

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 Chart 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 Chart 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 PhpInstl	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	Expenditures for salaries/bonuses of PPC employees detailed at PFO and other operational expenses. This is subject to reconciliation.
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)	(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)	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 fulfilment 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 - Philpost 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 - Philpost 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 – PhilpostHenry 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, PPCB'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