

PHILIPPINE POSTAL CORPORATION
STATEMENT OF FINANCIAL POSITION

December 31, 2015

(With comparative figures as of December 31, 2014)

(In Philippine Peso)

	Notes	2015	2014
ASSETS			
Current Assets			
Cash and cash equivalents	6	2,346,537,702	1,723,579,650
Trade and other receivables, net	7	2,031,500,262	3,027,486,776
Inventories	8	999,908,997	959,305,249
Prepaid expenses and other current assets	9	78,523,117	54,343,086
Total Current Assets		5,456,470,078	5,764,714,761
Non-Current Assets			
Investments	10	476,302,147	476,302,147
Property and equipment, net	11	4,208,650,004	4,282,196,000
Other non-current assets	12	1,047,473,265	110,047,161
Total Non-Current Assets		5,732,425,416	4,868,545,308
TOTAL ASSETS		11,188,895,494	10,633,260,069
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	13	4,373,635,201	4,688,268,054
Deferred credits	14	297,069,045	38,349,794
Trust liabilities	15	1,070,934,054	757,958,365
Total Current Liabilities		5,741,638,300	5,484,576,213
Noncurrent Liabilities			
Loans payable - domestic	16	75,251,679	98,159,664
Other long-term liabilities	17	415,048,652	533,848,919
Total Non-Current Liabilities		490,300,331	632,008,583
TOTAL LIABILITIES		6,231,938,631	6,116,584,796
EQUITY		4,956,956,863	4,516,675,273
TOTAL LIABILITIES AND EQUITY		11,188,895,494	10,633,260,069

See accompanying Notes to Financial Statements.

PHILIPPINE POSTAL CORPORATION
STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2015

(With comparative figures for the year ended December 31, 2014)

(In Philippine Peso)

	Notes	2015	2014
REVENUE			
Mail services income	21	2,823,107,155	2,831,268,996
Postal payment services	22	308,330,997	529,250,604
Retail services	23	68,058,190	41,150,953
Logistics services	24	47,804,628	48,808,969
Other income	25	80,268,520	80,897,621
		3,327,569,490	3,531,377,143
OPERATING EXPENSES			
Personal services	26	1,754,426,170	1,792,964,079
Maintenance and other operating expenses	27	991,740,283	821,505,926
International mail exchange expenses	28	540,083,138	514,427,774
Cost of goods sold		7,977,765	11,155,444
		3,294,227,356	3,140,053,223
INCOME FROM OPERATIONS		33,342,134	391,323,920
FINANCE COST			
Interest expense		(42,031,352)	(51,193,905)
Bank charges		(550,787)	(662,108)
		(42,582,139)	(51,856,013)
OTHER INCOME(EXPENSES)			
Interest income		5,472,802	5,324,894
Gain on foreign exchange		3,841,202	7,657,960
Gain on disposal of assets		1,354,368	1,276,294
Miscellaneous income		993,489	257,973
		11,661,861	14,517,121
PROFIT BEFORE INCOME TAX		2,421,856	353,985,028
Income tax expense		(726,557)	(106,195,508)
PROFIT BEFORE SUBSIDY		1,695,299	247,789,520
Subsidy from National Government	30	301,000,000	623,953,988
Subsidy from non-shareholders'	30	81,993,243	0
Subsidy expenses		0	(370,071,155)
		382,993,243	253,882,833
NET PROFIT		384,688,542	501,672,353

See accompanying Notes to Financial Statements.

PHILIPPINE POSTAL CORPORATION
STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

(With comparative figures for the year ended December 31, 2014)

(In Philippine Peso)

	Notes	2015	2014
PAID UP CAPITAL			
Balance at beginning of the year	18	3,385,805,281	2,541,183,522
Additions		47,455,617	844,621,759
Balance at end of the year		3,433,260,898	3,385,805,281
REVALUATION SURPLUS			
Balance at beginning of the year	19	1,575,207,120	1,375,663,415
Additions		0	199,543,705
Balance at end of the year		1,575,207,120	1,575,207,120
DONATED CAPITAL			
Balance at beginning of the year		217,100	5,834,725
Additions/(deductions)		0	(5,617,625)
Balance at end of the year		217,100	217,100
APPRAISAL CAPITAL			
Balance at beginning of the year	20	448,918,298	421,161,578
Additions (deductions)		0	27,756,720
Balance at end of the year		448,918,298	448,918,298
DEFICIT			
Balance at beginning of the year		(893,472,526)	(3,433,043,125)
Adjustments		(47,455,617)	276,404,447
Adjusted beginning balance		(940,928,143)	(3,156,638,678)
Prior period adjustments		55,593,047	1,761,493,800
Net profit		384,688,543	501,672,352
Balance at end of the year		(500,646,553)	(893,472,526)
TOTAL EQUITY		4,956,956,863	4,516,675,273

See accompanying Notes to Financial Statements.

PHILIPPINE POSTAL CORPORATION**STATEMENT OF CASH FLOWS**

For the year ended December 31, 2015

(With comparative figures for the year ended December 31, 2014)

(In Philippine Peso)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	3,990,068,812	3,782,073,812
Subsidy from National Government	773,485,000	1,291,040,988
Grant from QSF-UPU	71,963,988	0
Interest received	5,472,802	5,324,894
Remittances received from postal payment trust fund		
Postal payment services	3,605,424,137	2,952,142,116
Premium/bills payment	1,188,428,900	1,154,930,304
Conditional Cash transfer	384,277,986	4,152,662,500
Cash paid to and in behalf of employees	(2,419,963,739)	(2,900,927,095)
Cash paid to suppliers	(1,267,074,829)	(2,056,273,014)
Grant from QSF-UPU	(71,963,988)	0
Remittances paid in postal payment trust fund		
Postal payment services	(3,256,654,923)	(3,056,514,138)
Premium/bills payment	(1,270,547,144)	(1,089,917,021)
Conditional cash transfers	(581,433,176)	(9,189,192,187)
Cash paid to PPSB	0	(40,000,000)
Net Cash Provided by Operating Activities	1,151,483,826	(4,994,648,841)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	1,354,368	1,276,294
Purchases of property and equipment	(114,170,007)	(62,506,959)
Net Cash Used by Investing Activities	(112,815,639)	(61,230,665)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(42,031,352)	(51,193,905)
Payment of loan	(22,907,985)	(22,558,567)
Net Cash Used in Financing Activities	(64,939,337)	(73,752,472)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,841,202	7,657,960
EFFECTS OF NET ADJUSTMENTS - BEGINNING BALANCE RECLASSIFICATION	(354,612,000)	(616,673,985)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	622,958,052	(5,738,648,003)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,723,579,650	7,462,227,653
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,346,537,702	1,723,579,650

See accompanying Notes to Financial Statements.

PHILIPPINE POSTAL CORPORATION NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Philippine Postal Corporation (PPC) is created by virtue of Republic Act No. 7354, otherwise known as the "Postal Services Act of 1992", which took effect on April 3, 1992. It transformed the then Postal Services Office (PSO) from a Bureau into a Government-Owned and Controlled Corporation (GOCC).

The Corporation is mandated to perform the following functions and responsibilities:

- a. To provide for the collection, handling, transportation, delivery, forwarding, returning and holding of mails, parcels, and like materials, throughout the Philippines and pursuant to agreements entered into, to and from foreign countries;
- b. To determine and dispose of, in a manner it deems most advantageous, with law and settled jurisprudence, confiscated or non-mailable mail matters, prohibited articles, dead letters and undelivered mails, except the sale of prohibited drugs, dangerous materials and other banned articles as defined by law;
- c. To plan, develop, promote and operate a nationwide postal system with a network that extends or makes available, at least ordinary mail service, to any settlements in the country.

On January 2, 2012, PPC implemented Office Order No. 12-01 integrating the usual fourteen (14) regions into nine (9) postal areas excluding the Central Office which is considered as postal area.

PPC is a member of the Universal Postal Union (UPU) of the United Nations. It is part of the global network of Post Offices which operates under the principles of "one single territory" and "freedom of transit."

2. STATEMENT OF COMPLIANCE WITH IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

The accounting policies adopted in the preparation of financial statements have been prepared on a consistent basis.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Corporation have been prepared on the historical cost basis and are presented in Philippine pesos which is the Company's functional and presentation currency.

Foreign currency transactions (i.e. international money order or international mail remunerations) are translated into the functional currency. For transactions on international mail remunerations, the monetary unit being used in the preparation and settlement of accounts is the Special Drawing Rights (SDR), converted to dollar and to peso (presentation currency). International Money Order transactions are measured in dollar and translated into the peso currency.

Furthermore, the preparation of the financial statements requires management use of certain critical accounting estimates and the exercise of its judgment in the process of applying the Corporation's accounting policies.

The significant accounting policies and practices of the Corporation are set forth to facilitate the understanding of the financial statements.

Use of the New PPC Chart of Accounts effective CY 2013

The Corporation introduced a new PPC Chart of Accounts for uniformity in recording financial transactions.

Introduction and Adoption of the Standard Formats for Financial Statements, Journals and General Ledgers

- a. Facilitate consolidation of monthly financial reports
- b. Data are readily available for analysis and reconciliation

Adoption of the Central Office - Area Accounting

To strengthen the recognition of, and accounting for all interoffice transactions in both Central Office and Area Office.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of cash on hand, cash balances with banks and cash invested in money market instruments.

Cash in Bank accounts were re-classified from Current and Savings Account to Cash in Bank-Corporate and Cash in Bank-Trust accounts.

Cash in Bank-Corporate account consists of General Fund and Operating Fund in local and foreign currencies maintained in current and savings accounts.

Cash and cash equivalents include "unrestricted cash" (International Accounting Standard 1, par. 66) which is readily available in the payment of current obligations. Only Corporate cash and cash equivalents fall under this classification.

Cash in Bank-Trust accounts (local and foreign currencies) are maintained in current and savings accounts and represent money order remittances and other collections for bills payments due to designated payees, i.e. Conditional Cash Transfer (CCT) beneficiaries, Philhealth, Bayad Center, Dalsey, Hillblom and Lynn Airways (DHL) and Joint Venture.

Receivables and Allowance for Bad Debts

Receivables are stated at net realizable values. Allowance for Bad Debts are set up following the aging method for trade receivables, and amount of receivable less benefits/claims for non-trade receivables. Receivables from Foreign Postal Administrations are offset against the payables to the same Foreign Postal Administrations under the Universal Postal Union rules and regulations and bilateral agreements.

The following percentages based on the age of receivables are the basis for recognizing bad debt expense:

One day to 180 days	1%
181 days to 1 year	2%
Over 1 year to 2 years	3%
Over 2 years to 5 years	4%
Over 5 years to 10 years	7%
Over 10 years	15%

International Accounts Receivables are accounted for in SDR (Special Drawing Right) and translated at USD rate to peso equivalent at the end of the accounting period. The treatment of International Accounts Receivables on mail remunerations is governed by Universal Postal Union regulations and bilateral agreements between designated operators. Offsetting of receivables against payables is allowed and there is no provision for bad debts.

Inventories

Inventories are valued at cost and are determined by using the first-in first-out (FIFO) method. Items with serviceable life of more than one year but small enough to be considered as equipment are treated as inventories upon acquisition and as expense upon issuance. (COA Circular No. 2005-002 dated 14 April 2005).

Property and Equipment

Property (except Land) and Equipment are initially measured at cost less any subsequent accumulated depreciation, amortization and impairment losses. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Corporation. All other subsequent expenditures are recognized as expense in the period incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of Property and Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

Depreciation is computed on the *straight-line method*. A residual value equivalent to ten percent (10%) of the acquisition cost is deducted before dividing the same by the estimated useful life prescribed in COA Circular No. 2003-007 dated December 11, 2003.

Land

Land includes lots appraised in 1994 and recorded in the books as part of the Paid-up Capital of the National Government, and lots acquired after 1992. These lots include donated lots covered with deed of donation, whether absolute or with condition. These are valued at their appraised cost which is also the deemed cost.

By virtue of Republic Act No.7354, creating the Philippine Postal Corporation, all real and personal properties which upon the effectivity of the Act are vested in, or owned by, the Postal Services Office and its predecessor Bureau of Posts are transferred to the Corporation without need of conveyance, transfer or assignment. The appraised value determined by Asian Appraisal Company, Inc. in 1994 is the deemed cost of the assets transferred to PPC.

In addition, Proclamation No. 690, s. 2013 dated November 26, 2013 granted ownership of the lot where the Postal Bank Main Office is located in favor of the Republic of the Philippines-Philippine Postal Savings Bank, Inc. Said lot is part of the Paid-up Capital of the National Government to PPC.

Land acquired after 1994 are recorded at cost which is generally the fair market value.

Recognition. On January 22, 2015, the PPC Board of Directors adopted Board Resolution No. 2015-007 "adopting as a matter of policy the recognition of the value of donated lots covered by absolute deed of donations and those subject to conditions as assets in the books of the Company for calendar year 2014 and in succeeding years."

A physical inventory of the lots of PPC is now being undertaken to determine the actual status of donated lots in preparation to their titling. Likewise, funds were allotted for the titling of lots.

Valuation. Land experiences significant and volatile changes in fair value, thus necessitating revaluation when the fair value is materially different from the carrying amount.

In September and October 2012, all lots classified as "Land" were reappraised by Asian Appraisal Company, Inc. The fair value of the land at the date of appraisal is adopted as basis for uniform valuation in conformity with "Philippine Accounting Standard 16 - Items within a class of property, plant and equipment are revalued simultaneously to avoid selective revaluation of assets and the reporting of assets in the financial statements at a different date".

Revaluation Surplus.

The increase in the land's carrying amount as a result of a revaluation is accumulated in equity under the heading Revaluation Surplus.

Accrued Expenses

This represents amount due to various service providers/suppliers (utilities, supplies for operations, mail messengers/contractors) for services provided / goods purchased in the course of the Corporation's operations.

Income and Expenses

Income encompasses both revenue and gains. Revenue arises in the ordinary activities of the Corporation and is referred to a variety of different names including sales, fees, interests, dividends and rent. Gains represent other items that meet the definition of income and may, or may not, arise in the course of the ordinary activities. Gains include, for example, those arising from the disposal of non-current assets.

Revenue is recognized when an increase in future economic benefit *related* to an increase in asset or a decrease of a liability has arisen that can be measured reliably. The requirement that revenue should be earned is the procedure normally adopted in practice for recognizing income.

Effective CY 2013, the income of the Corporation is classified based on the nature of service under the following main classifications:

- Mail Services Income;
- Postal Payment Services;
- Logistics Services;
- Retail Services; and
- Other Income

Expenses encompasses losses as well as those expenses that arise in the course of the ordinary activities. Losses may or may not arise in the course of ordinary activities, for example, those resulting from disasters such as fire and flood, as well as those arising from the disposal of noncurrent assets.

Expenses are recognized when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Expenses are recognized in the statement of comprehensive income under the principle of matching of costs with revenue.

Expenses are classified under the following main accounts:

- Operating Expenses
 - Cost of Goods Sold
 - Personal Services
 - Maintenance and Other Operating Expenses
 - International Mail Exchange Expenses
- Other Expenses
- Finance Cost

Subsequent Events

The Corporation identifies subsequent events as events that occurred after the date of Statement of Financial Position but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Corporation's financial position at the balance sheet date are reflected in the financial statements.

Non-adjusting events are disclosed in the notes to the financial statements when material.

Provisions and Contingencies

Provisions are recognized as liabilities (assuming that a reliable estimate can be made) because they are present obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The amount of liability is presented in the financial statements.

Declaration of Dividend

The financial operations of the Corporation for CYs 2002, 2004, 2006, 2011, 2012, 2013, and 2014, resulted in an annual net income. Consequently, under RA 7656, the Corporation is required to declare and remit at least 50% of its annual net earnings as dividends to the National Government. However, there was no recording in the books of Dividend Payable totalling to P35.64 million.

The computed dividend as of December 31, 2014 is P396.44 million but only P40.04 million was remitted, thus, a balance of P356.40 million, has been the subject of request for exemption to the Department of Finance, in view of the negative retained earnings of the Corporation.

On April 8, 2016, the PPC Board of Directors issued Board Resolution No. 2016-25 "Approving the payment of dividends to the National Government for the years 2002 to 2014 and for calendar year 2015", as follows:

1. For prior years' 2002 to 2014, payment of P35.64 million or 10% of P356.40 million to be remitted on staggered basis for a period of six months or P5.94 million a month starting June 2016.
2. Payment on April 14, 2016 of the amount of P3.825 million or 50% of the P7.649 million dividends for the current year.

4. EXEMPTION FROM TAXES, CUSTOMS AND TARIFF DUTIES

The Corporation is exempted from all direct and indirect taxes, customs duties, fees, imports and tariff duties, compensating taxes, wharfage fees and other charges and from restrictions on the importation of equipment, machineries, spare parts, accessories, and other materials, including supplies and services used directly in the operations of the Postal System not obtainable locally on favorable terms.

All obligations entered into by the Corporation and any income derived therefrom, including those contracted with private international banking and financial institutions are exempted from all taxes on both principal and interest. The Corporation is also exempted from the payment of capital gains tax, local government imposts and fees after December 31, 1997. Further, the Corporation may offset the full value of capital investments not otherwise funded by the National Government against any income tax due for the same period.

5. STATEMENT OF CASH POSITION INCLUDES ACCOUNTS TERMED AS "FOR RECON" ACCOUNTS IN THE FINANCIAL STATEMENTS

Upon its incorporation in 1992, PPC continued using the Postal Services Office (PSO) books of accounts, thus, the unreconciled/unaccounted balances of then PSO were carried over to the PPC books of accounts. In 1996, the unreconciled amounts were further increased due to non-reconciliation of balances for lack of supporting documents, as a result of the fire that completely destroyed accounting records on April 21, 1996.

In December 1999, the Company engaged the services of an independent auditing firm which recommended the set-up of temporary accounts (Contingent Assets, Contingent Liabilities and Contingent Capital Suspense account) to record the balances of the PSO accounts which remained dormant and other unreconciled /unaccounted balances of the PPC books as of December 31, 1998. The temporary accounts were presented in the financial statements from CYs 2000 to 2004.

In 2005, the Contingent Assets, Contingent Liabilities and Contingent Capital Suspense Accounts were written-off from the Central Office Books while in some Regional Books, the balances were transferred to the Due to Central Office account. However, upon the recommendation of COA Auditor then, the balances of these accounts were restored in 2006 and reclassified to "bad accounts". Since 2006 until 2012, the net differences of the assets and liabilities classified as "bad accounts" were closed to Retained Earnings.

The separation of the account balance to Good and Bad accounts was in compliance to Memorandum Circular No. 0703 dated June 15, 2007 – *Guidelines to Follow for Certain Accounts to Clean Up the Balance Sheets*, a joint memorandum issued both by PPC-OAPMG for Administration and Finance and the COA. The purpose is to reflect in the "good" financial statements, the "most likely" true worth of the Company pending disposition and other COA actions on the "Bad" accounts.

For CY 2013, to address the "*prior years' balances for reconciliation*" and to establish the balances to start with, memorandum-guidelines dated March 11, 2013 was issued relative to the following:

- a. Opening a new set of Books (General Ledger beginning balances) for all accounts that are properly supported. These new balances, upon consolidation, will present the Company's financial position as of January 01, 2013.
- b. Maintenance of the old set of Books separately containing the unsubstantiated balances subject for adjustment once the accounts are validated and properly supported.

6. CASH AND CASH EQUIVALENTS

This account consists of the following

	2015	2014
Corporate fund:		
Cash in Bank	886,386,193	399,529,837
Short-Term Investments	284,272,013	246,272,017
Cash - Collecting Officers	255,068,821	191,042,395
Payroll Fund	51,958,591	50,571,194
Cash - Disbursing Officers	12,120,130	49,490,072
Petty Cash Fund	1,909,583	1,347,545
Sub-total	1,491,715,331	938,253,060
Trust Account:		
Cash in Bank	651,649,761	634,240,417
Cash - Collecting Officers	157,117,321	67,223,827
Cash - Disbursing Officers	46,055,289	83,862,344
Sub-total	854,822,371	785,326,588
Total	2,346,537,702	1,723,579,648

Cash in Bank – include subsidies from the National Government which accounted for the material increase.

Short term investments refer to time deposits with a term of three months or less.

Cash, collecting officers are cash on hand of Postmasters, Cashiers and other designated Collecting Officers.

Payroll fund represents cash advances granted to designated disbursing officers for payment of salaries, wages, allowances and other similar expenses in payroll format.

Cash, disbursing officers represents unutilized funds on hand of designated disbursing officers for payment of authorized official expenditures.

Petty cash fund represents undisbursed revolving funds in the custody of authorized disbursing officers. The authorized amount per disbursing officer is not more than P100,000.00.

Breakdown of Cash in Bank – Trust Account:

	2015	2014
Cash in Bank - Trust - Manual MO/Philhealth	530,788,908	465,409,433
Cash in Bank - Trust - International Money Order	25,629,469	9,665,102
Cash in Bank - Trust – Bayad Center	19,902,186	109,675,277
Cash in Bank - Trust - Joint Venture	17,325,683	13,151,788
Cash in Bank - Trust - Consignment	14,026,639	8,427,411
Cash in Bank - Trust - Philhealth	12,571,931	4,917,083
Cash in Bank - Trust - Social Pension For Indigent Senior Citizens (SPISC)	11,941,468	0
Cash in Bank - Trust - EPMO	10,996,030	4,723,094
Cash in Bank - Trust - CCT	5,126,596	15,199,357

	2015	2014
Cash in Bank - Trust - Manual Mo/Philhealth - BDO PhpInstl	2,682,476	2,504,655
Cash in Bank - Trust - SCI	413,700	413,700
Cash in Bank - Trust - Manual Mo/Philhealth - LBP Php PDIC	212,179	153,517
Cash in Bank - Trust - Pres. Social Fund	30,946	0
Cash in Bank - Trust - Internet Payment Gateway - DBP Php	1,550	0
	651,649,761	634,240,417

Breakdown of Cash - Collecting Officers - Trust Account:

	2015	2014
Cash - Collecting Officers - Trust - Philhealth	86,280,106	6,907,080
Cash - Collecting Officers - Trust - Bayad Center	49,930,288	38,337,810
Cash - Collecting Officers - Trust - Manual MO	19,607,941	20,977,868
Cash - Collecting Officers - Trust - EPMO	500,810	533,893
Cash - Collecting Officers - Trust - MIWD	493,035	0
Cash - Collecting Officers - Trust - Output VAT	445,355	0
Cash - Collecting Officers - Trust - Consignment	(140,214)	467,176
	157,117,321	67,223,827

Breakdown of Cash – Disbursing Officers - Trust Account:

	2015	2014
Cash - Disbursing Officers - Trust - SCI	34,729,100	34,729,100
Cash - Disbursing Officers - Trust - CCT	8,215,794	47,514,816
Cash - Disbursing Officers - Trust - PDIC	2,384,826	892,859
Cash - Disbursing Officers - Trust - Manual MO	725,569	725,569
	46,055,289	83,862,344

7. TRADE AND OTHER RECEIVABLES, NET

This account consists of the following:

	2015	2014
Receivable - Trade	1,364,801,130	1,121,212,818
Other Receivable	666,699,132	1,906,273,958
Total	2,031,500,262	3,027,486,776

Receivables - trade

	2015	2014
Accounts Receivable, Trade	287,062,009	375,881,498
Accounts Receivable, Designated Operators - Mail Remunerations	927,841,246	569,611,295
Accounts Receivable, Designated Operators - Postal Payment Remittances	81,669,223	91,053,621
Receivables from Joint Venture Partner	68,228,652	84,666,404
Total	1,364,801,130	1,121,212,818

Accounts receivable, trade refers to the amount due from customers arising from services rendered, trading/business transactions or sale of postage/philatelic items/PPC's products including postage charge account (PCA) from bulk mail clients. This consists of the following:

	2015	2014
Accounts Receivable, Trade	443,700,954	518,565,240
Allowance for Bad Debts, Trade	(156,638,945)	(142,683,742)
	287,062,009	375,881,498

Accounts receivable, designated operators pertains to the amount due from designated operators (DOs) arising from the services rendered to deliver all inbound international mail matters and postal payment remittances to the addressees. This consists of the following:

	2015	2014
<u>Receivables - mail remunerations</u>		
Accounts Receivable, Designated Operators	927,841,246	569,611,295
Allowance for Forex Adjustments	0	0
	927,841,246	569,611,295
<u>Receivables - postal payment remittances</u>		
Accounts Receivable, Designated Operators	90,712,871	98,442,514
Allowance for Forex Adjustments	(9,043,648)	(7,388,893)
	81,669,223	91,053,621

Receivables-mail remunerations consists of receivables already accepted by the various designated operators which are still outstanding as of December 31, 2014 and receivables billed during the year presented for acceptance by the designated operators.

Receivables - postal payment remittances refers to charges to designated operators for inbound postal remittances.

Receivables from Joint Venture Partners - represents collectibles from FILMETRIX, a partner of Joint Venture. A joint venture agreement was entered into by and between PPC and FILMETRIX Corporation for the use of the latter's facilities in data capture of Social Security System (SSS) identification cards. Under said agreement, PPC gets a share of 13.33 percent from the total payments by SSS.

Other Receivables consists of the following:

	2015	2014
Due from NGAs, GOCCs, SUCs and LGUs	479,985,355	1,223,041,329
Due from Directors, Officers And Employees	102,174,009	64,436,981
Receivables - Disallowances/Charges	63,648,452	47,343,271
Advances to Officers And Employees	10,465,220	10,427,562
Rental Receivable	9,463,069	9,116,855
Accounts Receivable, Non-Trade	43,578	329,057,540
Due from Subsidiaries	0	222,850,420
Receivables - Others	919,449	0

Total	666,699,132	1,906,273,958
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Due from NGAs, GOCCs, SUCs and LGUs includes the following:

Particulars	Amount
Department of Budget and Management – logistics services	22,948,686
Department of Budget & Management – balance of receivables for the money equivalent of the leave credits of employees as of December 31, 1993 under the defunct Bureau of Post.	214,615,869
Land Bank of the Philippines – payout services	103,050,308
Delivery fees for logistics services to the Department of Foreign Affairs	31,305,248
Total	371,920,111

Due from Directors, Officers and Employees includes shortages of accountable officers who are no longer in service or whose whereabouts were unknown.

Advances to Officers and Employees include balances of cash advances granted to officers and employees for special and time-bound undertaking. Some accountable officers or employees are no longer in service.

Rental Receivables includes rental fees generated from leasing the Company's buildings and related facilities to Philippine Postal and Savings Bank, Inc. (PPSBI), Commission on Election (COMELEC) and SMART Communications.

Due from Subsidiaries were claims by PPC from the subsidiaries in payment of various expenses. The account balance was reclassified to "Other Assets" as per recommendation of COA for fair presentation, pursuant to Item 57 of IAS 1. The CY 2014 balance of the account of P222,850,420 were disposed of as follows:

Due From Subsidiary Account	2014 Balance	Description and Disposition
Provident Fund Office (PFO)	22,083,888	<i>Expenditures for salaries/bonuses of PPC employees detailed at PFO and other operational expenses. This is subject to reconciliation.</i>
Philippine Postal Savings Bank (PPSB)	2,598,179	Rentals in year 2006, health insurance premiums in September - December 1988, janitorial services from January 1997 - March 1997 and equipment under Letter of Credit dated December 13, 1994. No corresponding payable is reflected in the bank's financial statements
Philippine Postal Realty and Development Corporation (PPRDC)	1,753,674	Compensation and bonuses for the period 1996 - 1997 of PPC employees detailed at said office. This subsidiary no longer exists.
Philippine Postal Leasing and Financing Corporation (PLFC)	194,443,300	Compensation, bonuses and other allowances of detailed PPC employees. PLFC ceased operations since CY 2000. On July 12, 2001, the SEC revoked the Certificate of Authority of PLFC for failure to submit mandatory requirements for its dissolution. Consequently, per Memorandum Order No. 2012-22 dated October 19, 2012, the Governance Commission

		for Government Owned and Controlled Corporations (GCG) declared the PLFC as dissolved corporation.
Philippine Postal Institute Foundation, Incorporated (PPIFI)	57,525	Health insurance premiums and cost of accountable forms. Its Board of Directors approved its dissolution on December 13, 2000.
Philippine Postal Mail Management Corporation (PPMMC)	1,913,854	Cost of accountable forms. Its Board of Directors approved its dissolution on December 31, 2000.
Total	222,850,420	

Receivables-Others pertains to claims for utility bills such as water and electric consumption by SMART, COMELEC AND TELECOM.

8. INVENTORIES

Inventories are valued using the first-in, first-out (FIFO) method and it consists of the following:

	2015	2014
Accountable Forms Inventory	711,659,850	732,203,062
Supplies and Materials Inventory	166,672,377	144,091,645
Merchandise Inventory	83,874,449	61,354,029
Gas, Oil and Lubricants Inventory	20,335,168	3,560,717
Spare Parts Inventory - Motor Vehicles	14,788,549	15,082,053
Construction Materials Inventory	1,591,333	2,038,459
Spare Parts Inventory - Office & It Equipment	938,164	926,177
Spare Parts Inventory - Metered Machines	49,107	49,107
Total	999,908,997	959,305,249

9. PREPAID EXPENSES AND OTHER CURRENT ASSETS

This account consists of the following:

	2015	2014
Prepaid Expenses		
Prepaid Insurance	374,951	3,652,997
Prepaid Rent	30,880	30,880
	405,831	3,683,877
Deferred Charges	27,155,816	17,171,160
Other current assets		
Creditable VAT	17,260,381	8,781,605
Input Tax	10,442,945	9,641,162
Deferred Input Tax	13,792,701	0
Creditable Withholding Tax	5,698,485	11,731,691
Guaranty Deposits	3,766,958	3,333,591
	50,961,470	33,488,049

	2015	2014
Total	78,523,117	54,343,086

Deferred charges are amounts paid in advance in perfected contracts for the purchase of goods or services.

Guaranty deposits are amounts deposited as security deposits during the duration of the contract, subject to refund upon fulfilment of the obligation.

10. INVESTMENTS

This account consists of the following:

	2015	2014
Philippine Postal Savings Bank (PPSB)	468,913,475	468,913,475
Provident Fund Office (PFO)	5,000,000	5,000,000
Golden Kris Security and General Services, Inc.	999,517	999,517
MERALCO/PLDT	849,850	849,850
Others	539,305	539,305
Total	476,302,147	476,302,147

PPC subscribed with the Philippine Postal Savings Bank (PPSB) a total share amounting to P500 million. Share amounting to P420 million were paid while P80 million worth of shares are unpaid. The unpaid share is recorded as payable in the books while it is recognized by PPSB as receivables from PPC.

The P5 million investments in the Provident Fund Office (PFO) represent the seed money of the fund.

Golden Kris Security and General Services Inc., is a company supplying manpower to companies that are requiring security and janitorial services to which 15,000 shares of stocks at P100 par value per share or a total of P1,500,000.00 are owned by PPC. However, this company is no longer in operation since CY 2006 and the latest submitted General Information Sheet with the Securities and Exchange Commission (SEC) was for CY 2005. This investment was re-classified to "Other Assets", in April 2016 as per recommendation of COA in their Annual Audit Report for CY 2014.

The stock certificates of MERALCO are in the name of the Department of Transportation and Communication (DOTC). The shares of stocks were acquired with the funds of the then Postal Services Office when it applied for the electrification of the Quezon City Post Office. MERALCO has not yet replied to the inquiry of the Postmaster General dated August 10, 2015 regarding the status of said stocks.

11. PROPERTY AND EQUIPMENT

Movement of the property and equipment is as follows:

	Land and Land Improvement	Building and Building Improvement	Furniture, Fixture and Equipment	Motor Vehicles	IT Equipment and Software	Philatelic Items and Library Books	Machineries	Tools	Total
COST									
Jan. 1, 2015	2,550,896,022	1,185,743,965	1,175,838,640	289,743,408	335,753,359	1,948,823	0	0	5,539,924,217
Additions:	0	2,076,433	20,663,339	103,835,398	39,917,279	0	115,127,325	0	281,619,774
Adjustments	(208,392,937)	16,602,198	(31,966,020)	(50,945,924)	348,999	23,780	(90,000)	387,078	(274,032,826)
Disposals	(370,000)	0	0	(866,835)	0	0	0	0	(1,236,835)
December 31, 2015	2,342,133,085	1,204,422,596	1,164,535,959	341,766,047	376,019,637	1,972,603	115,037,325	387,078	5,546,274,330
ACCUMULATED DEPRECIATION									
Jan. 1, 2015	9,013,097	622,822,323	450,212,275	143,326,225	31,110,609	1,243,688	0	0	1,257,728,217
Adjustments	286,873	6,151,100	(2,238,499)	1,151,826	481,251	0	1,193,400	0	7,025,951
Provisions	377,870	24,758,703	15,297,087	25,101,199	7,032,508	0	298,350	4,441	72,870,158
December 31, 2015	9,677,840	653,732,126	463,270,863	169,579,250	38,624,368	1,243,688	1,491,750	4,441	1,337,624,330
Net Carrying Amount, as restated 31-Dec-15	2,332,455,245	550,690,470	701,265,096	172,186,797	337,395,269	728,915	113,545,575	382,637	4,208,650,000
Net Carrying Amount, as restated 31-Dec-14	2,541,882,924	562,921,642	725,626,365	146,417,183	304,642,750	705,135	0	0	4,282,196,000

Property and equipment includes all existing assets and facilities transferred from the defunct Bureau of Posts and thereafter the then Postal Service Office to the Philippine Postal Corporation (PPC) pursuant to Sec. 9(b) of R.A. 7354. Generally, property and equipment are carried at costs, however, properties transferred from the Bureau of Posts are carried in the books at their appraised values in 1994 as determined by an independent appraiser, Asian Appraisal Company, Inc.

Land

The *Land* account consists of the following:

• lots with title	38
• lots with absolute deed of donation	343
• donated lots with conditions	107
• lots without documents	76
• others (proclaimed)	7

Previous year's land account includes titled lots only. However, on January 22, 2015, the PPC Board of Directors adopted Board Resolution No. 2015-007 "adopting as a matter of policy the recognition of the value of donated lots covered by absolute deed of donations and those subject to conditions as assets in the books of the Company for calendar year 2014 and in succeeding years."

Lands existing at the time of incorporatization and appraised in 1994 were considered as part of the paid-up capital of the National Government. Their appraised values were adopted as the deemed cost. Among the lots appraised in 1994 are lots presently used as the site of Post Office; however, there are no available documents to show how these lots were acquired.

The lot where the Postal Bank Main Office is located is part of the paid-up capital of the National Government to PPC. However, Proclamation No. 690, s. 2013 dated November 26, 2013 granted ownership of said lot to the Republic of the Philippines-Philippine Postal Savings Bank, Inc.

The increase in the lands carrying amount as a result of a revaluation is accumulated in equity under the heading of revaluation surplus.

12. OTHER NON-CURRENT ASSETS

This account includes the following:

	2015	2014
Balances in the then books carried over in the CO books of the following accounts: Cash-Disbursing Officers, Receivables- Others, Accounts Receivable-Non Trade, Due from NGAs, LGUs	363,964,372	0
Un-reconciled Cash in Bank balance	353,845,638	0
Due from Subsidiaries with nil probability of collection	222,850,421	0
Unserviceable assets at their salvage value	31,448,024	31,448,024
Un-reconciled Cash, Collecting Officers balances	766,704	0
Arts and other exhibit	324,625	324,625
Other structures and PPE	245,246	245,246
Other Assets (net)	74,028,235	78,029,266
Total	1,047,473,265	110,047,161

Fully depreciated assets which are still operational are classified as Other Assets unless the same shall be revalued.

13. TRADE AND OTHER PAYABLES

This account consists of the following:

	2015	2014
Due from Central Office	(3,898,734,208)	(2,460,524,649)
Due from Area 01 - Northeastern Luzon (NELA)	(489,295,626)	(348,361,362)
Due from Area 02 - Northwestern Luzon (NWLA)	(1,108,405,072)	(762,950,512)
Due from Area 03 - Mega Manila (MEGA)	(2,389,116,033)	(1,745,598,345)
Due from Area 04 - Southern Luzon (SLA)	(940,358,024)	(677,127,746)
Due from Area 05 - Central And Eastern Visayas (CEVA)	(669,440,833)	(507,292,677)
Due from Area 06 - Western Visayas (WEVA)	(544,008,039)	(398,399,175)

	2015	2014
Due from Area 07 - Eastern Mindanao (EMA)	(810,615,367)	(613,031,808)
Due from Area 08 - Central Mindanao (CEMA)	(479,513,670)	(351,456,493)
Due from Area 09 - Western Mindanao (WEMA)	(430,891,505)	(313,400,525)
Due to Area 01 - Northeastern Luzon (NELA)	595,662,380	487,475,175
Due to Area 02 - Northwestern Luzon (NWL)	1,158,854,332	950,234,328
Due to Area 03 - Mega Manila (MEGA)	4,747,648,747	3,830,400,261
Due to Area 04 - Southern Luzon (SLA)	734,874,723	512,248,222
Due to Area 05 - Central And Eastern Visayas (CEVA)	644,456,960	501,111,099
Due to Area 06 - Western Visayas (WEVA)	347,059,721	416,356,155
Due to Area 07 - Eastern Mindanao (EMA)	751,884,763	629,119,352
Due to Area 08 - Central Mindanao (CEMA)	535,653,616	305,805,739
Due to Area 09 - Western Mindanao (WEMA)	276,948,707	173,280,897
Accounts Payable, Designated Operators - Mail Remunerations	735,855,768	537,698,966
Accounts Payable - Trade	100,722,342	85,615,389
Accounts Payable, Designated Operators - Postal Payment Remittances	138,753	36,535
Accrued Expenses	726,314,163	498,396,368
Due to Officers And Employees	448,551,082	311,102,785
Due to BIR - Withholding Tax On Compensation	10,135,216	(8,761,778)
Due to BIR - Expanded Withholding Tax (EWT)	1,504,820	31,679,552
Due to BIR - Final Withholding Tax	67,713	5,807,585
Due to BIR - Value-Added Tax (VAT)	(330,631)	6,360,232
Due to BIR - Documentary Tax	(2,369)	(2,369)
Due to GSIS	107,490,586	166,346,043
Due to Pag-ibig	3,880,773	3,306,696
Due to Philhealth	7,210,678	8,954,130
Due to NGAS, GOCCs, SUCs And LGUs	471,799,571	473,130,998
Other Loan Deductions	177,011,483	49,727,367
Due to Central Office	2,458,277,365	2,022,493,278
Terminal Leave Benefits Payable	689,377,680	677,785,127
Area Equity	363,948,288	0
Longevity Benefits Payable	800,000	441,500
Corporate Income Tax Payable	(34,736,596)	111,238,508
Output Tax	(4,327,458)	0
Due to Area Offices - Suspense	(1,742,803)	0
Other Payables - Retirement Incentives	79,023,205	79,023,205
Total	4,373,635,201	4,688,268,054

Accounts Payable -Designated Operators- Mail Remunerations refers to amounts due to designated operators for services rendered to deliver all outbound international mail matters. This amount includes charges by designated operators that were already accepted by PPC but remained unpaid as of December 31, 2014 and charges presented for acceptance by PPC.

Accounts Payable-Designated Operators-Postal payment remittances refer to amounts due to designated operators for all outbound money order remittances.

Due to NGAs, GOCCs, LGUs includes the amount of P 373 million due to the Commission on Audit for auditing services for the years 1995 to 2014.

Other Payables, Retirement Incentives represents the unclaimed retirement incentive of employees who retired under Executive Order No. 366.

Terminal Leave Benefit Payable represents the unpaid terminal leave benefits of retired employees as of year-end.

Area Equity is the net difference between the assets and liabilities of the area offices. In 2014 this account was closed to Due to Central Office account, however, in 2015 the Area Equity account was again reflected in the books.

14. DEFERRED CREDITS

This account consists of the following:

	2015	2014
Deposits on Direct Mail Services	46,671,943	0
Deposits on Private Metered Machines	15,616,309	15,616,309
Performance/ Bidders/ Bonds Payable	12,490,233	10,463,600
Guaranty Deposits Payable	4,957,661	11,430,555
Deferred Output Vat	27,900	0
Deposits on Domestic Mail Services	3,642	0
Other Deferred Credits - Suspense	173,048,811	0
Other Deferred Credits - Remunerations	44,252,546	839,330
Total	297,069,045	38,349,794

Deposits on Direct Mail Services include revenues arising from mail services which were collected in advance. The material increase is due to the recording of deferred mail services in Area 2 and 3, made in 2015.

Deposits on Private Metered Machines correspond to amounts collected in advance in private metered machine loading.

Deposits on Domestic Mail Services pertain to amount paid on bulk purchase of stamps. Effective CY 2014, it is recognized as revenue.

Guaranty Deposits/Performance/Bidders/Bonds Payable pertains to cash received which is refundable upon fulfilment of the obligation by the depositor.

Other deferred Credits-Suspense is the total of unidentified deposits in different bank accounts recorded in 2015. The entries were only made in 2015.

Other Deferred Credits – Remunerations includes remunerations on remittances to lending entities.

15. TRUST LIABILITIES

This account consists of the following:

	2015	2014
Trust Liabilities - Premiums/ Bills Payments Collections - Philhealth	661,863,410	(72,598,127)
Trust Liabilities - DMO	138,060,690	601,838,612
Trust Liabilities - Joint Venture	110,551,243	57,060,807
Trust Liabilities - SCI	35,518,200	35,518,200
Trust Liabilities - Inbound IMO	33,991,952	30,262,538
Trust Liabilities - Premiums/ Bills Payments Collections - Provident Fund	27,604,993	27,328,912
Trust Liabilities - Inbound Int'LEpostal Money Order	20,695,129	20,178,002
Trust Liabilities - Conditional Cash Transfers Program	15,887,697	64,043,690
Trust Liabilities - SPISC	13,027,000	0
Trust Liabilities - Premiums/ Bills Payments Collections – Bayad Center	8,562,925	(11,323,843)
Trust Liabilities - Premiums/ Bills Payments Collections - Consignment	2,821,221	2,818,208
Trust Liabilities - Domestic EPMO	1,084,628	433,886
Trust Liabilities - Inbound EPMO	733,311	0
Trust Liabilities - Premiums/ Bills Payments Collections - DHL	651,886	660,514
Trust Liabilities - Premiums/ Bills Payments Collections - MIWD	493,035	0
Trust Liabilities - Outbound EPMO	49,299	49,299
Trust Liabilities - BAC Honoraria	1,200	0
Trust Liabilities - Outbound IMO	(661,737)	(471,617)
Trust Liabilities - Premiums/ Bills Payments Collections - PDIC	(2,028)	2,159,284
Total	1,070,934,054	757,958,365

This account pertains to amounts held in trust like the amount posted by various remitters/senders received locally; remittances received from other postal administrations; bills payment collections and cash received from partner agencies for the distribution/delivery to their designated beneficiaries or payees such as Conditional Cash Transfer (CCT), Bayad Center, Philippine Health Insurance Corporation (PhilHealth), etc.

16. LOANS PAYABLE – DOMESTIC

This account consists of the following:

	2015	2014
Loans Payable - Domestic	72,251,679	98,159,664

Loans payable to PPSB (taken out from PDIC) represents loans availed by Philpost Leasing and Financing Corporation (PLFC), which was assumed by PPC on July 2002 as guarantor and was offset against the payable of PPC to PLFC. On December 11, 2006, the Philippine Postal Savings Bank (PPSB) took out the PDIC loan. Monthly amortization of PPC has been offset against rentals of PPSB starting February 2007. In addition, nine (9) properties amounting to P 167.072 million were given as collateral in September 2009.

The Corporation availed of a new loan from PPSB under PN#DHO-006-08 dated July 31, 2008 to take out PPC's obligations from DBP amounting to P28.025 million.

A P20 million loan with PPSB was guaranteed by the Philippine Amusement and Gaming Corporation (PAGCOR) in tripartite agreement and thru a hold-out deposit to enable PPC to enhance its IT capability for its money remittance system.

17. OTHER LONG TERM LIABILITIES

This includes the outstanding GSIS premium arrearages under a Memorandum of Agreement between PPC and GSIS; Provident Fund premium arrearages per Memorandum of Agreement between PPC and Provident Fund Office (PFO), and the unpaid subscription to Philippine Postal Savings Bank (PPSB) shares of stocks, details, are as follows:

	2015	2014
Government Service Insurance System	284,622,458	372,745,523
Philippine Postal and Savings Bank	80,000,000	80,000,000
Provident Fund Office	50,426,194	81,103,396
Total	415,048,652	533,848,919

18. AUTHORIZED CAPITAL STOCK

Under Section 9 of R.A. 7354 or the Postal Services Act of 1992, the Company shall have an authorized capital stock of P10 Billion Pesos (P10,000,000,000) divided into 45 million Class "A" shares to be subscribed by the Government and 55 million Class "B" shares to be subscribed by private entities with par value of one hundred pesos (P100) each.

The Paid-up capital of the National Government was restated in the current year with the rebooking of untitled lots (considered as part of the paid-up capital of the National Government) that were excluded in the Land account in CY2013.

As of now, no concrete step has yet been taken by the Privatization Management Office to effect privatization of PPC.

19. REVALUATION SURPLUS

This pertains to the increase in the book value of titled lots or a result of the reappraisal conducted by the Asian Pearl Appraisal in October 2012.

The last appraisal was conducted in 2009 and 2010 for selected lots only and recorded at their new appraisal values, details as follows:

Location Lots	Appraisal Report September 1994	Reappraisal 2009/2010	Reappraised Value 2012 Increase/(Decrease)
BIR Road, Quezon City	141,020,000	634,590,000	493,570,000
CMEC, Pasay City	0	1,005,730,000	1,005,730,000

Regional Offices	33,071,400	108,978,520	75,907,120
Appraisal Increase	74,091,400	1,749,298,520	1,575,207,120

20. APPRAISAL CAPITAL

Appraisal capital represents the accumulated amount of appraisal increases as determined by independent appraisers who were hired to conduct appraisal of PPC's fixed assets. Appraisal increase is the amount by which the appraised value exceeds the book value of fixed assets and is added to the carrying value of fixed assets.

21. MAIL SERVICE INCOME

This account is composed of the following:

	2015	2014
Domestic Ordinary Mails	699,819,859	673,175,316
Domestic Registered Mails	202,819,393	197,700,151
Domestic Registered Mails With Return Card	175,032,260	159,463,756
Domestic Ordinary Mails With Proof Of Delivery	137,628,653	108,075,908
Domestic Priority Mails	20,202,023	20,519,869
Domestic Printed Matters And Magazines	16,313,139	25,522,678
Domestic EMS - Documents	13,818,570	14,228,637
Domestic EMS - Merchandise	12,616,533	14,972,541
Domestic Air Parcel	6,767,621	15,588,475
Domestic Express Pouch	5,014,602	5,789,233
Domestic Subscriptions With Mail Indicia	4,946,934	4,819,545
Domestic Books	1,250,515	1,009,754
Domestic Cod Parcel	31,121	403,466
Intl EMS - Merchandise	537,219,668	563,681,271
Intl EMS - Documents	125,198,299	137,109,058
Intl Ordinary Parcel	92,370,387	108,297,743
Intl Letters	71,830,093	85,731,174
Intl Ordinary Parcel With Advice Of Receipt	46,506,111	63,537,503
Intl Registered Letters	34,905,892	34,221,691
Intl Registered Letters With Advice Of Receipt	27,023,583	24,619,544
Intl Registered Small Packet	17,770,645	20,094,730
Intl Letters - Special Delivery	13,317,825	17,711,675
Intl Registered Small Packet With Advice Of Receipt	7,467,818	11,638,336
Intl Postcards	3,097,003	4,196,941
Intl Printed Matter	3,053,972	5,372,699
Intl Registered Printed Matter With Advice Of Receipt	1,028,950	3,954,438
Intl Registered Printed Matters	790,719	1,079,559
Intl Books	472,474	1,397,388
Intl Business Reply Service (IBRS)	244,249	142,965
EMS Delivery Income	214,772,113	226,776,498
Terminal Dues Income - Recorded Items	154,360,769	156,827,082
Presentation To Customs Fee	92,621,381	56,128,581
Inward Land Rate Income	55,277,473	53,994,537

	2015	2014
Direct Access/Entry Income	41,942,836	10,110,711
Direct Mail Income	1,489,561	13,147,597
Fax Mails	1,040,973	54,501
Packaging Services	889,584	1,071,568
Business Reply Envelope	769,921	978,689
Unaddressed Mails	590,876	853,977
Handling and Storage Fee	117,372	274,935
Miscellaneous Income - Valuation Fees	2,575,407	2,026,069
Miscellaneous Income - 2nd Class Mails	443,625	616,180
Miscellaneous Income - Mail Bag	351,841	360,710
Miscellaneous Income - Letter Shopping	7,703	0
Total	2,845,810,346	2,847,277,679
Less: Discounts on Mailing Services	22,703,191	16,008,683
Balance	2,823,107,155	2,831,268,996

22. POSTAL PAYMENT SERVICES

This account is composed of the following:

	2015	2014
Postal ID Fees	209,890,915	213,549,131
Miscellaneous Income - Rush Processing Fees	20,699,538	124,633,282
Income from Joint Venture	18,079,899	19,765,766
Commission on Collections - Philhealth	12,734,893	2,907,901
Domestic Postal Money Order Service Fees	10,628,104	11,711,678
Miscellaneous Income - Postal ID Delivery Fee	10,221,507	4,889,645
Delivery Service Fees - PDIC	5,977,450	3,933,538
Delivery Service Fees - PMO	5,942,732	1,936,736
Commission on Collections - Bayad Center	4,398,317	2,379,555
Delivery Service Fees - Senior Citizen	3,130,495	55,970
Delivery Service Fees - CCT	2,251,724	108,519,004
Miscellaneous Income - Ordinary Processing Fees	1,320,449	26,529,305
Inbound Intl Postal Money Order Service Fees	1,234,027	95,331
Miscellaneous Income - Lamination Fees	852,832	4,834,378
Delivery Service Fees - ICRC	253,480	71,250
Delivery Service Fees - Save the Children	195,450	1,517,250
Delivery Service Fees - MIWD	193,305	20,070
Miscellaneous Income - Lamination Commission	144,765	1,644,418
Miscellaneous Income - Mcwd Service Commission Fees	115,265	169,994
Domestic E-Postal Money Order Service Fees	55,829	49,017
Outbound Intl E-Postal Money Order Service Fees	10,021	7,250
Delivery Service Fees - I-Remit	0	30,135
Total	308,330,997	529,250,604

23. RETAIL SERVICES

This account is composed of the following:

	2015	2014
Philatelic sales	66,990,367	40,114,605
PhilPost products sales	1,067,823	1,036,348
Total	68,058,190	41,150,953

24. LOGISTICS SERVICES

This account is composed of the following:

	2015	2014
Cumbersome Cargoes	47,804,628	48,808,969

Cumbersome Cargoes – are revenue from local delivery of goods/merchandise weighing 21 to 200 kilos.

25. OTHER INCOME

This account is composed of the following:

	2015	2014
Collect-on-Delivery Commission	25,719,584	1,632,449
Rent Income	25,276,167	23,940,838
Lock Box Rental	7,726,697	8,513,695
Commission on Consignment Sales	280,714	595,248
Franchising and Accreditation Fees	2,462,349	883,545
Miscellaneous Income - Service Fees	5,977,071	7,152,704
Miscellaneous Income - Certification/ Authentication/ Revalidation Fees	5,673,599	31,339,616
Miscellaneous Income - Philpost Box	5,065,690	3,057,136
Miscellaneous Income - Permit Fees	637,225	492,607
Miscellaneous Income - Penalties	512,019	757,256
Miscellaneous Income - Parking Fees	255,430	257,650
Miscellaneous Income - Photocopy Service Fees	223,106	173,677
Miscellaneous Income - Annual Fees/Charge Account	142,410	174,771
Miscellaneous Income - Photo ID Service Fees	137,180	884,945
Miscellaneous Income - Ticketing Office Commission	43,243	38,136
Miscellaneous Income - Cancelled PID Fees	39,599	97,354
Miscellaneous Income - Photo ID Commission Fees	30,670	332,527
Miscellaneous Income - Pre-Qualification Fee	30,000	13,477
Miscellaneous Income - Sale of Waste Materials	19,988	75,172
Miscellaneous Income - Photo Service Fees	11,220	221,165
Miscellaneous Income - Photo Service Commission	2,659	22,265
Miscellaneous Income - Mobile Autoload Commission	1,900	18,855

	2015	2014
Miscellaneous Income - Documentary Stamps	0	222,533
Total	80,268,520	80,897,621

26. PERSONAL SERVICES

This account is composed of the following:

	2015	2014
Salaries and Wages - Regular	1,059,259,055	1,076,994,129
Personnel Economic Relief Allowance (PERA)	134,957,647	136,923,594
Life and Retirement Insurance Contributions	128,080,844	130,983,961
Performance-Based Bonus	120,000,000	120,000,000
Year End Bonus	88,452,705	92,084,590
Terminal Leave Benefits	70,528,244	80,427,727
Cash Gift	28,767,275	29,433,798
Clothing/Uniform Allowance	28,008,660	28,175,817
Productivity Enhancement Incentive (PEI)	26,449,167	27,478,000
Letter Carrier's Allowance	13,199,842	13,792,329
Philhealth Contributions	12,418,880	12,667,625
Representation Allowance (RA)	7,484,412	7,422,194
Transportation Allowance (TA)	7,436,657	7,337,439
Overtime Pay	6,871,738	8,961,349
Pag-Ibig Contributions	6,787,069	6,975,297
Employees Compensation (EC) Contributions	6,705,713	6,973,597
Per Diems	3,711,000	3,315,000
Longevity Pay	2,797,500	1,206,500
Night Differential Pay	2,261,319	1,544,814
Honoraria	209,693	14,100
Special Counsel Allowance	38,750	47,250
Salaries and Wages - Contractual	0	204,969
Total	1,754,426,170	1,792,964,079

Terminal leave (TL) Benefits represent value of allowable leave credits of employees who retired from the service during the current year. The computation is based on current salary rate.

27. MAINTENANCE AND OTHER OPERATING EXPENSES

This account is composed of the following:

	2015	
Manpower Services	175,852,570	152,455,966
Domestic Conveyance Expenses	91,239,493	48,101,627
Accountable Forms Expenses	86,569,205	8,878,724
Depreciation Expense	72,870,158	54,785,701
Supplies and Materials Expenses	69,751,092	60,019,087
General Services	63,135,285	56,146,768

	2015	
Rent Expenses	45,800,883	42,327,303
Travelling Expenses – Local	42,379,728	49,331,406
Security Services	40,898,575	39,796,048
Gasoline, Oil and Lubricants Expenses	40,119,362	53,153,319
Electricity Expenses	38,274,846	45,677,146
Auditing Services	34,971,593	33,044,829
Advertising and Marketing Expenses	15,118,188	14,194,182
Internet Expenses	13,196,950	10,339,090
Valuation Allowances	13,628,262	16,000,706
Janitorial Services	12,522,005	11,783,382
Repairs and Maintenance - Buildings	11,778,955	13,556,931
Travelling Expenses - Foreign	10,650,237	12,151,489
Taxes, Duties and Licenses	9,097,941	1,098,699
Water Expenses	8,599,563	11,713,771
Consultancy Services	8,361,110	15,072,221
Fines and Penalties	7,990,795	25,049
Training Expenses	7,742,301	15,515,670
Telephone Expenses - Landline	7,251,023	7,970,293
Insurance Expenses	7,246,249	3,064,742
Repairs and Maintenance - Motor Vehicles	6,320,571	6,328,759
UPU Membership Dues And Fees	5,826,311	4,781,216
BOD Reimbursable Expenses	1,582,613	1,649,436
Fidelity Bond Premiums	1,406,166	1,074,114
Repairs and Maintenance - Equipment	1,212,954	1,104,086
Telephone Expenses - Mobile	851,767	783,017
Extraordinary Expenses	617,957	634,345
Leasing Costs	298,460	3,829,974
Repairs and Maintenance - Furniture And Fixtures	253,490	101,260
Scholarship Expenses	164,832	147,688
Repairs and Maintenance - IT Equipment And Software	116,101	1,300,149
Subscription Expenses	73,230	108,695
Awards and Indemnities	57,081	50,787
Loss of Assets	38,670	0
Gender and Development Expenses	22,635	3,877,560
Documentary Stamp Expenses	3,607	79
Legal Expenses	597	9,600
Miscellaneous Expenses	936,360	1,018,875
Other Expenses	36,910,512	18,502,137
Total	991,740,283	821,505,926

Breakdown of Depreciation Expenses:

	2015	2014
Depreciation - Motor Vehicles	25,101,199	16,328,222
Depreciation - Buildings	24,751,572	20,580,702
Depreciation - Equipment	14,041,257	10,602,445
Depreciation - IT Equipment	7,032,508	6,552,028
Depreciation - Furniture And Fixtures	1,262,961	374,731

	2015	2014
Depreciation - Land Improvements	377,870	347,574
Depreciation - Machineries	298,350	0
Depreciation - Tools	4,441	0
Total	72,870,158	54,785,701

Breakdown of Valuation Allowances:

	2015	2014
Bad Debt Expense	13,602,762	16,000,706
Provision for Forex Adjustments on Receivables - Mail Remunerations	25,500	0
Total	13,628,262	16,000,706

The provision for forex adjustment is a temporary account to record unrealized revenue (difference between BSP rate and PPC rate) which will only be recognized upon payment of receivables by the foreign postal administrator.

Breakdown of Other Expenses:

	2015	2014
Other MOOE - Meetings/Dialogues	18,112,649	10,960,993
Other MOOE - Others	10,896,163	1,818,962
Other MOOE - Appraisal	6,146,560	16,071
Other MOOE - Philpost Christmas Celebration	654,581	167,189
Other MOOE - Pre Qualification Advertising	618,378	615,122
Other MOOE - Salo-Salo Program	231,330	389,525
Other MOOE - Philpost Anniversary Celebration	214,067	100,414
Other MOOE - Real Properties Titling	20,754	3,779
Other MOOE - Philpost Henryo Program	8,030	0
Other MOOE - Donations To Organizations	8,000	622,624
Other MOOE - Professional License Renewal	0	1,714,154
Other MOOE - Rat Plan Expense	0	2,093,304
Total	36,910,512	18,502,137

28. INTERNATIONAL MAIL EXCHANGE EXPENSES

This account is composed of the following:

	2015	2014
Intl Conveyance Expenses - Air	247,485,677	203,677,889
EMS Delivery Expenses	197,554,782	192,736,603
Sea Rate Expenses	43,798,236	47,982,153
Terminal Dues Expenses – Recorded Items	40,317,785	42,290,093
Intl Conveyance Expenses - Surface	10,926,658	27,739,137
Outbound Intl Postal Payment Charges, IMO Delivery Expense	0	1,899
Total	540,083,138	514,427,774

29. ADJUSTMENT IN THE STATEMENT OF FINANCIAL POSITION

Certain asset and liability accounts were presented at amounts net of account balances which accumulated prior to incorporation and which could not be substantiated. The Statement of Financial Position is presented net of these account balances. *Postage stamps inventory*, for example, reflect the face value instead of printing cost; *Due from Officers and Employees* includes incomplete or unliquidated payroll; *Receivables/Disallowances* includes accountabilities/shortages of absconded employees; *Land* includes book-up value of properties without titles; *Accounts Payable* include excess certification or booked-up payables without corresponding disbursement vouchers. These accounts are subject to verification, validation and necessary adjustment in the books. Accounts to be written off will be requested to the Commission on Audit. Break down of these accounts which could not be substantiated are as follows:

ACCOUNT NAME	DEBIT	CREDIT
Cash - Collecting Officers - Corporate - For Recon	94,029,497	0
Cash - Collecting Officers - Trust - Manual Mo - For Recon	7,581,928	0
Cash - Disbursing Officers - Corporate - For Recon	10,887,470	0
Cash - Disbursing Officers - Trust - Manual Mo - For Recon	725,569	0
Petty Cash Fund - For Recon	190,020	0
Payroll Fund - For Recon	33,928,176	0
Cash in Bank - Corporate - For Recon	0	333,962,385
Cash in Bank - Trust - Manual Mo/Philhealth - For Recon	459,334,111	0
Cash in Bank - Trust - Bayad Center - For Recon	0	475
Cash in Bank - Trust - Joint Venture - For Recon	4,060	0
Accounts Receivable, Trade - For Recon	5,565,653	0
Due from Directors, Officers And Employees - For Recon	48,566,888	0
Due from NGAs, GOCCs, SUCs And LGUs - For Recon	3,537,771	0
Rental Receivable - For Recon	844,481	0
Due from Area 07 - Eastern Mindanao (EMA) - For Recon	1,477,538	0
Due from Subsidiaries - For Recon	193,616	0
Receivables - Disallowances/Charges - For Recon	36,212,724	0
Advances to Officers And Employees - For Recon	344,385	0
Receivables from Joint Venture Partners - For Recon	159,713	0
Merchandise Inventory - For Recon	13,233,825	0
Supplies and Materials Inventory - For Recon	109,644,733	0
Accountable Forms Inventory - For Recon	691,151,139	0
Gas, Oil and Lubricants Inventory - For Recon	1,528,849	0
Spare Parts Inventory - Motor Vehicles - For Recon	8,273,986	0
Prepaid Rent - For Recon	2,000	0
Prepaid Insurance - For Recon	6,957	0
Deferred Charges - For Recon	572,044	0
Guaranty Deposits - For Recon	85,826	0
Investment In Stocks - For Recon	187,180	0
Land - For Recon	0	2,267,849
Land Improvements - For Recon	6,604,544	0
Buildings - For Recon	111,728,298	0
Equipment - For Recon	5,574,003	0
Furniture and Fixtures - For Recon	717,340,945	0
It Equipment and Software - For Recon	241,559,108	0

ACCOUNT NAME	DEBIT	CREDIT
Philatelic Museum Items and Library Books - For Recon	1,100	0
Motor Vehicles - For Recon	10,973,321	0
Other Assets - For Recon	579,165,619	0
Accumulated Depreciation - Land Improvements - For Recon	0	2,092,973
Accumulated Depreciation - Buildings - For Recon	0	3,589,203
Accumulated Depreciation - Equipment - For Recon	0	3,507,815
Accumulated Depreciation - Furniture And Fixtures - For Recon	1,694,961	0
Accumulated Depreciation - It Equipment And Software - For Recon	0	502,038
Accumulated Depreciation - Motor Vehicles - For Recon	0	1,360,521
Accounts Payable - Trade - For Recon	0	17,037,737
Due to Officers And Employees - For Recon	0	130,817,530
Accrued Expenses - For Recon	0	814,154,542
Due to BIR - Withholding Tax On Compensation - For Recon	4,721,339	0
Due to BIR - Value-Added Tax (VAT) - For Recon	77,666	0
Due to BIR - Expanded Withholding Tax (EWT)- For Recon	1,634,655	0
Due to BIR - Final Withholding Tax - For Recon	0	117,860
Due to GSIS - For Recon	0	2,779,204
Due to Pag-Ibig - For Recon	4,205,668	0
Due to Philhealth - For Recon	0	540,349
Due to NGAs, GOCCs, SUCs and LGUs - For Recon	0	58,349,845
Other Loan Deductions - For Recon	0	87,613,327
Due to Central Office - For Recon	821,095,062	0
Due to Area 01 - Northeastern Luzon (Nela) - For Recon	0	150,365,284
Due to Area 03 - Mega Manila (Mega) - For Recon	0	1,974,770,976
Guaranty Deposits Payable - For Recon	0	49,038
Deposits on Domestic Mail Services - For Recon	0	3,642
Other Deferred Credits - Remunerations - For Recon	0	1,026,943
Trust Liabilities - Premiums/ Bills Payments Collections - Philhealth -For Recon	0	2,273,902
Trust Liabilities - DMO - For Recon	0	525,348,230
Area Equity - For Recon	0	112,586,754
Paid-Up Capital - For Recon	150,142,949	0
Donated Capital - For Recon	0	17,100
Retained Earnings - For Recon	40,346,145	0
Total	4,225,135,522	4,225,135,522

30. OTHER MATTERS

a. Tax Subsidies

The National Government, thru the Fiscal Incentives Review Board, subsidized the Value Added Tax until 2014 only.

	2015	2014
Tax liability on		

Value Added Tax	0	322,953,988
	0	322,953,988

b. Reimbursement of foregone Revenue from Franking Mail Privileges for CY 2013

The foregone revenue from franking mail privileges for CY 2013 was reimbursed by the National Government under SARO No. BMB-F-15-0003647 dated March 24, 2015 amounting to P301 million with the corresponding Notice of Cash Allocation No. BMB-F-15-0004788 which was credited to the BTR's MDS Sub-Account No. 2001-90167-3 which in turn, was credited to the account of PPC in March 31, 2014.

Foregone revenue from franking mail privileges for CY 2015 amounted to P536.537million. These were authorized under several administrative issuances and are granted to several government offices such as COMELEC, Office of the President, Supreme Court, Senate, Congress, etc.

c. PPC stood as Guarantor/Surety to various Philippine Postal Leasing and Financing Corporation (PLFC) Loans as follows :

	Amount
BPI/FEBTC/AASSF	250,722
Banco de Oro	189,525
Allied Banking Corp	44,218
Provident Fund	3,289
Total	487,754

The BPI, as successor-in-interest of FEBTC, as substituted by Avenue Asia Special Situations Fund III LP and Allied Banking Corp., already filed collection cases that are now pending in court. PPC put up as defense that (1) PPC cannot act as surety under its charter and (2) the surety agreements were signed by persons not authorized by PPC.

d. Fire insurance claim with the GSIS

GSIS had already paid PPC the Fire Insurance claim in the amount P10.076 million arising from the damages caused to the former Philippine Postal and Savings Bank (PPSB) building by the fire incident in July 14, 2011. The proceeds were received by PPC on April 15, 2015 under OR No. 2655796.

e. Supplementary information under Revenue Regulation 15-2010

The Bureau of Internal Revenue has released a new revenue regulation dated November 25, 2010 amending Regulations No. 21-2002 setting forth the following additional disclosures on the notes to financial statements.

Taxes, duties and licenses paid or accrued during the year:

VAT output tax

Details on the Company's VAT output tax declared during the year are as follows:

Qtr	Sales	Output Tax	Purchases	Input Tax	Creditable VAT	VAT Payment
1st	48,548,808.20	5,825,856.98	21,191,371.59	2,542,964.59	2,829,290.75	4,035,993.65
2nd	132,215,724.02	15,865,886.88	38,515,234.11	4,621,828.09	1,730,741.81	9,384,812.40
3rd	200,791,392.10	24,094,967.05	66,817,420.23	8,018,090.43	1,848,416.03	10,745,589.43
4th	256,712,689.35	30,805,522.72	312,831,350.30	37,539,762.04	2,168,689.35	0
Total	638,268,613.67	76,592,233.63	439,355,376.23	52,722,645.15	8,577,137.94	24,166,395.48

	Vatable	Zero-rated	VAT Exempt	Total
Revenue	3,744,927,785	466,353,192	0	3,278,574,592
Rate	12%			
Output VAT	393,428,951			393,428,951

The Company issued PHLPost Circular No. 15-01 dated 05 January 2015, "Collection of Value Added Tax (VAT) on selected PHLPost products and services. The cost of "selected" products or services is exclusive of the 12% VAT.

Balance, January 1	9,641,162
Purchase of Goods and services Claimed	53,504,428
1st	2,542,965
2nd	4,621,828
3rd	8,018,090
4th	37,539,762
Balance, December 31	10,422,945

a. Monthly remittance return of income tax withheld on compensation (1601C)

CY2015	TAX WITHHELD	TAX REMITTED
JAN	6,686,561.12	6,686,561.12
FEB	6,706,059.49	6,706,059.49
MAR	6,776,722.85	6,776,722.85
APR	6,505,936.61	6,505,936.61
MAY	6,569,067.79	6,569,067.79
JUN	6,465,855.99	6,465,855.99
JUL	6,366,746.30	6,366,746.30
AUG	6,371,236.42	6,371,236.42
SEP	6,337,540.44	6,337,540.44
OCT	6,278,541.07	6,278,541.07
NOV	6,263,942.47	6,263,942.47
DEC	8,231,881.17	8,231,881.17
TOTAL	79,560,091.72	79,560,091.72

- b. Monthly remittance return of income taxes withheld expanded (1601E)

CY2015	TAX WITHHELD	TAX REMITTED
JAN	781,742.84	781,742.84
FEB	1,027,724.89	1,027,724.89
MAR	1,440,623.33	1,440,623.33
APR	859,638.09	859,638.09
MAY	867,928.09	867,928.09
JUN	1,495,909.55	1,495,909.55
JUL	1,281,610.21	1,281,610.21
AUG	1,324,471.39	1,324,471.39
SEP	979,501.49	979,501.49
OCT	2,223,772.73	2,223,772.73
NOV	1,604,914.12	1,604,914.12
DEC	3,655,582.86	3,655,582.86
TOTAL	17,543,419.59	17,543,419.59

- c. Monthly remittance return of value-added tax and other percentage taxes withheld (1600)

CY2015	TAX WITHHELD	REMITTED
JAN	1,659,630.49	1,659,630.49
FEB	1,541,673.92	1,541,673.92
MAR	2,694,283.92	2,694,283.92
APR	1,677,041.20	1,677,041.20
MAY	1,134,296.45	1,134,296.45
JUN	2,116,676.47	2,116,676.47
JUL	2,158,219.72	2,158,219.72
AUG	2,867,358.68	2,867,358.68
SEP	1,443,997.79	1,443,997.79
OCT	6,221,287.64	6,221,287.64
NOV	698,957.43	698,957.43
DEC	6,010,114.65	6,010,114.65
TOTAL	30,223,538.36	30,223,538.36

Other taxes and licenses

An analysis on the Company's other taxes and licenses and permit fees paid or accrued during the year is as follows:

	2015
BIR annual registration, Permit Fees-LTO and others	9,097,941