



APO PRODUCTION UNIT, INC.

APO PRODUCTION UNIT, INC

ANNUAL REPORT

2017

I. Accomplishments – FY 2017

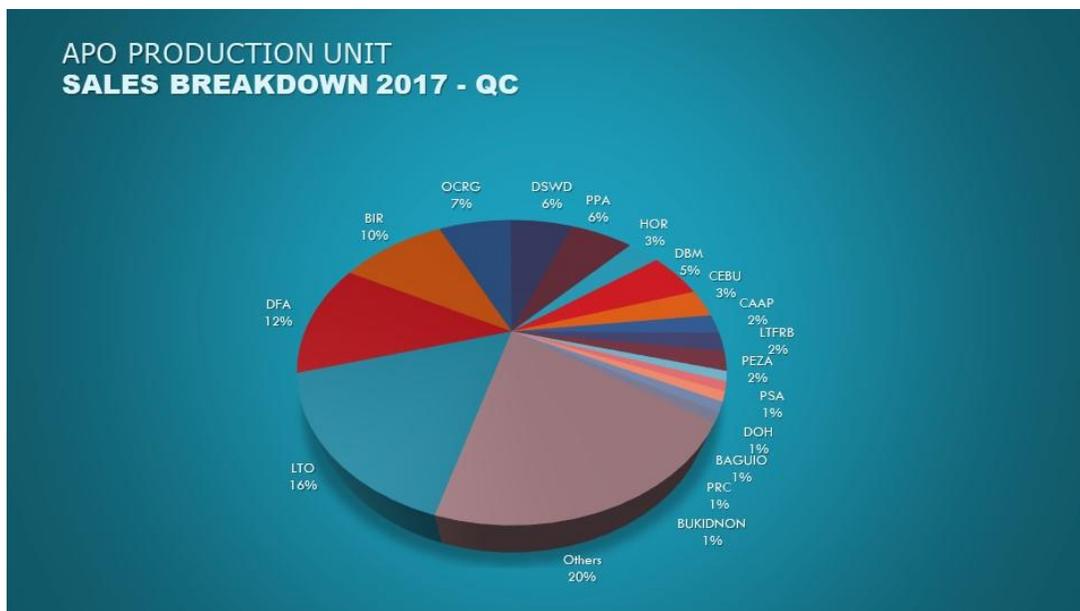
1. New Management

In 2017, three (3) members were added to the Board of Trustees. Incumbent Chairman Michael Dalumpines was elected as Chairman, Attorney Philip Dionisio was appointed President, Mr. Alvin Reyes was appointed General Manager and Mr. Jocel Obensa was appointed as Executive Vice President of the company. The first board meeting was held in January 2017.

The Management team of APO Production Unit remained in status quo for the remainder of the year.

2. Financial Perspective

Policy decisions made in the prior year, regarding the transferring of high security printing to the Joint Venture, still affect the performance of the Quezon City plant. In 2017, QC operations posted a flat revenue of P334 million, despite the renewed efforts revived the waning sales growth. One of the main revenue contributor of APO QC operations, the Social Security System, posted no activity in 2017. To compensate for the loss of this big account, APO pursued many smaller projects that eventually filled in the shortfall.



The Land Transportation Office remained to be APO QC Plant's biggest client for 2 consecutive years 2016 and 2017 posting 16% of the total QC revenues in those years. The Bureau of Internal Revenue, Office of the Civil Registry of the National Statistics Office, and the Department of Foreign Affairs comprise the top 4 clients of APO in these 2 years with 10%, 7% and 12% share of 2017 revenues, respectively.

Other top clients in 2017 were Department of Social Welfare and Development, Philippine Ports Authority, the House of Representatives, to name a few.

Revenues from the production of tax stamps in Lima Plant dipped further in 2017. Again the increasing taxes and the government information campaign into the effects of smoking on the health of individuals, combined resulted in an 11% decline in APO revenues from tax stamp production. Total sales in 2017 were at P428 million.

Total sales for both QC and Lima operation was P763million in 2017.



The continued decline revenue from APO's regular account, the pressure in the bottom-line was negated by the dividend income from the Joint Venture operations. APO's Net Income after Tax in 2017 increase 147% to P143.6 million.

APO PRODUCTION UNIT NET INCOME AFTER TAX



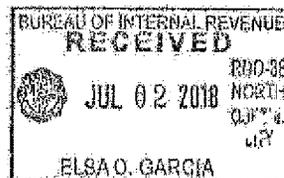
3. APO-UGEC Joint Venture

2017 had been the very fruitful for the APO-UGEC Joint Venture. The project, which started in 2016 (for the printing of e-passport for the Department of Foreign Affairs) posted a revenue of P2.8 billion in 2017.

APO PRODUCTION UNIT, INC.
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2017 and 2016
(In Philippine Peso)

	Note	2017	2016
INCOME			
Service and business income	1, 2	762,912,199	816,206,063
Other non-operating income	21	2,238,700	7,845,989
Total Income		765,150,899	824,052,052
EXPENSES			
Personnel services	23	67,311,397	67,610,952
Maintenance and other operating expenses	24	37,372,267	73,891,104
Financial expenses	25	360,624	1,531,539
Direct costs	26	606,972,781	663,975,602
Other expenses	27	171,870	1,644,230
Non-cash expenses	28	7,262,002	10,009,261
Total Expenses		719,450,941	818,662,688
PROFIT BEFORE TAX		45,699,958	5,389,364
INCOME TAX EXPENSE			
Current	29	11,853,916	3,044,609
Deferred		(4,446,871)	100,191
PROFIT AFTER TAX		38,292,913	2,244,564
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Share of income from joint venture	22	105,276,877	55,802,934
COMPREHENSIVE INCOME		143,569,790	58,047,498

The notes on pages 11 to 38 form part of these statements.



APO PRODUCTION UNIT, INC.
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2017 and 2016
(In Philippine Peso)

	DONATED CAPITAL	REVALUATION SURPLUS	RETAINED EARNINGS	TOTAL
Balance at January 1, 2016	24,693,117	2,908,467	29,833,073	57,434,657
Adjustments:				
Add/(Deduct):				
Prior Period Errors	0	0	43,309,387	43,309,387
Other Adjustments	(24,693,117)	0	(43,882,320)	(68,575,437)
Restated Balance at January 1, 2016	0	2,908,467	29,260,140	32,168,607
Changes in Equity in 2016				
Add/(Deduct):				
Comprehensive Income for the year	0	0	58,047,498	58,047,498
Balance at December 31, 2016	0	2,908,467	87,307,638	90,216,105
Changes in Equity in 2017				
Add/(Deduct):				
Comprehensive Income for the year	0	0	143,569,790	143,569,790
Dividends	0	0	(29,603,822)	(29,603,822)
Other Adjustments	0	0	(13,468,638)	(13,468,638)
Balance at December 31, 2017	0	2,908,467	187,804,968	190,713,435

The notes on pages 11 to 38 form part of these statements.

APO PRODUCTION UNIT, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016
(In Philippine Peso)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of accounts receivable and advances	4,037,791,113	2,067,618,002
Sale of scrap	1,538,618	1,907,685
Interest on bank deposits	282,103	266,480
Other collections	36,997,773	0
Total Cash Inflows	4,076,609,607	2,069,792,167
Cash Outflows		
Restricted fund	235,864,756	0
Payment of accounts payable and accrued expenses	3,371,868,501	1,828,829,893
Payment of financial lease and loans	3,402,015	0
Payment of other liabilities and expenses	500,026,437	295,966,849
Payment of financial expenses	532,529	2,517,060
Total Cash Outflows	4,111,694,238	2,127,312,802
Net Cash Used in Operating Activities	(35,084,631)	(67,520,635)
CASH FLOWS FROM INVESTING ACTIVITIES		
Total Cash Inflows	0	0
Cash Outflows		
Acquisition of fixed and intangible assets	3,666,920	49,119,819
Total Cash Outflows	3,666,920	49,119,819
Net Cash Used in Investing Activities	(3,666,920)	(49,119,819)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows		
Loan availment	0	14,909,793
Dividend income	99,637,593	29,406,013
Total Cash Inflows	99,637,593	44,315,806
Cash Outflows		
Payment of loan payable	0	33,942,495
Total Cash Outflows	0	33,942,495
Net Cash Provided by Financing Activities	99,637,593	10,373,311
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	60,886,042	(96,267,143)
CASH AND CASH EQUIVALENTS, JANUARY 1	103,676,042	199,943,185
CASH AND CASH EQUIVALENTS, DECEMBER 31	164,562,084	103,676,042

The notes on pages 11 to 38 form part of these statements.