



APO PRODUCTION UNIT, INC.

**APO PRODUCTION UNIT, INC**

**ANNUAL REPORT**

---

2016

## I. Accomplishments – FY 2016

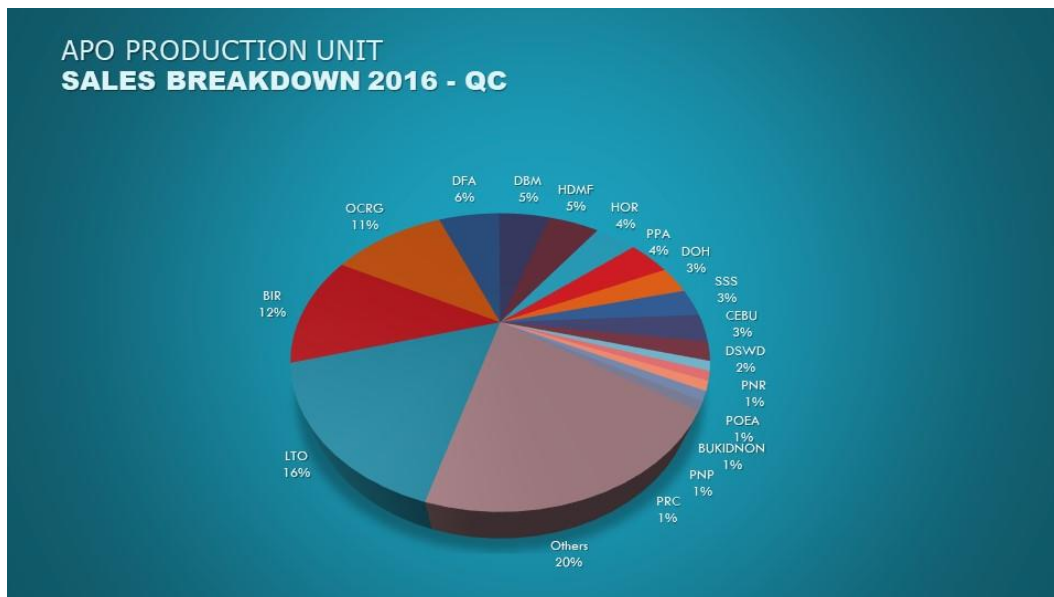
### 1. New Management

With the election of President Rodrigo Duterte as President of the Philippines, APO's Board of Trustees and Management appointed by the past administration ended their term on June 20 2018. The new administration first appointed Mr. Michael Dalumpines as the new Chairman of Board of Trustees. For the remainder of the year, no other member of the Board of Trustees was appointed to fill up the 6 vacant positions on the Board. The positions of President, General Manager and EVP remained vacant by the end of 2016.

### 2. Financial Perspective

In 2016, APO Production Unit Joint Venture to handle high security project started operating in the LIMA Plant in Batangas. The Joint Venture handles the production of e-passport for the DFA for 10 years.

As a result of this expansion, all high security projects handled by our Quezon City Plant were transferred to the Joint Venture for processing and the regular accountable for remained with our Quezon City plant. Because of this move, Quezon City plant revenues decreased by 50%, posting only P335.3 million in 2016.



The Land Transportation Office remained to be APO QC Plant's biggest client in 2016, posting 16% of the total QC revenues. The Bureau of Internal Revenue, Office of the Civil Registry of the National Statistics Office, Department of Foreign Affairs and the Department of Budget and Management comprise the top 5 clients of APO with a share of 12%, 11%, 6% and 5% share of revenues, respectively.

Other top clients were Home Development Mutual Fund, House of Representatives, Philippine Ports Authority, Department of Health and the Social Security System.

Revenues from the production of tax stamps in Lima Plant also dipped by 10% in 2016. The volume of cigarette sales decreased because of the increasing taxes and the government information campaign into the effects of smoking on the health of individuals. Total sales from tax stamp production was registered at P481 million.

Total sales for both QC and Lima operation was P812 million in 2016.

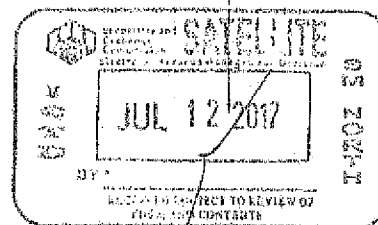


Despite the decline in revenues from regular accounts, the net income after tax of the company increased by 9% to P58 million, due the dividend income earned from the Joint Venture.

### **3. APO-UGEC Joint Venture**

In 2016, APO through the APO-UGEC Joint Venture started the printing of e-passport for the Department of Foreign Affairs. The Joint Venture posted a revenue of P1.3 billion in the same year.

**APO PRODUCTION UNIT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2016 and 2015**  
(In Philippine Peso)



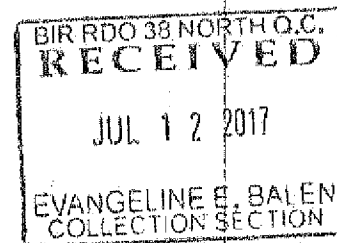
	Note	2016	As Restated 2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	6	103,676,042	199,943,185
Receivables	7	538,728,571	173,880,066
Inventories	8	121,474,898	115,052,889
Other current assets	9	113,501,183	51,598,762
<b>Total Current Assets</b>		<b>877,380,674</b>	<b>540,474,902</b>
<b>Non-Current Assets</b>			
Property and equipment	10	99,067,659	68,072,459
Intangible assets	11	6,085,826	4,690,632
Deferred tax assets		1,109,533	1,209,724
Other non-current assets	12	47,949,371	50,233,222
<b>Total Non-Current Assets</b>		<b>154,212,389</b>	<b>124,206,037</b>
<b>TOTAL ASSETS</b>		<b>1,031,593,063</b>	<b>664,680,939</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	13	580,326,369	373,103,684
Other current liabilities	14	139,196,103	61,784,256
<b>Total Current Liabilities</b>		<b>719,522,472</b>	<b>434,887,940</b>
<b>Non-Current Liabilities</b>			
Loans payable - long-term	15	94,518,250	94,518,250
Deferred tax liabilities		3,365,833	3,365,833
Other payables	16	123,970,403	74,804,259
<b>Total Non-Current Liabilities</b>		<b>221,854,486</b>	<b>172,688,342</b>
<b>TOTAL LIABILITIES</b>		<b>941,376,958</b>	<b>607,576,282</b>
<b>EQUITY</b>		<b>90,216,105</b>	<b>57,104,657</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,031,593,063</b>	<b>664,680,939</b>

See accompanying Notes to Financial Statements.

**APO PRODUCTION UNIT, INC.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the Years Ended December 31, 2016 and 2015  
(In Philippine Peso)

	Note	2016	As Restated 2015
<b>REVENUE</b>			
Service and business income		816,206,063	1,210,626,193
Gain from sale on property and equipment		0	77,069
Other non-operating income	21	7,845,989	4,059,502
<b>Total Income</b>		<b>824,052,052</b>	<b>1,214,762,764</b>
<b>EXPENSES</b>			
Direct costs	18	663,975,602	893,163,031
Personnel services	19	67,610,952	75,286,373
Maintenance and other operating expenses	20	73,891,104	138,422,549
Financial expenses	24	1,531,539	1,372,050
Other expenses	25	1,644,230	22,301,996
Non-cash expenses	26	10,009,261	6,068,826
<b>Total Expenses</b>		<b>818,662,688</b>	<b>1,136,614,825</b>
<b>NET PROFIT BEFORE INCOME TAX</b>		<b>5,389,364</b>	<b>78,147,939</b>
<b>INCOME TAX EXPENSE</b>			
Current	27	3,044,609	27,982,811
Deferred		100,191	27,795
<b>NET PROFIT AFTER TAX</b>		<b>2,244,564</b>	<b>50,137,333</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Share of income from joint venture	22	55,802,934	2,482,014
<b>COMPREHENSIVE INCOME</b>		<b>58,047,498</b>	<b>52,619,347</b>

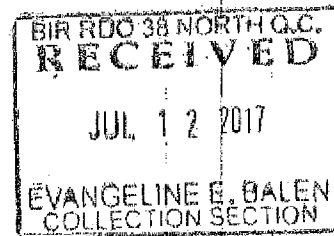
See accompanying Notes to Financial Statements.



APO PRODUCTION UNIT, INC.  
 STATEMENT OF CHANGES IN EQUITY  
 For the Years Ended December 31, 2016 and 2015  
 (in Philippine Peso)

	DONATED CAPITAL (Note 17)	REVALUATION SURPLUS	RETAINED EARNINGS (DEFICIT)	TOTAL
Balance at January 1, 2015	3,193,117	8,976,818	(16,275,532)	(8,105,599)
Net income			52,619,347	52,619,347
Revaluation increment in property		2,908,467		2,908,467
Full amortization of prior year's revaluation increment in property PPE		(6,976,818)		(6,976,818)
Investment in joint venture	21,500,000			21,500,000
Adjustments			16,435,916	16,435,916
Prior period adjustment			(22,946,658)	(22,946,658)
<b>Balance at December 31, 2015</b>	<b>24,693,117</b>	<b>2,908,467</b>	<b>29,833,073</b>	<b>57,434,657</b>
Balance at January 1, 2016	24,693,117	2,908,467	29,833,073	57,434,657
Net income			58,047,498	58,047,498
Investment in joint venture			21,500,000	21,500,000
Adjustment on Donated Capital	(3,193,117)		3,193,117	-
Adjustments	(21,500,000)		(68,575,437)	(90,075,437)
Prior period adjustment			43,309,387	43,309,387
<b>Balance at December 31, 2016</b>	<b>0</b>	<b>2,908,467</b>	<b>87,307,638</b>	<b>90,216,105</b>

See accompanying Notes to Financial Statements.



APO PRODUCTION UNIT, INC.  
 STATEMENT OF CASH FLOWS  
 For the Years Ended December 31, 2016 and 2015  
 (In Philippine Peso)

	2016	As Restated 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collection of accounts receivable and advances	2,067,618,002	1,316,861,833
Sale of scrap	1,907,685	3,274,579
Interest on bank deposits	266,480	163,986
Payment of accounts payable and accrued expenses	(1,828,829,893)	(1,002,092,105)
Payment of other liabilities and expenses	(295,965,849)	(175,311,750)
Payment of financial expenses	(2,517,060)	1,909,497
Net cash from/used in operating activities	(57,520,635)	144,806,040
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of fixed and intangible assets	(49,119,819)	(12,249,533)
Net cash used in investing activities	(49,119,819)	(12,249,533)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan avallment	14,909,793	5,000,000
Payment of loan payable	(33,942,495)	(15,594,416)
Dividend income	29,406,013	2,482,014
Net cash from/used in financing activities	10,373,311	(8,112,402)
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(96,267,143)</b>	<b>124,444,105</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>199,943,185</b>	<b>75,499,080</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>103,676,042</b>	<b>199,943,185</b>

See accompanying Notes to Financial Statements.

