

PHILIPPINE POSTAL CORPORATION
STATEMENT OF FINANCIAL POSITION

December 31, 2016 and 2015

(In Philippine Peso)

| | Notes | 2016 | 2015 |
|---|-------|-----------------------|-----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 6 | 2,310,605,826 | 2,346,537,702 |
| Trade and other receivables, net | 7 | 2,498,564,366 | 2,031,500,262 |
| Inventories | 8 | 975,359,511 | 999,908,997 |
| Prepaid expenses and other current assets | 9 | 194,530,557 | 78,523,117 |
| Total Current Assets | | 5,979,060,260 | 5,456,470,078 |
| Non-Current Assets | | | |
| Investments | 10 | 476,302,147 | 476,302,147 |
| Property and equipment, net | 11 | 4,130,638,499 | 4,208,650,004 |
| Other non-current assets | 12 | 1,050,637,817 | 1,047,473,265 |
| Total Non-Current Assets | | 5,657,578,463 | 5,732,425,416 |
| TOTAL ASSETS | | 11,636,638,723 | 11,188,895,494 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Trade and other payables | 13 | 4,394,838,461 | 4,373,635,201 |
| Deferred credits | 14 | 953,462,155 | 297,069,045 |
| Trust liabilities | 15 | 706,741,375 | 1,070,934,054 |
| Total Current Liabilities | | 6,055,041,991 | 5,741,638,300 |
| Noncurrent Liabilities | | | |
| Loans payable - domestic | 16 | 51,744,281 | 75,251,679 |
| Other long-term liabilities | 17 | 260,463,132 | 415,048,652 |
| Total Non-Current Liabilities | | 312,207,413 | 490,300,331 |
| TOTAL LIABILITIES | | 6,367,249,404 | 6,231,938,631 |
| EQUITY | | 5,269,389,319 | 4,956,956,863 |
| TOTAL LIABILITIES AND EQUITY | | 11,636,638,723 | 11,188,895,494 |

See accompanying Notes to Financial Statements.

PHILIPPINE POSTAL CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2016 and 2015
(In Philippine Peso)

| | Notes | 2016 | 2015 |
|--|-------|----------------------|----------------------|
| REVENUE | | | |
| Mail services income | 18 | 2,799,134,113 | 2,823,107,155 |
| Postal payment services | 19 | 469,278,808 | 308,330,997 |
| Logistics services | 20 | 141,210,121 | 47,804,628 |
| Retail services | 21 | 55,185,439 | 68,058,190 |
| Other income | 22 | 50,751,548 | 80,268,520 |
| | | 3,515,560,029 | 3,327,569,490 |
| OPERATING EXPENSES | | | |
| Personal services | 23 | 1,908,962,192 | 1,754,426,170 |
| Maintenance and other operating expenses | 24 | 1,083,115,355 | 991,740,283 |
| International mail exchange expenses | 25 | 494,211,896 | 540,083,138 |
| Cost of goods sold | | 8,621,433 | 7,977,765 |
| | | 3,494,910,876 | 3,294,227,356 |
| INCOME FROM OPERATIONS | | 20,649,153 | 33,342,134 |
| FINANCE COST | | | |
| Interest expense | | (30,711,603) | (42,031,352) |
| Bank charges | | (79,592) | (550,787) |
| | | (30,791,195) | (42,582,139) |
| OTHER INCOME | | | |
| Gain on foreign exchange | | 20,980,922 | 3,841,202 |
| Interest income | | 5,843,835 | 5,472,802 |
| Gain on disposal of assets | | 345,807 | 1,354,368 |
| Miscellaneous income | | 2,635,584 | 993,489 |
| | | 29,806,148 | 11,661,861 |
| PROFIT BEFORE INCOME TAX | | 19,664,106 | 2,421,856 |
| Income tax expense | | (5,899,232) | (726,557) |
| PROFIT BEFORE SUBSIDY | | 13,764,874 | 1,695,299 |
| Subsidy from National Government | | 301,000,000 | 301,000,000 |
| Subsidy from non-shareholders' | | 159,166 | 81,993,243 |
| | | 301,159,166 | 382,993,243 |
| NET PROFIT | | 314,924,040 | 384,688,542 |

See accompanying Notes to Financial Statements.

PHILIPPINE POSTAL CORPORATION
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2016 and 2015
(In Philippine Peso)

| | Notes | 2016 | 2015 |
|----------------------------------|-------|----------------------|----------------------|
| PAID UP CAPITAL | | | |
| Balance at beginning of the year | 26 | 3,433,260,898 | 3,385,805,281 |
| Additions | | 0 | 47,455,617 |
| Balance at end of the year | | 3,433,260,898 | 3,433,260,898 |
| REVALUATION SURPLUS | | | |
| Balance at beginning of the year | 28 | 1,575,207,120 | 1,575,207,120 |
| Additions | | 0 | 0 |
| Balance at end of the year | | 1,575,207,120 | 1,575,207,120 |
| DONATED CAPITAL | | | |
| Balance at beginning of the year | | 217,100 | 217,100 |
| Additions/(deductions) | | 0 | 0 |
| Balance at end of the year | | 217,100 | 217,100 |
| APPRAISAL CAPITAL | | | |
| Balance at beginning of the year | 29 | 448,918,298 | 448,918,298 |
| Additions (deductions) | | (27,756,720) | 0 |
| Balance at end of the year | | 421,161,578 | 448,918,298 |
| DEFICIT | | | |
| Balance at beginning of the year | | (500,646,553) | (893,472,526) |
| Adjustments | | (39,465,016) | (47,455,617) |
| Adjusted beginning balance | | (540,111,569) | (940,928,143) |
| Prior period adjustments | | 64,730,152 | 55,593,047 |
| Net profit | | 314,924,040 | 384,688,543 |
| Balance at end of the year | | (160,457,377) | (500,646,553) |
| TOTAL EQUITY | | 5,269,389,319 | 4,956,956,863 |

See accompanying Notes to Financial Statements.

PHILIPPINE POSTAL CORPORATION
STATEMENT OF CASH FLOWS

For the year ended December 31, 2016 and 2015
(In Philippine Peso)

| | 2016 | 2015 |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | 3,783,034,109 | 3,990,068,812 |
| Subsidy from National Government | 301,000,000 | 773,485,000 |
| Grant from QSF-UPU | - | 71,963,988 |
| Interest received | 5,954,835 | 5,472,802 |
| Remittances received from postal payment trust fund | | |
| Postal payment services | 2,802,752,049 | 3,605,424,137 |
| Premium/bills payment | 536,790,534 | 1,188,428,900 |
| Conditional Cash transfer | - | 384,277,986 |
| Cash paid to and in behalf of employees | (2,841,243,881) | (2,419,963,739) |
| Cash paid to suppliers | (1,094,416,421) | (1,267,074,829) |
| Grant from QSF-UPU | - | (71,963,988) |
| Cash paid to PPSB | (20,000,000) | - |
| Payment of Dividend | (39,464,515) | - |
| Remittances paid in postal payment trust fund | | |
| Postal payment services | (2,622,282,738) | (3,256,654,923) |
| Premium/bills payment | (516,115,047) | (1,270,547,144) |
| Conditional cash transfers | (198,430,960) | (581,433,176) |
| Net Cash Provided by Operating Activities | 97,577,965 | 1,151,483,826 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of assets | 345,807 | 1,354,368 |
| Purchases of property and equipment | (100,617,569) | (114,170,007) |
| Net Cash Used by Investing Activities | (100,271,762) | (112,815,639) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment of loan | (23,507,398) | (22,907,985) |
| Interest paid | (30,711,604) | (42,031,352) |
| Net Cash Used in Financing Activities | (54,219,002) | (64,939,337) |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 20,980,923 | 3,841,202 |
| EFFECTS OF NET ADJUSTMENTS - BEGINNING BALANCE RECLASSIFICATION | - | (354,612,000) |
| NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS | (35,931,876) | 622,958,052 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 2,346,537,702 | 1,723,579,650 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 2,310,605,826 | 2,346,537,702 |

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), known as the Philippine Postal Corporation (PPC).

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-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 14 regions into nine 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 PHILIPPINE PUBLIC SECTOR ACCOUNTING STANDARDS

As per COA Circular No. 2015-003 dated April 16, 2015 PPC is classified as Non-Government Business Enterprise (Non-GBE) for not having met the criteria to qualify as Government Business Enterprise (GBE), which is either of the following:

- a. has the power to contract in its own name;
- b. has been assigned the financial and operational authority to carry on a business;
- c. sell goods and services, in the normal course of its business to other entities at a profit or full cost of recovery;
- d. is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and
- e. is controlled by a public sector entity.

As Non-GBE, the Philippine Public Sector Accounting Standards (PPSAs) and the Revised Chart of Accounts (RCA) for Government Corporations COA Circular No. 2015-010 dated December 1, 2015 shall apply in the preparation of the financial statements and other related financial reports.

The effective date in the implementation of PPSAs (phase 1) and the Revised Cart of Accounts is January 2, 2016. However, implementation by PPC was deferred due to late orientation and only the conversion of the balances of existing account as of December 31, 2016 to the Revised Chart of Accounts for Government Corporations was implemented.

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 peso 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 peso (presentation currency). International Money Order transactions are measured in dollar and translated into the peso currency.

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.

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 PPC Chart of Accounts

The Corporation continue to use the PPC Chart of Accounts for uniformity in recording financial transactions and balances of existing books of accounts as of December 31, 2016 were then converted to the Revised Cart of Accounts for Government Corporations.

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

The Corporation adopted the standard formats for financial statements, journals and general ledgers for the following purposes:

- a. Facilitate consolidation of monthly financial reports of the Central Office and the nine Area Offices
- 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 and time deposits.

Cash in Bank –Local Currency, Current Account refers to the Cash in Bank – Trust under the PPC Chart of Accounts. It pertains to funds from money order remittances; bills payments like PhilHealth and Bayad Center, and funds for Indigent Senior Citizen and other pay-out services.

Cash in Bank-Local Currency, Savings Account refers to the Cash in Bank –Corporate under PPC Chart of Accounts. It pertains to General Fund and Operating Fund in local and foreign currencies.

Receivables and Allowance for Impairment

Receivables are stated at net realizable values. Allowances for Impairment are set up following the aging method for trade receivables, and amount of receivable less benefits/claims for non-trade receivables.

The following percentages based on the age of receivables are the basis for recognizing bad debt expense as per PPC Circular No. 16-0 dated December 29, 2016 "Amendment to PHLPost Circular No. 15-71 dated December 21, 2015 on the Guidelines for Provision of Bad Debts"

| | |
|---------------------|-----|
| One day to 60 days | 1% |
| 61 days to 180 days | 2% |
| 181 days to 1 year | 3% |
| More than 1 year | 5% |
| Over 10 years | 20% |

International Accounts Receivable are accounted for in SDR (Special Drawing Right) and converted to peso (presentation currency) at the end of the accounting period. The treatment of International Accounts Receivable on mail remunerations is governed by Universal Postal Union (UPU) regulations and bilateral agreements between designated operators.

Under UPU regulations, the debtor designated operator shall be exempted from payment of terminal dues when the annual balance does not exceed 326.70 SDR. The balance of less than 326.70 SDR shall be included in the balance of the following year by the creditor designated operator. Offsetting of receivables against payable 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.

Depreciation is computed on the *straight-line method*. Assets acquired during the year were computed a useful life prescribed in COA Circular No. 2003-007 dated December 11, 2003 and a residual value equivalent to 10 percent (10%) of the acquisition cost.

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.

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.

Valuation

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 Standards (PAS) 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 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

The basis of recognizing income and expenses is the modified accrual basis.

Income of the Corporation is classified based on the nature of service:

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

Pursuant to Board Resolution No. 2015-144 dated December 16, 2015 and in compliance to existing revenue regulations, effective January 2, 2016, all sales of PPC goods and services are subject to 12% VAT subject to the exemptions that are expressly provided by existing tax laws.

Expenses are classified under the following main accounts:

Operating Expenses

- Cost of Goods Sold:
- Personnel Services;
- Maintenance and Other Operating Expenses, and
- International Mail Exchange Expenses

Other Expenses

- Financial 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 - 2015, 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.

The dividend payable as of December 31, 2015 was P39,465,016 broken down as follows:

| | | | |
|-----------------|----------|-----------------------------|--|
| CY 2002 to 2014 | P | 35,640,501.00 | (10% of P356,405,010.00) |
| CY 2015 | | <u>3,824,515.00</u> | (50% of P7,649,030.00 computed dividend) |
| | P | <u>39,465,016.00</u> | |

Pursuant to Board Resolution No. 2016-25 "Approving the payment of dividends to the National Government for the years 2002 to 2014 and for year 2015", PPC remitted to the National Government dividends totaling P39,465,016.00.

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 with 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 Corporation 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 Corporation’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

| | 2016 | 2015 |
|----------------------------|----------------------|----------------------|
| Corporate fund: | | |
| Cash in Bank | 755,692,784 | 886,386,193 |
| Short-Term Investments | 341,705,729 | 284,272,013 |
| Cash - Collecting Officers | 299,939,832 | 255,068,821 |
| Payroll Fund | 45,130,995 | 51,958,591 |
| Cash - Disbursing Officers | 9,049,425 | 12,120,130 |
| Petty Cash Fund | 1,550,852 | 1,909,583 |
| Sub-total | 1,453,069,617 | 1,491,715,331 |
| Trust Account: | | |
| Cash in Bank | 530,718,906 | 651,649,761 |
| Cash - Collecting Officers | 112,779,557 | 157,117,321 |
| Cash - Disbursing Officers | 214,037,746 | 46,055,289 |
| Sub-total | 857,536,209 | 854,822,371 |
| Total | 2,310,605,826 | 2,346,537,702 |

Cash in Bank – PPC maintains accounts with Philippine National Bank, Land Bank of the Philippines and Banco de Oro, either for remittance of collections or for payment of operating expenses.

The Cash in Bank – Corporate and Cash in Bank-Trust pertain to Savings account and Current account, respectively under the revised chart of accounts for Government Corporations.

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.

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:

| | 2016 | 2015 |
|--|--------------------|--------------------|
| Cash in Bank - Trust - Manual MO/Philhealth | 323,453,138 | 530,788,908 |
| Cash in Bank - Trust - Social Pension For Indigent Senior Citizens (SPISC) | 65,780,138 | 11,941,468 |
| Cash in Bank - Trust - International Money Order | 48,314,657 | 25,629,469 |
| Cash in Bank - Trust - Philhealth | 39,166,789 | 12,571,931 |
| Cash in Bank - Trust –Bayad Center | 19,400,956 | 19,902,186 |
| Cash in Bank - Trust - Consignment | 14,182,596 | 14,026,639 |
| Cash in Bank - Trust - ePMO | 11,235,912 | 10,996,030 |
| Cash in Bank - Trust - Manual Mo/Philhealth - LBP Php PDIC | 3,812,739 | 212,179 |
| Cash in Bank - Trust - Manual Mo/Philhealth - BDO Phplnstl | 3,320,073 | 2,682,476 |
| Cash in Bank - Trust – Conditional Cash Transfer | 1,882,393 | 5,126,596 |
| Cash in Bank - Trust – Save the Children (SCI) | 78,324 | 413,700 |
| Cash in Bank - Trust - Joint Venture | 58,571 | 17,325,683 |
| Cash in Bank - Trust – Presidential Social Fund | 31,008 | 30,946 |
| Cash in Bank - Trust - Internet Payment Gateway | 1,550 | 1,550 |
| Cash in Bank - Trust –Pph LBP Bureau of Custom | 62 | - |
| | 530,718,906 | 651,649,761 |

Breakdown of Cash - Collecting Officers - Trust Account:

| | 2016 | 2015 |
|--|--------------------|--------------------|
| Cash - Collecting Officers - Trust –Bayad Center | 51,756,511 | 49,930,288 |
| Cash - Collecting Officers - Trust - Philhealth | 39,363,520 | 86,280,106 |
| Cash - Collecting Officers - Trust - Manual MO | 17,887,281 | 19,607,941 |
| Cash - Collecting Officers - Trust - MIWD | 2,736,978 | 493,035 |
| Cash - Collecting Officers - Trust - ePMO | 618,408 | 500,810 |
| Cash - Collecting Officers - Trust - Output VAT | 399,284 | 445,355 |
| Cash - Collecting Officers - Trust - Consignment | 17,575 | (140,214) |
| | 112,779,557 | 157,117,321 |

Breakdown of Cash – Disbursing Officers - Trust Account:

| | 2016 | 2015 |
|--|--------------------|-------------------|
| Cash - Disbursing Officers - Trust - SPISC | 198,845,000 | - |
| Cash - Disbursing Officers - Trust - SCI | 13,200,300 | 34,729,100 |
| Cash - Disbursing Officers - Trust - CCT | 770,529 | 8,215,794 |
| Cash - Disbursing Officers - Trust - Manual MO | 725,569 | 725,569 |
| Cash - Disbursing Officers - Trust - PDIC | 496,348 | 2,384,826 |
| | 214,037,746 | 46,055,289 |

7. TRADE AND OTHER RECEIVABLES, NET

This account consists of the following:

| | 2016 | 2015 |
|---------------------|----------------------|----------------------|
| Receivable - Trade | 1,845,026,982 | 1,364,801,130 |
| Receivable – Others | 653,537,384 | 666,699,132 |
| Total | 2,498,564,366 | 2,031,500,262 |

Receivables - trade

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Accounts Receivable, Designated Operators - Mail Remunerations | 1,321,401,158 | 927,841,246 |
| Accounts Receivable, Trade | 410,524,128 | 287,062,009 |
| Accounts Receivable, Designated Operators - Postal Payment Remittances | 76,276,998 | 81,669,223 |
| Receivables from Joint Venture Partner | 36,824,698 | 68,228,652 |
| Total | 1,845,026,982 | 1,364,801,130 |

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

Receivables-mail remunerations consist of receivables already accepted by the various designated operators which are still outstanding as of December 31, 2016 and receivables billed during the year presented for acceptance by the designated operators.

Accounts receivable, designated operators pertain 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:

| | 2016 | 2015 |
|--|----------------------|--------------------|
| <u>Receivables - mail remunerations</u> | | |
| Accounts Receivable, Designated Operators | 1,321,401,158 | 927,841,246 |
| Allowance for Forex Adjustments | - | - |
| | 1,321,401,158 | 927,841,246 |
| <u>Receivables - postal payment remittances</u> | | |
| Accounts Receivable, Designated Operators- Postal Payment Remittances | 80,248,351 | 90,712,871 |
| Allowance for Forex Adjustments, Designated Operators – Postal Payment | (3,971,353) | (9,043,648) |
| | 76,276,998 | 81,669,223 |

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

Other Receivables consists of the following:

| | 2016 | 2015 |
|--|--------------------|--------------------|
| Due from NGAs, GOCCs, SUCs and LGUs | 464,531,933 | 479,985,355 |
| Due from Directors, Officers And Employees | 96,098,749 | 102,174,009 |
| Receivables - Disallowances/Charges | 60,297,143 | 63,648,452 |
| Rental Receivable | 25,158,016 | 9,463,069 |
| Advances to Officers And Employees | 5,495,785 | 10,465,220 |
| Accounts Receivable, Non-Trade | 1,036,309 | 43,578 |
| Receivables - Others | 919,449 | 919,449 |
| Total | 653,537,384 | 666,699,132 |

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

Rental Receivables include 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.

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.

Receivables-Others pertain 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. Merchandise inventory includes philatelic stamps/items and other PPC products.

| | 2016 | 2015 |
|---|--------------------|--------------------|
| Accountable Forms Inventory | 707,271,228 | 711,659,850 |
| Supplies and Materials Inventory | 150,886,720 | 166,672,377 |
| Merchandise Inventory | 78,272,300 | 83,874,449 |
| Gas, Oil and Lubricants Inventory | 19,314,489 | 20,335,168 |
| Spare Parts Inventory - Motor Vehicles | 16,302,240 | 14,788,549 |
| Construction Materials Inventory | 1,591,333 | 1,591,333 |
| Spare Parts Inventory - Office & It Equipment | 1,161,905 | 938,164 |
| Spare Parts Inventory - Metered Machines | 559,296 | 49,107 |
| Total | 975,359,511 | 999,908,997 |

9. PREPAID EXPENSES AND OTHER CURRENT ASSETS

This account consists of the following:

| | 2016 | 2015 |
|----------------------------|--------------------|-------------------|
| Prepaid Expenses | | |
| Prepaid Insurance | 31,880 | 374,951 |
| Prepaid Rent | 585,953 | 30,880 |
| | 617,833 | 405,831 |
| Deferred Charges | 111,125,996 | 27,155,816 |
| Other current assets | | |
| Input Tax | 24,291,520 | 10,442,945 |
| Creditable Withholding Tax | 18,536,514 | 5,698,485 |
| Creditable VAT | 18,507,814 | 17,260,381 |
| Deferred Input Tax | 17,328,912 | 13,792,701 |
| Guaranty Deposits | 4,121,968 | 3,766,958 |
| | 82,786,728 | 50,961,470 |
| Total | 194,530,557 | 78,523,117 |

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.

Deferred input taxes recognized on purchases of services on credit. This account will be closed to Input Tax upon payment.

10. INVESTMENTS

This account consists of the following:

| | 2016 | 2015 |
|---|--------------------|--------------------|
| 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 |
| PLDT | 494,320 | 494,320 |
| MERALCO | 355,530 | 355,530 |
| 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.

Using the equity method, the unrecorded increase in investment with PPSB is P31.24 based on the net income/loss of PPSB for the period 2009-2013.

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) covered CY 2005.

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, 2016 | 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 |
| Additions | - | 9,000,000 | 5,935,092 | 10,370,000 | 3,614,135 | - | - | - | 28,919,227 |
| Adjustments | (79,100) | (803,337) | (1,802,525) | (6,518,802) | 1,286,280 | 468,213 | (2,049,110) | (64,107) | (9,562,488) |
| Disposals | - | - | (1,125,255) | - | (212,160) | - | - | - | (1,337,415) |
| December 31, 2016 | 2,342,053,985 | 1,212,619,259 | 1,167,543,271 | 345,617,245 | 380,707,892 | 2,440,816 | 112,988,215 | 322,971 | 5,564,293,654 |
| ACCUMULATED DEPRECIATION | | | | | | | | | |
| Jan. 1, 2016 | 9,677,840 | 653,732,126 | 463,270,864 | 169,579,250 | 38,624,368 | 1,243,688 | 1,491,750 | 4,441 | 1,337,624,327 |
| Adjustments | 96,604 | 1,424,125 | 8,280,273 | (13,403,072) | 961,913 | - | - | - | (2,640,157) |
| Provisions | 333,087 | 21,126,162 | 13,975,315 | 32,340,369 | 14,939,994 | - | 15,850,109 | 105,949 | 98,670,985 |
| December 31, 2016 | 10,107,531 | 676,282,413 | 485,526,452 | 188,516,547 | 54,526,275 | 1,243,688 | 17,341,859 | 110,390 | 1,433,655,155 |
| Net Carrying Amount, as restated 31-Dec-16 | 2,331,946,454 | 536,336,846 | 682,016,819 | 157,100,698 | 326,181,617 | 1,197,128 | 95,646,356 | 212,581 | 4,130,638,499 |
| 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 | 4,208,650,004 |

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 Section 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 Corporation for calendar year 2014 and in succeeding years."

Lands existing at the time of incorporation 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.

Among the lots included in the Land account and part of the Paid up Capital of the National Government are the following:

1. Lot located in Intramuros, Manila which is the site of the Central Office is titled in the name of Bureau of Transportation and Telecommunications.
2. Lot of the Postal Bank Main Office which is now owned by the Republic of the Philippines- Philippine Postal Savings Bank, Inc. by way of Proclamation No. 690 dated November 26, 2013.
3. Donated lots that were reclaimed by the donors for failure to fulfil the conditions in the deed of donation; declared as "reserved/or no build zone"; abandoned as post cite, and occupied or controlled by another have a book value (1994 appraisal) of P64,371,820 and fair market value of P336,408,410 as per latest appraisal by Top Consult Inc.

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:

| | 2016 | 2015 |
|--|----------------------|----------------------|
| 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 | 363,964,372 | 363,964,372 |
| Un-reconciled Cash in Bank balance | 353,845,638 | 353,845,638 |
| Due from Subsidiaries with nil probability of collection | 222,850,421 | 222,850,421 |
| Unserviceable assets at their salvage value | 31,448,024 | 31,448,024 |
| Un-reconciled Cash, Collecting Officers balances | 766,704 | 766,704 |
| Arts and other exhibit | 324,625 | 324,625 |
| Other structures and PPE | 245,246 | 245,246 |
| Other Assets (net) | 77,192,787 | 74,028,235 |
| Total | 1,050,637,817 | 1,047,473,265 |

Due from Subsidiaries were claims by PPC from the subsidiaries in payment of various expenses. The account balance was reclassified to "Other Assets" for fair presentation, pursuant to Item 57 of IAS 1.

| Due From Subsidiary Account | 2016 Balance | Description and Disposition |
|--|-----------------|--|
| Provident Fund Office (PFO) | 22,083,889 | <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. |

| Due From Subsidiary Account | 2016 Balance | Description and Disposition |
|---|-----------------|--|
| 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 | 222,850,421 | |

13. TRADE AND OTHER PAYABLES

This account consists of the following:

| | 2016 | 2015 |
|---|-----------------|-----------------|
| Due from Central Office | (5,990,162,900) | (3,898,734,208) |
| Due from Area 01 - Northeastern Luzon (NELA) | (637,734,623) | (489,295,626) |
| Due from Area 02 - Northwestern Luzon (NWL A) | (1,595,335,469) | (1,108,405,072) |
| Due from Area 03 - Mega Manila (MEGA) | (3,360,172,681) | (2,389,116,033) |
| Due from Area 04 - Southern Luzon (SLA) | (1,279,389,672) | (940,358,024) |
| Due from Area 05 - Central And Eastern Visayas (CEVA) | (1,010,812,784) | (669,440,833) |
| Due from Area 06 - Western Visayas (WEVA) | (778,238,419) | (544,008,039) |
| Due from Area 07 - Eastern Mindanao (EMA) | (1,033,591,709) | (810,615,367) |
| Due from Area 08 - Central Mindanao (CEMA) | (631,788,000) | (479,513,670) |
| Due from Area 09 - Western Mindanao (WEMA) | (493,267,460) | (430,891,505) |
| Due to Area 01 - Northeastern Luzon (NELA) | 756,964,539 | 595,662,380 |
| Due to Area 02 - Northwestern Luzon (NWL A) | 1,618,179,170 | 1,158,854,332 |
| Due to Area 03 - Mega Manila (MEGA) | 6,217,626,220 | 4,747,648,747 |
| Due to Area 04 - Southern Luzon (SLA) | 1,012,028,261 | 734,874,723 |
| Due to Area 05 - Central And Eastern Visayas (CEVA) | 922,661,192 | 644,456,960 |
| Due to Area 06 - Western Visayas (WEVA) | 585,959,369 | 347,059,721 |
| Due to Area 07 - Eastern Mindanao (EMA) | 1,049,054,293 | 751,884,763 |
| Due to Area 08 - Central Mindanao (CEMA) | 721,722,228 | 535,653,616 |
| Due to Area 09 - Western Mindanao (WEMA) | 355,849,821 | 276,948,707 |
| Due to Central Office | 4,262,349,419 | 2,458,277,365 |
| Accounts Payable, Designated Operators - Mail Remunerations | 893,519,031 | 735,855,768 |
| Accrued Expenses | 576,466,706 | 726,314,163 |
| Due to Officers And Employees | 548,093,951 | 448,551,082 |
| Due to NGAS, GOCCs, SUCs And LGUs | 541,880,393 | 471,799,571 |
| Area Equity | 419,051,618 | 363,948,288 |
| Terminal Leave Benefits Payable | 249,366,325 | 689,377,680 |
| Other Loan Deductions | 109,175,312 | 177,011,483 |
| Output Tax | 95,613,745 | (4,327,458) |
| Accounts Payable - Trade | 88,079,436 | 100,722,342 |
| Other Payables – Retirement Incentives | 79,023,205 | 79,023,205 |
| Due to GSIS | 60,431,043 | 107,490,586 |
| Due to BIR - Withholding Tax On Compensation | 15,644,902 | 10,135,216 |

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Net VAT Payable | 11,075,465 | - |
| Due to Philhealth | 6,593,030 | 7,210,678 |
| Corporate Income Tax Payable | 5,899,232 | (34,736,596) |
| Due to Pag-ibig | 3,918,007 | 3,880,773 |
| Due to BIR - Expanded Withholding Tax (EWT) | 1,245,890 | 1,504,820 |
| Longevity Benefits Payable | 532,500 | 800,000 |
| Accounts Payable, Designated Operators - Postal Payment Remittances | 97,664 | 138,753 |
| Dividends Payable | 500 | - |
| Due to BIR - Documentary Tax | (2,369) | (2,369) |
| Due to Area Offices – Suspense | (53,611) | (1,742,803) |
| Due to BIR - Value-Added Tax (VAT) | (149,683) | (330,631) |
| Due to BIR - Final Withholding Tax | (2,564,626) | 67,713 |
| Total | 4,394,838,461 | 4,373,635,201 |

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, 2015 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 pertains to COA auditing services. PPC made a partial payment of P5 million this year.

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.

14. DEFERRED CREDITS

This account consists of the following:

| | 2016 | 2015 |
|--------------------------------------|-------------|------------|
| Deferred Output Vat | 119,018,493 | 27,900 |
| Deposits on Direct Mail Services | 44,707,390 | 46,671,943 |
| Performance/ Bidders/ Bonds Payable | 10,963,251 | 12,490,233 |
| Deposits on Private Metered Machines | 15,886,996 | 15,616,309 |
| Guaranty Deposits Payable | 3,584,607 | 4,957,661 |
| Deferred Grant Income | 709,014 | - |

| | 2016 | 2015 |
|--|--------------------|--------------------|
| Deposits on Domestic Mail Services | 3,642 | 3,642 |
| Other Deferred Credits - Remunerations | 585,539,952 | 44,252,546 |
| Other Deferred Credits - Suspense | 173,048,810 | 173,048,811 |
| Total | 953,462,155 | 297,069,045 |

Deposits on Direct Mail Services include revenues arising from mail services which were collected in advance.

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 fulfillment of the obligation by the depositor.

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

Other deferred Credits-Suspense is the total of unidentified deposits in different bank accounts recorded in 2015.

15. TRUST LIABILITIES

This account consists of the following:

| | 2016 | 2015 |
|--|--------------------|--------------------|
| Trust Liabilities – Domestic Money Order – DMO | 399,042,828 | 138,060,690 |
| Trust Liabilities – Social Pension for Indigent Senior Citizens (SPISC) | 265,429,500 | 13,027,000 |
| Trust Liabilities – Premiums/ Bills Payments Collections –Provident Fund | 47,292,485 | 27,604,993 |
| Trust Liabilities – Inbound Int'l Postal Money Order–ePMO | 20,695,129 | 20,695,129 |
| Trust Liabilities – Inbound Int'l Money Order – IMO | 18,857,210 | 33,991,952 |
| Trust Liabilities – SCI | 13,269,932 | 35,518,200 |
| Trust Liabilities – Premiums/ Bills Payments Collections –Bayad Center | 3,509,195 | 8,562,925 |
| Trust Liabilities – Premiums/ Bills Payments Collections – PDIC | 3,482,795 | (2,028) |
| Trust Liabilities – Premiums/ Bills Payments Collections –Consignment | 2,819,862 | 2,821,221 |
| Trust Liabilities – Premiums/ Bills Payments Collections – MIWD | 2,736,978 | 493,035 |
| Trust Liabilities – Conditional Cash Transfers Program- CCT | 2,287,111 | 15,887,697 |
| Trust Liabilities – Domestic ePMO | 864,546 | 1,084,628 |
| Trust Liabilities – Inbound ePMO | 759,799 | 733,311 |
| Trust Liabilities – Premiums/ Bills Payments Collections – DHL | 651,886 | 651,886 |
| Trust Liabilities – Outbound ePMO | 49,299 | 49,299 |
| Trust Liabilities – Premiums/ Bills Payments Collections –Philhealth | (90,269,383) | 661,863,410 |
| Trust Liabilities – Outbound IMO | (1,103,005) | (661,737) |
| SUB-TOTAL – TRUST | 690,376,167 | 960,381,611 |

| | 2016 | 2015 |
|-----------------------------------|--------------------|----------------------|
| Trust Liabilities – Joint Venture | 16,355,508 | 110,551,243 |
| Trust Liabilities – BAC Honoraria | 9,700 | 1,200 |
| SUB-TOTAL –CORPORATE | 16,365,208 | 110,552,243 |
| Total | 706,741,375 | 1,070,934,054 |

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 designated beneficiaries or payees such as Conditional Cash Transfer (CCT), Bayad Center, Philippine Health Insurance Corporation (PhilHealth) etc.

The balance of Trust Liabilities – Social Pension for Indigent Senior Citizens (SPISC) refers to fund transfer from DSWD subject to liquidation. According to Area 6, eighty to ninety percent of the fund transfer from DSWD for this project was already paid to designated beneficiaries.

16. LOANS PAYABLE – DOMESTIC

This account consists of the following:

| | 2016 | 2015 |
|--------------------------|------------|------------|
| Loans Payable – Domestic | 51,744,281 | 72,251,679 |

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 P167.072 million were given as collateral in September 2009.

The Corporation availed of a new loan from PPSB under PN No. 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 a 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

| | 2016 | 2015 |
|-------------------------------------|--------------------|--------------------|
| Government Service Insurance System | 189,080,647 | 284,622,458 |
| Provident Fund Office | 11,382,485 | 50,426,194 |
| Philippine Postal and Savings Bank | 60,000,000 | 80,000,000 |
| Total | 260,463,132 | 415,048,652 |

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.

18. MAIL SERVICE INCOME

This account is composed of the following:

| | 2016 | 2015 |
|---|-------------|-------------|
| Domestic Ordinary Mails | 799,972,992 | 699,819,859 |
| Domestic Ordinary Mails With Proof Of Delivery | 116,032,325 | 137,628,653 |
| Domestic Registered Mails With Return Card | 87,393,149 | 175,032,260 |
| Domestic Registered Mails | 289,422,480 | 202,819,393 |
| Domestic EMS– Merchandise | 24,439,528 | 12,616,533 |
| Domestic Priority Mails | 15,714,397 | 20,202,023 |
| Domestic EMS– Documents | 14,883,896 | 13,818,570 |
| Domestic Printed Matters And Magazines | 12,522,569 | 16,313,139 |
| Domestic Air Parcel | 4,814,407 | 6,767,621 |
| Domestic Express Pouch | 4,773,027 | 5,014,602 |
| Domestic Subscriptions With Mail Indicia | 1,486,127 | 4,946,934 |
| Domestic Books | 283,783 | 1,250,515 |
| Domestic COD Parcel | 206,222 | 31,121 |
| Intl EMS– Merchandise | 527,532,275 | 537,219,668 |
| Intl Ordinary Parcel | 113,071,661 | 92,370,387 |
| Intl EMS– Documents | 105,142,476 | 125,198,299 |
| Intl Letters | 71,180,900 | 71,830,093 |
| Intl Registered Letters | 48,084,824 | 34,905,892 |
| Intl Registered Small Packet | 18,219,560 | 17,770,645 |
| Intl Ordinary Parcel With Advice Of Receipt | 18,030,722 | 46,506,111 |
| Intl Registered Letters With Advice Of Receipt | 7,558,921 | 27,023,583 |
| Intl Letters – Special Delivery | 5,989,564 | 13,317,825 |
| Intl Postcards | 2,079,208 | 3,097,003 |
| Intl Registered Small Packet With Advice Of Receipt | 1,288,936 | 7,467,818 |
| Intl Registered Printed Matters | 992,569 | 790,719 |
| Intl Printed Matter | 887,843 | 3,053,972 |
| Intl Books | 657,491 | 472,474 |
| Intl Registered Printed Matter With Advice Of Receipt | 138,981 | 1,028,950 |
| Intl Business Reply Service (IBRS) | 110,606 | 244,249 |
| EMS Delivery Income | 183,417,856 | 214,772,113 |
| Terminal Dues Income – Recorded Items | 166,296,051 | 154,360,769 |
| Presentation To Customs Fee | 99,726,208 | 92,621,381 |
| Inward Land Rate Income | 56,778,938 | 55,277,473 |
| Direct Access/Entry Income | 23,056,137 | 41,942,836 |

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Direct Mail Income | 1,984,000 | 1,489,561 |
| Business Reply Envelope | 1,573,491 | 769,921 |
| Packaging Services | 1,051,248 | 889,584 |
| Handling and Storage Fee | 104,687 | 117,372 |
| Unaddressed Mails | 47,886 | 590,876 |
| Fax Mails | 875 | 1,040,973 |
| Miscellaneous Income – Valuation Fees | 950,404 | 2,575,407 |
| Miscellaneous Income – 2 nd Class Mails | 458,761 | 443,625 |
| Miscellaneous Income – Mail Bag | 339,900 | 351,841 |
| Miscellaneous Income – Letter Shopping | - | 7,703 |
| Total | 2,828,697,881 | 2,845,810,346 |
| Less: Discounts on Mailing Services | 29,563,768 | 22,703,191 |
| Balance | 2,799,134,113 | 2,823,107,155 |

19. POSTAL PAYMENT SERVICES

| | 2016 | 2015 |
|---|--------------------|--------------------|
| Postal ID Fees | 254,978,752 | 209,890,915 |
| Income from Joint Venture | 124,475,723 | 18,079,899 |
| Delivery Service Fees – Senior Citizen | 26,702,593 | 3,130,495 |
| Commission on Collections – Philhealth | 22,666,302 | 12,734,893 |
| Domestic Postal Money Order Service Fees | 10,586,728 | 10,628,104 |
| Delivery Service Fees – PDIC | 9,623,555 | 5,977,450 |
| Postal ID Delivery Fee | 7,587,639 | 10,221,507 |
| Delivery Service Fees – PMO | 2,243,461 | 5,942,732 |
| Commission on Collections – BayadCenter | 3,564,575 | 4,398,317 |
| Pension Verification | 3,390,076 | - |
| Inbound Intl ePostal Money Order Service Fees | 2,212,818 | 1,234,027 |
| Delivery Service Fees – CCT | 781,948 | 2,251,724 |
| Delivery Service Fees – MIWD | 192,880 | 193,305 |
| MIWD Service Commission Fees | 122,035 | 115,265 |
| Delivery Service Fees – Save the Children | 82,850 | 195,450 |
| Domestic e-Postal Money Order Service Fees | 45,534 | 55,829 |
| Outbound Intl e-Postal Money Order Service Fees | 150 | 10,021 |
| Intl ePMO Service Fees | 26 | - |
| Delivery Service Fees – ICRC | - | 253,480 |
| Miscellaneous Income – Lamination Fees | 21,163 | 852,832 |
| Miscellaneous Income – Rush Processing Fees | - | 20,699,538 |
| Miscellaneous Income – Ordinary Processing Fees | - | 1,320,449 |
| Miscellaneous Income – Lamination Commission | - | 144,765 |
| Total | 469,278,808 | 308,330,997 |

20. LOGISTICS SERVICES

This account is composed of the following:

| | 2016 | 2015 |
|--------------------|-------------|------------|
| Cumbersome Cargoes | 141,210,121 | 47,804,628 |

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

21. RETAIL SERVICES

This account is composed of the following:

| | 2016 | 2015 |
|-------------------------|-------------------|-------------------|
| Philatelic sales | 37,971,240 | 66,990,367 |
| Bulk Stamps sales | 15,154,276 | - |
| PhilPost products sales | 2,059,923 | 1,067,823 |
| Total | 55,185,439 | 68,058,190 |

22. OTHER INCOME

This account is composed of the following:

| | 2016 | 2015 |
|---|------------|------------|
| Rent Income | 31,302,018 | 25,276,167 |
| Lock Box Rental | 6,997,058 | 7,726,697 |
| Franchising and Accreditation Fees | 3,115,651 | 2,462,349 |
| Collect-on-Delivery Commission | 242,708 | 25,719,584 |
| Commission on Consignment Sales | 29,377 | 280,714 |
| Miscellaneous Income – Service Fees | 5,551,636 | 5,977,071 |
| Miscellaneous Income – Certification/ Authentication/ Revalidation Fees | 1,835,259 | 5,673,599 |
| Miscellaneous Income – Permit Fees | 378,224 | 637,225 |
| Miscellaneous Income – Annual Fees/Charge Account | 351,284 | 142,410 |
| Miscellaneous Income – Parking Fees | 320,727 | 255,430 |
| Miscellaneous Income – Penalties | 233,439 | 512,019 |
| Miscellaneous Income – Philpost Box | 186,368 | 5,065,690 |
| Miscellaneous Income – Photocopy Service Fees | 145,993 | 223,106 |
| Miscellaneous Income – Sale of Waste Materials | 34,783 | 19,988 |
| Miscellaneous Income – Ticketing Office Commission | 26,954 | 43,243 |
| Miscellaneous Income – Cancelled PID Fees | 67 | 39,599 |
| Miscellaneous Income – Photo Service Fees | 2 | 11,220 |
| Miscellaneous Income – Photo ID Service Fees | - | 137,180 |
| Miscellaneous Income – Photo ID Commission Fees | - | 30,670 |

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Miscellaneous Income – Pre-Qualification Fee | - | 30,000 |
| Miscellaneous Income – Photo Service Commission | - | 2,659 |
| Miscellaneous Income – Mobile Auto Load Commission | - | 1,900 |
| Total | 50,751,548 | 80,268,520 |

23. PERSONAL SERVICES

This account is composed of the following:

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Salaries and Wages – Regular | 1,084,134,911 | 1,059,259,055 |
| Personnel Economic Relief Allowance (PERA) | 129,357,684 | 134,957,647 |
| Life and Retirement Insurance Contributions | 129,955,448 | 128,080,844 |
| Performance-Based Bonus | 125,000,000 | 120,000,000 |
| Year End Bonus | 177,340,288 | 88,452,705 |
| Terminal Leave Benefits | 108,014,859 | 70,528,244 |
| Cash Gift | 31,086,500 | 28,767,275 |
| Clothing/Uniform Allowance | 32,566,725 | 28,008,660 |
| Productivity Enhancement Incentive (PEI) | 26,421,000 | 26,449,167 |
| Letter Carrier's Allowance | 12,397,259 | 13,199,842 |
| Philhealth Contributions | 12,500,398 | 12,418,880 |
| Representation Allowance (RA) | 6,984,127 | 7,484,412 |
| Transportation Allowance (TA) | 6,951,686 | 7,436,657 |
| Pag-Ibig Contributions | 6,571,925 | 6,787,069 |
| Employees Compensation (EC) Contributions | 6,479,500 | 6,705,713 |
| Overtime Pay | 6,126,451 | 6,871,738 |
| Per Diems | 3,075,000 | 3,711,000 |
| Night Differential Pay | 1,949,437 | 2,261,319 |
| Longevity Pay | 1,717,500 | 2,797,500 |
| Honoraria | 298,400 | 209,693 |
| Special Counsel Allowance | 32,500 | 38,750 |
| Hazard Pay | 594 | - |
| Total | 1,908,962,192 | 1,754,426,170 |

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.

24. MAINTENANCE AND OTHER OPERATING EXPENSES

This account is composed of the following:

| | 2016 | 2015 |
|---|-------------|-------------|
| Manpower Services | 186,150,909 | 175,852,570 |
| Accountable Forms Expenses | 104,768,439 | 86,569,205 |
| Depreciation Expenses | 98,670,986 | 72,870,158 |
| Domestic Conveyance Expenses | 74,883,938 | 91,239,493 |
| Supplies and Materials Expenses | 74,484,153 | 69,751,092 |
| General Services | 59,653,311 | 63,135,285 |
| Rent Expenses | 44,595,378 | 45,800,883 |
| Gasoline, Oil and Lubricants Expenses | 42,431,192 | 40,119,362 |
| Security Services | 40,364,359 | 40,898,575 |
| Electricity Expenses | 40,242,890 | 38,274,846 |
| Travelling Expenses – Local | 40,134,365 | 42,379,728 |
| Auditing Services | 39,213,120 | 34,971,593 |
| Bad Debts Expenses | 21,032,819 | 13,628,262 |
| Internet Expenses | 13,963,770 | 13,196,950 |
| Janitorial Services | 12,026,259 | 12,522,005 |
| Water Expenses | 7,930,980 | 8,599,563 |
| Insurance Expenses | 7,697,954 | 7,246,249 |
| Advertising and Marketing Expenses | 6,737,307 | 15,118,188 |
| Repairs and Maintenance – Motor Vehicles | 6,484,696 | 6,320,571 |
| Telephone Expenses – Landline | 6,414,296 | 7,251,023 |
| Repairs and Maintenance – Buildings | 6,114,535 | 11,778,955 |
| UPU Membership Dues And Fees | 4,650,375 | 5,826,311 |
| Travelling Expenses – Foreign | 4,554,028 | 10,650,237 |
| Training Expenses | 3,971,926 | 7,742,301 |
| Fines and Penalties | 1,969,396 | 7,990,795 |
| Fidelity Bond Premiums | 1,786,542 | 1,406,166 |
| Taxes, Duties and Licenses | 1,733,794 | 9,097,941 |
| Miscellaneous Expenses | 1,376,159 | 936,360 |
| Repairs and Maintenance – Equipment | 1,017,677 | 1,212,954 |
| BOD Reimbursable Expenses | 999,460 | 1,582,613 |
| Telephone Expenses – Mobile | 771,067 | 851,767 |
| Extraordinary Expenses | 666,057 | 617,957 |
| Consultancy Services | 435,294 | 8,361,110 |
| Loss of Assets | 400,000 | 38,670 |
| Repairs and Maintenance – IT Equipment And Software | 360,985 | 116,101 |
| Awards and Indemnities | 143,239 | 57,081 |
| Subscription Expenses | 140,521 | 73,230 |
| Gender and Development Expenses | 83,416 | 22,635 |
| Scholarship Expenses | 62,254 | 164,832 |

| | 2016 | 2015 |
|--|----------------------|--------------------|
| Legal Expenses | 54,000 | 597 |
| Repairs and Maintenance – Furniture And Fixtures | 15,252 | 253,490 |
| Documentary Stamp Expenses | 97 | 3,607 |
| Leasing Costs | - | 298,460 |
| Other Maintenance and Operating Expenses | 123,928,160 | 36,910,512 |
| Total | 1,083,115,355 | 991,740,283 |

Breakdown of Depreciation Expenses:

| | 2016 | 2015 |
|---------------------------------------|-------------------|-------------------|
| Depreciation - Motor Vehicles | 32,340,369 | 25,101,199 |
| Depreciation - Buildings | 21,126,162 | 24,751,572 |
| Depreciation - Machineries | 15,850,109 | 298,350 |
| Depreciation - IT Equipment | 14,939,994 | 7,032,508 |
| Depreciation - Equipment | 13,156,876 | 14,041,257 |
| Depreciation - Furniture And Fixtures | 818,439 | 1,262,961 |
| Depreciation - Land Improvements | 333,088 | 377,870 |
| Depreciation - Tools | 105,949 | 4,441 |
| | 98,670,986 | 72,870,158 |

Breakdown of Valuation Allowances

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Bad Debt Expenses | 21,032,819 | 13,602,762 |
| Provision for Forex Adjustments on Receivables - Mail Remunerations | - | 25,500 |
| | 21,032,819 | 13,628,262 |

Breakdown of Other Expenses

| | 2016 | 2015 |
|--|--------------------|-------------------|
| Other MOOE - Meetings/Dialogues | 7,700,307 | 18,112,649 |
| Other MOOE - Appraisal | 3,608,000 | 6,146,560 |
| Other MOOE - Phlpost Christmas Celebration | 493,253 | 654,581 |
| Other MOOE - Pre Qualification Advertising | 123,619 | 618,378 |
| Other MOOE - Donations to Organizations | 44,500 | 8,000 |
| Other MOOE - Phlpost Anniversary Celebration | 34,840 | 214,067 |
| Other MOOE - Real Properties Titling | 20,020 | 20,754 |
| Other MOOE – Common Usage | 300 | - |
| Other MOOE - Others | 111,903,321 | 10,896,163 |
| Other MOOE - Salo-Salo Program | - | 231,330 |
| Other MOOE – PhlpostHenryo Program | - | 8,030 |
| | 123,928,160 | 36,910,512 |

25. INTERNATIONAL MAIL EXCHANGE EXPENSES

This account is composed of the following:

| | 2016 | 2015 |
|--|--------------------|--------------------|
| Intl Conveyance Expenses - Air | 218,914,920 | 247,485,677 |
| EMS Delivery Expenses | 185,406,743 | 197,554,782 |
| Sea Rate Expenses | 38,599,317 | 43,798,236 |
| Terminal Dues Expenses – Recorded Items | 36,659,707 | 40,317,785 |
| Intl Conveyance Expenses - Surface | 14,616,326 | 10,926,658 |
| Outbound Intl Postal Payment Charges, IMO Delivery Expense | 14,883 | - |
| Total | 494,211,896 | 540,083,138 |

26. 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.

27. PAID-IN CAPITAL

The appraised value of all existing assets of the then Postal Service Office is the subscription of the National Government. PPC has not yet issued any share of stock.

28. 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 | - | 1,005,730,000 | 1,005,730,000 |
| Regional Offices | 33,071,400 | 108,978,520 | 75,907,120 |
| Appraisal Increase | 174,091,400 | 1,749,298,520 | 1,575,207,120 |

29. 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.

30. 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* include accountabilities/shortages of absconded employees; *Land* includes booked-up value of properties without titles; *Accounts Payable* includes 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 | 94,036,583 | - |
| Cash - Collecting Officers - Trust - Manual Mo - For Recon | 7,639,587 | - |
| Cash - Disbursing Officers - Corporate - For Recon | 10,715,430 | - |
| Cash - Disbursing Officers - Trust - Manual Mo - For Recon | 725,569 | - |
| Petty Cash Fund - For Recon | 71,158 | - |
| Payroll Fund - For Recon | 33,845,956 | - |
| Cash in Bank - Corporate - For Recon | - | 334,136,954 |
| Cash in Bank - Trust - Manual Mo/Philhealth - For Recon | 459,334,111 | - |
| Cash in Bank - Trust - Bayad Center - For Recon | - | 475 |
| Cash in Bank - Trust - Joint Venture - For Recon | 4,060 | - |
| Accounts Receivable, Trade - For Recon | - | 2,596,889 |
| Due from Directors, Officers And Employees - For Recon | 48,532,064 | - |
| Receivables - Disallowances/Charges - For Recon | 36,665,124 | - |
| Due from NGAs, GOCCs, SUCs And LGUs - For Recon | 3,537,771 | - |
| Due from Central Office - For Recon | 2,290,800 | - |
| Due from Area 07 - Eastern Mindanao (EMA) - For Recon | 1,477,538 | - |
| Advances to Officers And Employees - For Recon | 344,385 | - |
| Receivables from Joint Venture Partners - For Recon | 159,713 | - |
| Rental Receivable - For Recon | 81,367 | - |
| Accountable Forms Inventory - For Recon | 691,151,139 | - |
| Supplies and Materials Inventory - For Recon | 109,644,733 | - |
| Merchandise Inventory - For Recon | 13,227,535 | - |
| Spare Parts Inventory - Motor Vehicles - For Recon | 8,273,986 | - |

| ACCOUNT NAME | DEBIT | CREDIT |
|---|-------------|---------------|
| Gas, Oil and Lubricants Inventory - For Recon | 289,013 | - |
| Deferred Charges - For Recon | 572,044 | - |
| Guaranty Deposits - For Recon | 85,826 | - |
| Prepaid Insurance - For Recon | 6,957 | - |
| Prepaid Rent - For Recon | 2,000 | - |
| Investment In Stocks - For Recon | 187,180 | - |
| Land - For Recon | - | 2,267,849 |
| Land Improvements - For Recon | 1,058,915 | - |
| Buildings - For Recon | 4,464,605 | - |
| Equipment - For Recon | 5,574,002 | - |
| Furniture and Fixtures - For Recon | 719,168,006 | - |
| It Equipment and Software - For Recon | 241,559,108 | - |
| Philatelic Museum Items and Library Books - For Recon | 1,100 | - |
| Motor Vehicles - For Recon | 946,835 | - |
| Other Assets - For Recon | 579,359,235 | - |
| Accumulated Depreciation - Land Improvements - For Recon | - | 2,092,973 |
| Accumulated Depreciation - Buildings - For Recon | - | 3,589,203 |
| Accumulated Depreciation - Equipment - For Recon | - | 3,507,815 |
| Accumulated Depreciation - Furniture And Fixtures - For Recon | - | 27,769 |
| Accumulated Depreciation - It Equipment And Software - For Recon | - | 502,038 |
| Accumulated Depreciation - Motor Vehicles - For Recon | - | 1,360,521 |
| Accounts Payable - Trade - For Recon | - | 17,037,737 |
| Due to Officers And Employees - For Recon | - | 137,326,088 |
| Accrued Expenses - For Recon | - | 814,154,542 |
| Due to BIR - Withholding Tax On Compensation - For Recon | 4,721,339 | - |
| Due to BIR - Expanded Withholding Tax (EWT)- For Recon | 1,634,655 | - |
| Due to BIR - Value-Added Tax (VAT) - For Recon | 77,666 | - |
| Due to BIR - Final Withholding Tax - For Recon | - | 117,860 |
| Due to GSIS - For Recon | - | 2,402,944 |
| Due to Pag-Ibig - For Recon | 4,205,668 | - |
| Due to Philhealth - For Recon | - | 540,349 |
| Due to NGAs, GOCCs, SUCs and LGUs - For Recon | - | 58,349,845 |
| Other Loan Deductions - For Recon | - | 81,510,479 |
| Due to Central Office - For Recon | 816,513,461 | - |
| Due to Area 01 –Northeastern Luzon (Nela) – For Recon | - | 150,365,284 |
| Due to Area 02 - For Recon | - | 22,951 |
| Due to Area 03 - Mega Manila (Mega) - For Recon | - | 1,974,770,976 |
| Due to Area 08 - For Recon | 2,290,800 | - |
| Guaranty Deposits Payable - For Recon | - | 49,038 |
| Deposits on Domestic Mail Services - For Recon | - | 3,642 |
| Other Deferred Credits - Remunerations - For Recon | - | 1,026,943 |
| Trust Liabilities - Premiums/ Bills Payments Collections - Philhealth - For Recon | - | 2,273,902 |

| ACCOUNT NAME | DEBIT | CREDIT |
|-------------------------------------|----------------------|----------------------|
| Trust Liabilities - DMO - For Recon | - | 525,165,585 |
| Area Equity - For Recon | - | 92,833,036 |
| Paid-Up Capital - For Recon | 262,952,271 | - |
| Donated Capital - For Recon | - | 17,100 |
| Retained Earnings - For Recon | 40,346,145 | - |
| Prior Years Adjustments | 275,344 | - |
| Total | 4,208,050,784 | 4,208,050,787 |

31. OTHER MATTERS

a. Tax Subsidy

PPC received from the National Government subsidy in the amount of P332,156,371 for "output" value added tax for CY 2015.

b. Reimbursement of foregone Revenue from Franking Mail Privileges for CY 2015

The foregone revenue from franking mail privileges for CY 2015 was reimbursed by the National Government in the amount of P301 million under SARO No. BMB-C-16-0009993 with the corresponding Notice of Cash Allocation No. BMB-C-16-0005898 credited to the BTR's MDS Sub-Account No. 2001-90167-3, later on credited to the account of PPC.

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

| | Amount |
|----------------------|----------------|
| BPI/FEBTC/AASSF | 250,722 |
| Allied Banking Corp. | 44,218 |
| Total | 294,940 |

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's defense includes: (1) it cannot act as surety under its charter; and (2) the surety agreements were signed by persons not authorized by PPC.

d. The Commission on Audit, in its Decision No. 2016-472 dated December 28, 2016, granted the Petition for Money claim of FGU Insurance Corporation (FGU), Makati City, as insurer-subrogee, against Philippine Postal Corporation in the amount of P287,500.00, plus legal interest in the amount of P511,451.37.

e. PPC has a payable to Philippine Postal Savings Bank (PPSB) as of December 31, 2016 in the amount of P4,545,811.40 representing the rehabilitation cost of the then PPC building destroyed by fire in 2011. On the other hand, PPSB's outstanding

payable as of December 31, 2016 is P1,050,000.00 for the rental of the former Regional Office, Baguio City Post Office from September 2015 to December 2016. The property is being rented for P50,000.00 monthly by PPSB for the use of the Philippine Charity Sweepstakes Office.

On November 25, 2016, PPC requested PPSB for offsetting of its payable of P4,545,811.40 against the latter's payable of P900,000.00 for rental covering the period April 2015 to September 2016, and succeeding monthly rental of P50,000.00 until the amount of P4,545,811.40 is fully paid or until the property is vacated by PCSO.

In a letter dated February 2017, PPSB conveyed its approval and acceptance of PPC's proposal for offsetting, however, requested to include the monthly payment to Philpost for its postage consumptions.

f. **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:

a. 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 | 607,052,468 | 72,846,297 | 90,097,012 | 10,811,641 | 1,533,476 | 60,501,179 |
| 2nd | 648,816,971 | 77,858,037 | 94,431,365 | 11,331,764 | 2,597,759 | 63,928,514 |
| 3rd | 669,232,279 | 80,307,873 | 138,207,820 | 16,584,938 | 2,186,102 | 61,536,833 |
| 4rth | 849,229,094 | 101,907,491 | 193,846,128 | 23,261,536 | 6,343,998 | 72,301,958 |
| Total | 2,774,330,812 | 332,919,698 | 516,582,325 | 61,989,879 | 12,661,335 | 258,268,484 |

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

| CY2016 | TAX WITHHELD | TAX REMITTED |
|-----------|--------------|--------------|
| January | 1,042,389.22 | 1,042,389.22 |
| February | 1,347,984.38 | 1,347,984.38 |
| March | 810,353.95 | 810,353.95 |
| April | 1,031,848.91 | 1,031,848.91 |
| May | 1,749,164.77 | 1,749,164.77 |
| June | 2,137,039.12 | 2,137,039.12 |
| July | 976,173.39 | 976,173.39 |
| August | 1,198,344.17 | 1,198,344.17 |
| September | 1,397,919.93 | 1,397,919.93 |

| CY2016 | TAX WITHHELD | TAX REMITTED |
|---------------|----------------------|----------------------|
| October | 1,918,995.96 | 1,918,995.96 |
| November | 1,347,453.99 | 1,347,453.99 |
| December | 3,454,862.13 | 3,454,862.13 |
| TOTAL | 18,412,529.92 | 18,412,529.92 |

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

| CY2016 | TAX WITHHELD | REMITTED |
|---------------|----------------------|----------------------|
| January | 1,968,779.50 | 1,968,779.50 |
| February | 2,354,319.20 | 2,354,319.20 |
| March | 895,286.11 | 895,286.11 |
| April | 1,510,231.31 | 1,510,231.31 |
| May | 3,185,740.17 | 3,185,740.17 |
| June | 2,972,035.52 | 2,972,035.52 |
| July | 1,202,857.68 | 1,202,857.68 |
| August | 2,025,269.65 | 2,025,269.65 |
| September | 2,281,010.43 | 2,281,010.43 |
| October | 3,760,315.33 | 3,760,315.33 |
| November | 2,443,714.84 | 2,443,714.84 |
| December | 7,661,541.14 | 7,661,541.14 |
| TOTAL | 32,261,100.88 | 32,261,100.88 |

- d. Monthly return of income tax withheld on compensation (1601C)

| CY2016 | TAX WITHHELD | TAX REMITTED |
|---------------|----------------------|----------------------|
| January | 6,105,048.27 | 6,105,048.27 |
| February | 4,800,763.67 | 4,800,763.67 |
| March | 7,848,376.64 | 7,848,376.64 |
| April | 6,987,196.89 | 6,987,196.89 |
| May | 6,816,713.35 | 6,816,713.35 |
| June | 6,894,883.51 | 6,894,883.51 |
| July | 6,845,107.61 | 6,845,107.61 |
| August | 7,128,298.81 | 7,128,298.81 |
| September | 6,924,884.68 | 6,924,884.68 |
| October | 7,138,343.41 | 7,138,343.41 |
| November | 7,237,474.21 | 7,237,474.21 |
| December | 6,921,444.38 | 6,921,444.38 |
| TOTAL | 81,648,535.43 | 81,648,535.43 |