and Maintenance- IT Equipment and Software | 5,115,407 | 15,547,302 |
| Repairs and Maintenance- Office Building | 4,707,776 | 7,207,759 |
| Repairs and Maintenance- Motor Vehicles | 689,878 | 536,344 |
| Repairs and Maintenance- Furniture and Fixtures | 351,258 | 118,599 |
| Repairs and Maintenance- Technical and Scientific Equipment | 180,456 | 0 |
| Repairs and Maintenance- Communication Equipment | 1,500 | 0 |
| Repairs and Maintenance- Office Equipment | 0 | 120 |
| Total | 11,046,275 | 23,410,124 |

16.5 Utility Expenses

| Particulars | 2018 | 2017 |
|----------------------|-------------------|-------------|
| Electricity Expenses | 8,782,608 | 8,154,036 |
| Water Expenses | 1,481,917 | 1,843,195 |
| Total | 10,264,525 | 9,997,231 |

16.6 Supplies and Material Expenses

| Particulars | 2018 | 2017 |
|---------------------------------------|------------------|-------------|
| Other Supplies Expenses | 3,580,155 | 2,493,518 |
| Office Supplies Expenses | 2,219,225 | 3,281,790 |
| Gasoline, Oil and Lubricants Expenses | 1,623,626 | 1,277,913 |
| Total | 7,465,064 | 7,078,563 |

16.7 Communication Expenses

| Particulars | 2018 | 2017 |
|--|------------------|-------------|
| Telephone Expenses- Landline | 2,682,260 | 3,002,861 |
| Telephone Expenses- Mobile | 1,125,461 | 1,125,498 |
| Internet Expenses | 1,046,147 | 1,472,843 |
| Postage and Deliveries | 624,740 | 706,801 |
| Cable, Satellite, Telegraph and Radio Expenses | 0 | 37 |
| Total | 5,478,608 | 6,308,040 |

16.8 Other Maintenance and Other Operating Expenses

| Particulars | 2018 | 2017 |
|---|------------------|------------------|
| Rent Expenses | 764,782 | 912,986 |
| Representation Expenses | 424,454 | 446,791 |
| Subscription Expenses | 161,022 | 173,639 |
| Printing and Binding Expenses | 145,545 | 119,120 |
| Advertising Expenses | 108,840 | 87,009 |
| Membership Dues and Contributions to Organization | 41,000 | 42,500 |
| Other Maintenance and Operating Expenses | 205,690 | 2,364,450 |
| Total | 1,851,333 | 4,146,495 |

16.9 Insurance Premiums and Other Fees

| Particulars | 2018 | 2017 |
|--------------------|------------------|------------------|
| Insurance Expenses | 1,694,718 | 1,376,780 |
| Fidelity Bond | 43,927 | 34,114 |
| Total | 1,738,645 | 1,410,894 |

17. FINANCIAL EXPENSES

This account consists of:

| Particulars | 2018 | 2017 |
|-------------------|--------------------|-------------------|
| Interest Expenses | 107,034,187 | 67,097,737 |
| Bank Charges | 330,133 | 615,925 |
| Total | 107,364,320 | 67,713,662 |

18. NON-CASH EXPENSES

18.1 Depreciation

| Particulars | 2018 | 2017 |
|---|-------------------|-------------------|
| Depreciation- Office Building | 8,583,368 | 8,583,368 |
| Depreciation- IT Equipment | 4,382,170 | 5,082,607 |
| Depreciation- Motor Vehicle | 2,551,399 | 2,551,399 |
| Depreciation- Technical and Scientific | 976,140 | 986,913 |
| Depreciation- Furniture and Fixtures | 878,497 | 900,718 |
| Depreciation- Communication Equipment | 527,300 | 560,143 |
| Depreciation- Office Equipment | 80,322 | 83,642 |
| Depreciation- Other Structure | 12,571 | 12,570 |
| Depreciation- Other Machineries and Equipment | 11,056 | 11,912 |
| Total | 18,002,823 | 18,773,272 |

18.2 Impairment Loss

| Particulars | 2018 | 2017 |
|-----------------|------------------|-------------------|
| Impairment Loss | 7,698,727 | 16,871,992 |
| Total | 7,698,727 | 16,871,992 |

19. NON-OPERATING INCOME, GAIN OR LOSSES

19.1 Other Non-Operating Income

This account consists of:

| Particulars | 2018 | 2017 |
|-----------------------------|-------------------|-------------------|
| Miscellaneous Income | 11,452,767 | 22,181,954 |
| Interest Income on Deposits | 5,287,893 | 10,484,320 |
| Total | 16,740,660 | 32,666,274 |

Miscellaneous Income consists of income from training fees, space rental, photocopying, sales of RE Chronicle and others.

19.2 Gain/(loss) on Foreign Exchange

This account consists of:

| Particulars | 2018 | 2017 |
|---------------------------------|---------|-----------|
| Gain/(loss) on Foreign Exchange | 465,748 | (828,987) |

The foreign exchange loss in 2018 was the net effect of updating the Dollar Savings Account from 2017 BSP Reference Rate of P49.923/\$1 to 2018 BSP rate of P52.724/\$1.

20. INCOME TAX EXPENSE

Income Tax is computed at statutory tax rate of 30% for year 2018 of net taxable income from operation, as follows:

| Particulars | 2018 | 2017 |
|--|-------------------|-------------------|
| Net income before income tax | 228,812,898 | 223,539,719 |
| Non-deductible expenses: | | |
| Bad debts | 7,698,728 | 16,871,992 |
| Interest expense (33% of interest income subject to final tax) | 1,745,005 | 3,459,826 |
| Taxes, duties and licenses | 1,052,701 | 2,088,308 |
| Income not subject to tax: | | |
| Interest income subject to final tax | (5,287,893) | (10,484,320) |
| Gain/Loss on foreign exchange | (465,748) | 828,987 |
| Net Income Subject to tax | 233,555,691 | 236,304,512 |
| | 30% | 30% |
| Income Tax | 70,066,707 | 70,891,354 |

21. NET SUBSIDY

21.1 Subsidy from National Government Agencies

| Particulars | 2018 | 2017 |
|----------------------------------|--------------------|------|
| Subsidy from National Government | 722,727,747 | 0 |
| Total | 722,727,747 | 0 |

Less: Financial Assistance to NGO's/PO's

| Particulars | 2018 | 2017 |
|------------------------------------|----------------------|------|
| Financial Assistance to NGO's/PO's | 2,649,528,495 | 0 |
| Total | 2,649,528,495 | 0 |

| | | |
|--------------------|------------------------|---|
| Net Subsidy | (1,926,800,748) | 0 |
|--------------------|------------------------|---|

The account *Subsidy from National Government* for CY 2018 amounting to P722,727,747 representing subsidy receipts from the NG for the implementation of electrification projects is a reclassification from account Other Payables (Note 12).

Financial Assistance to NGO's/PO's account for CY 2018 amounting to P2,649,528,495 representing subsidy granted to various electric cooperatives is a reclassification from Other Payables account. This account is recognized in the books upon liquidation of the subsidy releases to ECs taken up as Due from NGOs/POs.

22. CAPITAL STOCK

NEA has an authorized capital of P15 billion divided into 150 million shares @ P100 par value per share.

23. DONATED CAPITAL

This account pertains to prior years' appropriation released by the Government of the Philippines to NEA under RA 2717 and RA 6038; proceeds from US-PL-480 and Reparation Commission; shares from BIR franchise taxes; and other funds received from various government agencies in support of the rural electrification project. The amount is net of the P50 million considered as initial capitalization of the Government of the Philippines with NEA under PD 269.

24. DIVIDENDS

NEA paid 50 per cent of its net earnings for 2017 and 2016 in the amount of P86,904,585 and P69,988,993, respectively, as dividends to the NG in compliance to R.A. 7656.

25. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS (RR) 15-2010

On November 25, 2010, the BIR issued RR No.15-2010, which requires certain information on taxes, duties and license fees paid or accrued during the taxable year be disclosed as part of the notes to financial statements. This supplemental information is an addition to the disclosures mandated under generally accepted state accounting principles in the Philippines and is presented as follows:

25.1 Output Value-Added Tax

The National Electrification Administration is a Non-VAT registered GOCC.

25.2 Taxes and Licenses

The details of Taxes and Licenses paid and accrued during the year are as follows:

| Particulars | 2018 | 2017 |
|---|------------------|------------------|
| Withholding Tax on Interest on Deposits | 1,052,701 | 2,088,308 |
| Real Estate Tax | 22,275 | 213,375 |
| Residence Tax | 770 | 3,500 |
| Non-VAT Registration | 500 | 500 |
| Total | 1,076,246 | 2,305,683 |

25.3 Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2018 are shown below:

| Withholding Taxes | Withheld | Remitted | Balance |
|---------------------------|-------------------|-------------------|------------------|
| Compensation and Benefits | 21,286,331 | 19,435,647 | 1,850,684 |
| Creditable | 4,488,958 | 4,054,500 | 434,458 |
| Total | 25,775,289 | 23,490,147 | 2,285,142 |

The balance of withholding taxes as of December 31, 2018 was remitted to the BIR in January 2019.