

## **PITC PHARMA, INC.**

(A Subsidiary of the Philippine International Trading Corporation)

### **NOTES TO THE FINANCIAL STATEMENTS**

(All amounts in Philippine Peso unless otherwise stated)

#### **1. AGENCY BACKGROUND**

PITC Pharma, Inc. (PPI) was initially incorporated in the Philippines on July 13, 1981 as Producers Venture Capital Corporation (PVCC). PVCC was 60 per cent owned by Prime Media Holdings, Inc. and 40 per cent owned by the National Development Company (NDC). On October 19, 2005, NDC bought out Prime Media's 60 per cent ownership, which made PVCC 100 per cent owned by NDC.

On November 9, 2005, the Securities and Exchange Commission (SEC) approved the change in PVCC's corporate name from Producers Venture Capital Corporation to PITC Pharma, Inc., and its primary purpose from that of a financing company to a pharmaceutical firm engaged in the business of research, development, production, manufacture, packaging, sale and/or distribution of pharmaceutical products and/or investment and/or management of investments in pharmaceuticals and related commercial ventures. On September 12, 2006, the SEC approved the increase in the authorized capital stock of PPI from ₱10 million to ₱100 million. The infusion by Philippine International Trading Corporation (PITC) of ₱22.5 million in common shares, made PPI 60 per cent owned by PITC.

With the issuance of Executive Order (EO) No. 442 dated July 04, 2005, PITC was designated as the lead coordinating agency to make quality medicine available, affordable, and accessible to the greater masses of Filipinos. PPI was then created to exclusively take the lead in implementing the government's Half-Priced Medicines Program under EO 442.

Effective November 2008, PPI was designated as the central procurement arm for all government agencies for the importation of drugs and medicines, except for specific programs and instances allowed by the Department of Health (DOH). This is embodied in Section 1 Rule 16 Chapter III of the Implementing Rules and Regulations (IRR) of RA 9502 otherwise known as the Cheaper Medicines Law. Likewise, the IRR's Chapter XI Rule 58 gives authority to PPI to establish a common facility for pooled procurement in compliance with RA 9184.

The License to Operate as a Drug Distributor/ Importer/ Wholesaler was granted to PPI on October 16, 2006.

As of December 31, 2014, PPI has a manpower complement of fifty three (53) regular and probationary employees.

The principal office address of PPI is at the 2<sup>nd</sup> floor, NDC Building, 116 Tordesillas Street, Salcedo Village, Makati City.

## **2. REPORT ON OPERATIONS**

PITC Pharma, Inc. (PPI) ended the year with the highest recorded sales since its inception. Sales net of VAT reached ₱559.95 million which is 62 per cent higher than its 2013 Sales of ₱344.64 million. However, with some projects delayed/deferred and cash flow problem to serve other accounts, PPI achieved only 80 per cent of its revised Sales Target of ₱689.32 million.

Almost 92 per cent of PPI's Sales (equivalent to ₱514.79 million) in 2014 was brought about by its strong partnership with the Department of Health (DOH) through Agency to Agency Procurement. While PPI again served DOH's requirement for Influenza Vaccines, Breast Cancer and Acute Lymphocytic Leukemia Medicines, PPI was able to get new projects from DOH such as Barangay Health Station, Complete Treatment Pack and Morphine Tablets. These medicines were delivered to DOH Hospitals, Regional Health Offices and Barangay Health Stations nationwide.

PPI again served the requirements of National Commission on Muslim Filipinos for Meningococcal Conjugate and Influenza Vaccines worth ₱13.631 million for the Hajj 2014 as vaccines for Muslim Filipinos who went on Pilgrimage to Mecca.

To achieve PPI's objective of providing low-priced and quality medicines to government entities and to ensure accessibility and availability, PPI continued to pool the requirements of government entities i.e. DOH, Philippine Charity Sweepstakes Office (PCSO), military hospitals, Local Government Units, and private entities. PPI conducted mega biddings for cancer medicines, vaccines and commonly bought items to get quality products at low prices and entered into Ordering Agreements with suppliers evaluated as the Lowest Calculated and Responsive Bidder.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **a. Basis of Financial Statements Preparation**

The financial statements are presented in Philippine peso, PPI's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

The Financial Statements were prepared on a Going Concern Basis. PPI is expected to generate Sales of ₱1.019 Billion Pesos net of VAT in 2015 and Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) of ₱55.819 Million and a net income before tax of ₱36.264 Million.

For CY 2015, PPI got non-traditional orders from the Department of Health as additional revenue stream which could provide higher profit margins. Sales Orders from the Department of Health totaling ₱792 million were already booked as of June, 2015, such as:

<b>PRODUCT</b>	<b>AMOUNT in Million Pesos</b>
Anti-TB for Adult	320.1
Anti-TB For Children	30.7
Digital Sphygmomanometer	441.2
Total	792.0

With higher sales and an average gross profit margin of 9.8 per cent, PPI started paying off its old accounts with different suppliers including its liabilities with NDC and PITC including paying its current trade suppliers on time.

One of PPI's strategic initiatives is to partner with the Procurement Service of the Department of Budget and Management (DBM) to expand its reach while saving on selling expenses. PPI have also forged a Memorandum of Understanding with Bio Farma, one of the biggest global manufacturers of WHO pre-qualified vaccines as a possible source of Expanded Program on Immunization (EPI) vaccines that PPI can serve to the DOH for its national immunization programs. PPI has also been meeting with various government corporations i.e. PCSO and PAGCOR for possible sources of funds to finance its various health projects.

To improve operational efficiency, PPI shall procure Enterprise Resource Planning (ERP) Software and has been working on its ISO Certification. PPI is expected to be ISO Certified in 2015. A Pricing Committee will also be created to monitor the current market prices and set PPI Prices for each products and packages that are equal to or lower than the DOH Drug Price Reference Index. Said measures shall result to the reduction of administrative and selling costs, and avoidance of PPI losses.

**b. Statement of Compliance**

The accompanying financial statements were presented in conformity with the Generally Accepted Accounting Principles (GAAP) in the Philippines as set forth in the Philippine Financial Reporting Standards (PFRS).

**c. Cash & Cash Equivalents**

Cash includes cash on hand and in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturity dates of three months or less from the date of acquisition.

**d. Accounts Receivable – Trade**

Trade receivables are recognized at their face value minus allowance for doubtful accounts.

The allowance for doubtful accounts is provided for potentially uncollectible receivables identified, principally based on the following criteria: accounts with pending legal investigation and clients who have issued bouncing checks, uncollectible accounts aged three years and above (100 per cent), accounts aged two years (50 per cent), other uncollectible accounts aged one year (25 per cent).

**e. Prepaid Expenses**

Prepayments are amortized over the period of coverage.

Accountable Forms and Other Supplies Inventory are valued at cost.

**f. Inventories**

Merchandise Inventory is valued at lower of cost and net realizable value. Cost is determined using the specific identification method.

The provision for inventory loss is based on the expiration dates of stocks counted during the year-end physical count. Stocks that expired on or before the end of the current year are considered outright expense and therefore, charged against the inventory account. A 50 per cent allowance was provided for medicines that will expire from January to June of the succeeding year and 25 per cent for medicines that will expire at the end of the same year.

**g. Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets in accordance with COA Circular No. 2003-007. In the case of leasehold improvements, the assets are depreciated over the period of the lease or service life of the improvement, whichever comes first.

**h. Trade and other payables**

Accounts payable are recognized in the period when legally enforceable claim against the Company arises, recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less any settlement payments.

Other payables and accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid including amounts due to employees.

**i. Revenue and Expense Recognition**

Revenue is recognized to the extent that it is possible that the economic benefits will flow to the Company and the revenue can be reliably measured.

The company adopts the accrual method of accounting.

i. In selling goods, revenue is recognized upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognized to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs, or the possible return of goods.

ii. When rendering services, revenue is recognized upon completion of services and has been accepted by the customers.

Interest income from deposits is presented at net of final withholding taxes.

#### 4. CASH AND CASH EQUIVALENTS

The account is composed of the following:

	2014	2013
Cash on hand and in banks	8,318,333	28,346,904
Money market placements	-	15,127,660
<b>Total</b>	<b>8,318,333</b>	<b>43,474,564</b>

Cash on Hand includes undeposited collections.

#### 5. ACCOUNTS RECEIVABLE – TRADE

The Accounts receivable – trade account is categorized into the following:

	2014	2013
Department of Health	240,068,772	79,584,710
Private accounts	31,480,777	32,522,590
Other government accounts	14,922,160	14,137,131
	286,471,709	126,244,431
Less: Allowance for doubtful accounts	35,113,767	36,626,174
<b>Balance</b>	<b>251,357,942</b>	<b>89,618,257</b>

#### 6. ACCOUNTS RECEIVABLE – NON TRADE

The Accounts receivable – Non-trade account is composed of the following:

	2014	2013
Due from Social Security System (SSS)	287,201	193,094
Due from officers and employees	57,232	59,121
Other receivables	2,981,213	2,987,885
<b>Total</b>	<b>3,325,646</b>	<b>3,240,100</b>

Other receivable pertains to merchandise inventory returned to suppliers and not yet replaced.

## 7. INVENTORIES - NET

This account is composed of the following:

	2014	2013
Merchandise inventory	4,357,708	28,469,147
Less: Allowance for inventory loss/ obsolescence	72,811	73,398
<b>Balance</b>	<b>4,284,897</b>	<b>28,395,749</b>

Changes in allowance for inventory losses for the years ended December 31 are as follows:

	2014	2013
Balance, January 1	73,398	31,116
Adjustment	(587)	42,282
<b>Balance, December 31</b>	<b>72,811</b>	<b>73,398</b>

## 8. PREPAID EXPENSES

This account consists of the following:

	2014	2013
Prepaid income tax carry over	7,921,404	10,836,475
Prepaid input tax carry over	1,667,061	4,593,414
Supplies Inventory	148,393	152,675
Guaranty deposits	110,790	110,790
Prepaid insurance	80,479	88,378
Advances to contractors	-	217,650
Others	128,053	8,890
<b>Total</b>	<b>10,056,180</b>	<b>16,008,272</b>

The Prepaid Income Tax and Input Tax Carry Over is the result of overpayment of taxes. Creditable Withholding Tax at Source and Final (for Value Added Tax) are higher than the Income Tax and Value Added Tax payable for the years 2013 and 2014.

The Advances to Contractors pertains to the down payment to a supplier of imported medicines which was funded by a private party that availed of PPI's importation facility.

Guaranty deposits represent the deposit fees for the photocopying services contract with Ricoh Philippines, Inc., and with NDC for the rental of additional space at the 12<sup>th</sup> floor, NDC Building

## 9. DEFERRED TAX ASSETS

	Carrying Amount	Future Taxable Amount	Future Deductible Amount	Tax Base	Taxable Temporary Difference	Deductible Temporary Difference
Cash and cash equivalents	8,318,333	-	-	8,318,333	-	
Trade receivables	251,357,942	-	35,113,767	286,471,709	-	35,113,767 <sup>[1]</sup>
Other receivables	3,325,646	-	-	3,325,646	-	
Prepaid expenses	10,056,180	(356,925)	-	9,699,255	356,925 <sup>[2]</sup>	
Inventories	4,284,897	-	72,811	4,357,708	-	72,811 <sup>[3]</sup>
Property, plant and equipment	4,192,953	-	-	4,192,953	-	
<b>Total assets</b>	<b>281,535,951</b>	<b>(356,925)</b>	<b>35,186,578</b>	<b>316,365,604</b>	<b>356,925</b>	<b>35,186,578</b>
Accounts payable	242,174,324	-	-	242,174,324	-	
Inter-Agency payables	6,789,495	-	-	6,789,495	-	
Other current liabilities	78,466,377	-	-	78,466,377	-	
Vacation and sick leave	2,036,873	-	2,036,873		-	2,036,873
Due to affiliates	20,530,601	-	-	20,530,601	-	
Note payable	849,728	-	-	849,728	-	
Loan payable	240,612,066	-	-	240,612,066	-	
Other non-current liabilities	8,694,527	-	-	8,694,527	-	
<b>Total liabilities</b>	<b>600,153,991</b>	<b>-</b>	<b>2,036,873</b>	<b>598,117,118</b>	<b>-</b>	<b>2,036,873</b>
<b>Total stockholders' equity</b>	<b>37,500,000</b>	<b>-</b>	<b>-</b>	<b>37,500,000</b>	<b>-</b>	<b>-</b>
Total temporary difference					356,925	37,223,451
Deferred tax					30%	30%
Liability					(107,078)	
Asset						11,167,035
Beginning balances					(74,983)	11,494,974
Adjustments					(32,095)	(327,939)
<b>Total benefit (charges) from deferred income tax</b>						<b>(360,034)</b>

[1] Allowance for doubtful accounts

[2] Prepayments

[3] Allowance for inventory obsolescence

During the year, PPI initially recognized Deferred Taxes in conformity with PAS 12. Accordingly, the CY 2013 was restated to reflect the applicable net deferred tax asset pertaining to prior periods amounting to ₱11,419,991.

## 10. PROPERTY PLANT AND EQUIPMENT

This account consists of the following:

Particulars	Leasehold Improvements	Furniture and fixtures/library books	Communication Equipment	IT Equipment and software	Office Equipment	Other Machineries and Equipment	Motor Vehicle	Total
<b>CY 2014</b>								
Costs								
Balance, January 01	2,279,901	1,529,930	336,474	4,016,570	236,704	49,496	-	8,449,075
Additions	94,600	142,372	169,384	1,251,143		89,864	1,800,000	3,547,363
Adjustment/Deductions		(354,415)	(15,714)	(397,583)	(75,829)	(10,357)		(853,898)
Balance, December 31	2,374,501	1,317,887	490,144	4,870,130	160,875	129,003	1,800,000	11,142,540
Accumulated Depreciation								
Balance, January 01	1,628,486	841,870	181,696	3,389,940	185,249	7,925	-	6,235,166
Depreciation	508,565	147,890	37,855	178,801	11,157	13,657	216,000	1,113,925
Adjustment/Deductions		(179,636)	(1,179)	(154,170)	(64,208)	(311)		(399,504)
Balance, December 31	2,137,051	810,124	218,372	3,414,571	132,198	21,271	216,000	6,949,587
Net Book Value								
December 31, 2014	237,450	507,763	271,772	1,455,559	28,677	107,732	1,584,000	4,192,953
<b>CY 2013</b>								
Net Book Value								
December 31, 2013	651,415	688,060	154,778	626,630	51,455	41,571	-	2,213,909

Adjustment to PPE account pertains to semi-expendable supplies/items with values or acquisition costs below ₱10,000 which were reclassified to office supplies expense in accordance with COA Circular No. 1997-005.

Leasehold improvements consist of the cost of the renovation of the rented office space at the 2<sup>nd</sup> floor of the NDC Building.

In 2014, PPI acquired two (2) motor vehicles thru a Financial Lease Agreement with the DBP Leasing Corporation payable for a period of three (3) years. The total of future minimum lease payments amounted to ₱1,418,106.

## 11. ACCOUNTS PAYABLE

This account consists of:

	2014	2013
Accounts payable – trade	238,740,896	151,752,569
Accounts payable – non-trade	3,433,428	2,437,555
<b>Total</b>	<b>242,174,324</b>	<b>154,190,124</b>

Accounts payable – trade represents amount due to various suppliers for the procurement of merchandise for sale.

Accounts payable – non-trade are liabilities arising from various services such as security, janitorial, expenses for utility, communications and expenses other than purchase of merchandise for sale.



## 12. INTER-AGENCY PAYABLES

This account consists of:

	2014	2013
Due to COA	4,651,333	3,553,093
Due to DOH	1,618,428	1,618,428
Due to BIR	298,677	1,103,232
Due to SSS	120,444	95,872
Due to PAG-IBIG	73,713	51,036
Due to PHILHEALTH	26,900	24,225
<b>Total</b>	<b>6,789,495</b>	<b>6,445,886</b>

The account Due to DOH represents the unliquidated balance of the ₱50 Million fund transfer intended for the DOH P100 project pursuant to DOH Administrative Order No. 2008-0013, and covered by a Memorandum of Agreement by and between DOH and PPI. The amount is presented at net of the cost of stickers and packaging materials advanced by PPI for the project.

The liability to the BIR includes income taxes and withholding taxes for filing and/or remittance in January of the following year.

## 13. OTHER CURRENT LIABILITIES

This account is broken down as follows:

	2014	2013
Current portion of loan payable	51,183,189	16,472,632
Interest payable	12,623,157	-
Performance/bidders bond	10,107,881	9,847,629
Vacation and sick leave	2,036,873	1,617,008
Due to officers & employees	1,586,775	1,605,069
Current portion of note payable	568,378	
Due to other funds	173,000	1,539,932
Others	2,223,997	1,429,437
<b>Total</b>	<b>80,503,250</b>	<b>32,511,707</b>

Interest payable represents accrued interest on the loans availed from NDC (Note 15).

Vacation and Sick Leave payable pertain to the monetary value of the unused accumulated vacation and sick leave credit balances.

Due to Other Funds represent fund transfers made by IPVG/Apolloplus to finance importations of drugs and medicines using PPI's import facility (Note 8).

Other payables include trust liabilities arising from proceeds from the sale of bid documents, among others, and a fund entrusted by a supplier for the advance payment of advocacy expenses.

#### **14. NOTES PAYABLE**

This account pertains to the non-current portion of the liability to DBP Leasing Corporation for the acquisition in 2014 of two (2) motor vehicles thru a three-year finance lease (Note 10).

#### **15. LOAN PAYABLE**

This account pertains to the non-current portion of the restructured loan with NDC.

The NDC and PPI entered into a Loan Restructuring Agreement effective June 30, 2013 with a new loan amount of ₱291,795,254.40, consisting of the outstanding principal and accrued interest thereon. The loan is payable every quarter for a period of eight years with a one -year grace period and bears an interest rate of 7 per cent per annum, also payable every quarter.

#### **16. DUE TO AFFILIATES**

This account consists of:

	2014	2013
Due to PITC	9,641,575	9,641,575
Due to NDC	10,889,026	8,170,962
<b>Total</b>	<b>20,530,601</b>	<b>17,812,537</b>

The liability to PITC includes portion of cost of stocks transferred from PITC, trade returns accepted from previous PITC sales, and other direct expenses unpaid as of the end of the year.

The Due to NDC account represent liabilities accruing from the use of NDC facilities.

#### **17. OTHER NON-CURRENT LIABILITIES**

This pertains to the Performance/bidders bond payable amounting to ₱8,694,527 covering CYs 2009 to 2013 which were outstanding as of December 31, 2014.

## 18. CAPITAL STOCK

PPI has authorized capital stock of ₱100 million, divided into one million (1,000,000) common shares at a par value of ₱100 per share.

The Subscribed and Paid-in Capital of ₱37,500,000 consist of:

Investors		Amount
Philippine International Trading Corporation	60%	22,500,000
National Development Company	40%	15,000,000
Total	100%	37,500,000

## 19. SALES

Sales are broken down into the following categories of customers:

	2014	2013
Department of Health	514,793,826	311,848,841
Other government accounts	43,010,734	27,530,794
Private accounts	2,147,547	5,181,014
BNB Orient Mansion	-	82,708
Total	559,952,107	344,643,357

## 20. OTHER INCOME (EXPENSES)

This account is broken down as follows:

	2014	2013
Financial charges	(39,146)	(1,030,322)
Interest income	57,457	86,567
Interest expense	(18,256,617)	(17,309,648)
Gain on loan restructuring	-	11,918,395
Adjustment of allowance for doubtful accounts	1,512,407	1,063,243
Other income	296,975	15,384
Total	(16,428,924)	(5,256,381)

Other income account was composed of the recovery of previously recorded bad debts expense and other miscellaneous income.

## 21. OPERATING EXPENSES

Operating expenses is classified into Selling and Distribution Expenses, and Administrative Expenses, detailed as follows:

	Selling and distribution expenses		Administrative expenses	
	2014	2013	2014	2013
Personal services				
Salaries and wages	5,603,047	4,805,863	8,350,094	7,505,889
Other compensation	2,674,693	1,993,834	5,282,688	5,038,305
Personnel benefits contributions	410,851	333,600	508,347	400,713
<b>Sub-total</b>	<b>8,688,591</b>	<b>7,133,297</b>	<b>14,141,129</b>	<b>12,944,907</b>
Maintenance and other operating expenses				
Professional services	-	-	3,162,295	3,173,837
Loss on inventory	-	113,550	-	-
Taxes, insurance premiums and other fees	97,552	37,147	1,535,451	2,409,360
Advertising expense	-	-	202,160	279,461
Representation expenses	143,360	74,695	167,866	108,760
Training expense	3,000	27,383	57,482	72,404
Gender and development expense	-	3,819	150,374	148,834
Rent expense	20,763	15,522	3,093,588	2,403,597
Travelling expenses	501,970	307,823	79,488	36,988
Depreciation	-	-	1,134,297	1,147,933
Communication expense	220,762	227,939	572,928	539,116
Utility expenses	-	-	1,114,359	790,642
Subscription	4,116	3,898	15,250	8,985
Supplies and materials expenses	146,682	621,773	773,894	480,086
Transportation and delivery expenses	2,834,519	1,761,930	-	-
Repairs and maintenance	3,894	-	117,828	130,030
Membership dues and contributions	-	-	6,100	4,400
Printing and binding expenses	12,366	-	5,637	8,504
Miscellaneous expenses	4,636	2,266	440,311	405,110
Extraordinary and miscellaneous expenses	-	-	900	-
Provision for income tax	-	-	865,425	3,760,874
<b>Sub-total</b>	<b>3,993,620</b>	<b>3,197,745</b>	<b>13,495,633</b>	<b>15,908,921</b>
<b>Total</b>	<b>12,682,211</b>	<b>10,331,042</b>	<b>27,636,762</b>	<b>28,853,828</b>

## 22. NET INCOME

The prior year reported net income of ₱8,775,373 was restated to ₱8,510,735 to reflect the effect of the applicable income tax expense of ₱264,638 after the initial recognition of deferred taxes.

## 23. RETAINED EARNINGS (DEFICIT)

The prior year reported amount of (₱340,832,027) was restated to (₱337,922,770) to reflect the restated net income and the effect of the initial recognition of deferred taxes applicable to prior periods amounting to ₱11,684,629 starting with or adjusted to the beginning balance of (₱349,607,399).

## 24. RELATED PARTY TRANSACTIONS AND RELATIONSHIPS

Related party relationships exist when one party has the liability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities, which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or their stockholders.

Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

## 25. TAX DISCLOSURES

In compliance with the requirements set forth by Revenue Regulation 15-2010, hereunder are the information on taxes, duties and licenses fees paid or accrued during the taxable year:

### A. Value-Added Tax

PPI is a VAT-registered company with VAT output tax declaration during the year of ₱67,229,853 based on sales and other income totaling ₱560,248,777.

The amount of VAT Input taxes claimed are broken down as follows:

Beginning balance		10,836,475
Add: Purchases during the year:		
1. On goods for resale	56,681,824	
2. On goods other than for resale	111,955	
3. Capital goods not subject for amortization	114,231	
4. On services lodged under cost of goods sold	10,380	
5. On services lodged under other accounts	3,145,661	60,064,051
Sub-total		70,900,526
Less: Input VAT charged to expense		22,512,345
Ending balance		<u>48,388,181</u>

B. Other taxes and licenses paid during the year:

Local

1. Mayor's permit	1,411,196
2. Barangay clearance/CTC	12,200
3. City/business taxes	36,961

National

1. BIR annual registration	500
2. PDEA license	6,000
3. LTO renewal	10,100
4. Others	10,705

C. Taxes withheld and remitted during the year:

1. Tax on compensation and benefits	1,967,229
2. Expanded withholding taxes	4,414,935
3. Final withholding taxes	20,363,314
4. Creditable Tax Withheld At Source	4,193,416
5. Final Tax Withheld At Source	20,527,620

D. Tax Cases

PPI has pending Final decision on Disputed Assessment (FDDA) from Revenue District Office No. 50 amounting to ₱7,897,294 inclusive of interest as of December 31, 2012 for income tax deficiency covering the taxable year 2007. A Protest-Letter was filed in October 2012 disputing the amended assessment. The protest is still under investigation.

In December 29, 2014, we received Preliminary Assessment Notice from Revenue District Office No. 50 for the tax deficiencies amounting to ₱29,154,790 for Income Tax, ₱4,108,306 for Value-Added Tax, ₱1,112,008 for Expanded Withholding Tax, ₱909,163 for Withholding Tax on Compensation, and ₱4,761,813 for Documentary Stamp Tax for the taxable year 2011.

## 26. RESTATEMENT OF FINANCIAL STATEMENTS

Certain accounts in the CY 2013 financial statements were restated to conform with the CY 2014 financial statements presentation.