



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Trade and Investment Development Corporation of the Philippines
Philippine Export-Import Credit Agency
17/F Citibank Tower, Citibank Plaza
Valero Street, Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of Trade and Investment Development Corporation of the Philippines (TIDCORP) also known as Philippine Export-Import Credit Agency (PhilEXIM), which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Bad debts expense was understated by P628.144 million and P314.534 million for the years ended December 31, 2015 and 2014, respectively. The Allowance for bad debts was understated by P151.300 million and P25.543 million and the Pari-passu payable was also understated by P476.844 million and P288.991 million as of December 31, 2015 and 2014, respectively, due to the adverse conditions of default guarantee and loan accounts which were not considered in provisioning contrary to BSP regulations. Bad debts expense was also understated due to the premature recording in 2015 of the insurance settlement offer of GSIS in 2016. Consequently, the Retained earnings was overstated by P628.144 million and P314.534 million for the same periods.

Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of TIDCORP as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation Nos. 15-2010 and 19-2011 in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the management of TIDCORP. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


REBECCA A. DUMAGUIT
Supervising Auditor

May 18, 2016

TRADE AND INVESTMENT DEVELOPMENT CORPORATION OF THE PHILIPPINES
 Philippine Export Import Credit Agency
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2015 and 2014
 (In Philippine Peso)

| | 2015 | 2014 |
|--|----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 330,426,566 | 583,484,109 |
| Financial investments - available-for-sale | 593,160,162 | 997,381,994 |
| Loans and receivables | 66,898,857 | 797,327,247 |
| Other assets | 19,159,386 | 16,566,865 |
| | 1,009,644,971 | 2,394,760,215 |
| NON-CURRENT ASSETS | | |
| Loans and receivables, net | 526,056,576 | 87,451,103 |
| Investment property, net | 57,166,643 | 62,281,223 |
| Property and equipment - net | 70,200,121 | 74,737,750 |
| Intangible assets | 1,386,296 | 5,145,593 |
| Deferred tax asset | 85,243,582 | 69,235,927 |
| Other assets | 18,357,029 | 22,794,676 |
| | 758,410,247 | 321,646,272 |
| TOTAL ASSETS | 1,768,055,218 | 2,716,406,487 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | 121,409,575 | 91,466,098 |
| Interest payable | 3,661,778 | 8,422,378 |
| Loans payable | 900,000,000 | 1,710,000,000 |
| Accrued expenses | 10,014,141 | 16,875,560 |
| Unearned income | 42,199,254 | 122,597,470 |
| Dividends payable | - | 48,605,119 |
| Miscellaneous payables | 43,102,772 | 41,411,358 |
| | 1,120,387,520 | 2,039,377,983 |
| NON-CURRENT LIABILITIES | | |
| Unearned Income | 7,816,263 | 12,616,263 |
| Deferred tax liability | 943,214 | 630,088 |
| | 8,759,477 | 13,246,351 |
| TOTAL LIABILITIES | 1,129,146,997 | 2,052,624,334 |
| EQUITY | 638,908,221 | 663,782,153 |
| TOTAL EQUITY and LIABILITIES | 1,768,055,218 | 2,716,406,487 |

TRADE AND INVESTMENT DEVELOPMENT CORPORATION OF THE PHILIPPINES
 Philippine Export-Import Credit Agency
STATEMENTS OF COMPREHENSIVE INCOME
 For the Years Ended December 31, 2015 and 2014
 (In Philippine Peso)

| | 2015 | 2014 |
|--|---------------------|---------------------|
| REVENUE | | |
| Operating income | 292,143,822 | 440,196,779 |
| Other income | 809,589 | 45,446,119 |
| | 292,953,411 | 485,642,898 |
| EXPENSES | | |
| Operating expense: | | |
| Personal services | 103,481,864 | 100,369,043 |
| Bad debts expense | 88,420,245 | 132,962,802 |
| Depreciation expense | 10,223,174 | 11,705,986 |
| Other services | 8,245,179 | 8,974,708 |
| Rent, light and water | 6,840,777 | 10,141,830 |
| Amortization expense | 4,747,562 | 3,729,635 |
| Audit fees and services | 3,537,191 | 3,471,565 |
| Communication expense | 3,529,160 | 3,292,684 |
| Licenses and taxes | 2,730,750 | 9,775,734 |
| Business development expense | 2,581,204 | 3,193,190 |
| Administration expense | 2,545,765 | 4,477,864 |
| Repairs and maintenance | 2,516,169 | 4,562,050 |
| Insurance | 1,798,426 | 1,042,916 |
| Travelling expense | 1,689,826 | 1,700,241 |
| Staff training and development | 1,198,206 | 819,220 |
| Supplies and materials | 917,389 | 601,516 |
| Representation expense | 907,052 | 1,500,177 |
| Consultancy expense | 836,552 | 18,000 |
| Fuel, oil and lubricants | 651,976 | 873,060 |
| Dues and subscription | 415,771 | 556,733 |
| Legal fees and other services | 44,233 | 380,118 |
| Impairment loss - properties and equipment | - | 1,954,600 |
| Discretionary expense | - | 195,291 |
| Miscellaneous expense | 290,751 | 466,407 |
| Other expense: | | |
| Interest and Financial Charges | 63,270,802 | 107,809,742 |
| | 311,420,024 | 414,575,112 |
| INCOME BEFORE INCOME TAX | (18,466,613) | 71,067,786 |
| INCOME TAX EXPENSE | | |
| Current tax | 7,019,645 | 40,013,837 |
| Deferred tax | (12,608,822) | (18,772,745) |
| | (5,589,177) | 21,241,092 |
| NET INCOME | (12,877,436) | 49,826,694 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| Unrealized gain/(loss) - AFS | (22,432,463) | (16,946,026) |
| Tax expense | 6,729,739 | 5,083,808 |
| NET OTHER COMPREHENSIVE INCOME | (15,702,724) | (11,862,218) |
| TOTAL COMPREHENSIVE INCOME (LOSS) | (28,580,160) | 37,964,476 |

TRADE AND INVESTMENT DEVELOPMENT CORPORATION OF THE PHILIPPINES
Philippine Export-Import Credit Agency
STATEMENTS OF CHANGES IN EQUITY
 For the Years Ended December 31, 2015 and 2014
 (In Philippine Peso)

| | Capital stock 19.1 | Deficit 19.2 | Other comprehensive income - AFS 19.3 | Total |
|--|--------------------------|------------------------|---|--------------------|
| Balance, January 1, 2014 | 5,461,899,438 | (4,720,305,681) | (12,737,671) | 728,856,086 |
| Dividends payment to National Government | - | (50,000,000) | - | (50,000,000) |
| Dividends payable to National Government | - | (48,605,119) | - | (48,605,119) |
| Decrease in fair value adjustment | - | - | (11,862,218) | (11,862,218) |
| Reversal of forex gains (losses) | - | (4,433,290) | - | (4,433,290) |
| Net income | - | 49,826,694 | - | 49,826,694 |
| Balance, December 31, 2014 | 5,461,899,438 | (4,773,517,396) | (24,599,889) | 663,782,153 |
| Decrease in fair value adjustment | - | - | (15,702,724) | (15,702,724) |
| Prior period adjustments | - | 3,706,228 | - | 3,706,228 |
| Net loss | - | (12,877,436) | - | (12,877,436) |
| Balance, December 31, 2015 | 5,461,899,438 | (4,782,688,604) | (40,302,613) | 638,908,221 |

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TRADE AND INVESTMENT DEVELOPMENT CORPORATION OF THE PHILIPPINES
Philippine Export-Import Credit Agency
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014
(In Philippine Peso)

| | 2015 | 2014 |
|---|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Guarantee, interest and premium receipts | 134,654,603 | 294,804,805 |
| Miscellaneous income | 57,083,358 | 132,864,065 |
| Reinsurance premiums | | |
| Cash payments to employees and suppliers | (158,604,069) | (131,782,998) |
| <i>(Increase) decrease in operating assets:</i> | | |
| Collection of loans receivables | 348,354,458 | 654,586,845 |
| Loan releases | (86,170,905) | (394,973,120) |
| Receivables from subrogated claims on default guaranteed accounts | (35,951,361) | (75,501,860) |
| Other receivables, net | 2,709,189 | (1,240,789) |
| <i>Increase (decrease) in operating liabilities:</i> | | |
| Deposits from customers and contractors | 34,457,166 | 14,347,433 |
| Payment to clients/govt. agencies | (11,540,811) | (92,154,173) |
| Net cash provided by/(used in) operating activities | 284,991,628 | 400,950,208 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net placements/proceeds of matured securities | 388,676,004 | 589,855,626 |
| Sale of property and equipment/office space | - | 68,000,000 |
| Purchase of property, plant and equipment | (6,201,870) | (1,084,264) |
| Miscellaneous assets | - | (14,400) |
| Net cash provided by/(used in) investing activities | 382,474,134 | 656,756,962 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid | (48,605,119) | (50,000,000) |
| Corporate Borrowings | | 450,000,000 |
| Guarantee fee due to the National Government | (5,061,111) | (12,500,000) |
| Lenders representing amortization of borrowings | (810,000,000) | (940,000,000) |
| Lenders for interest and financial charges | (57,666,664) | (86,180,505) |
| Net cash provided by/(used in) financing activities | (921,332,894) | (638,680,505) |
| Effect of exchange rate changes on cash on hand and in banks | 809,589 | 29,840 |
| NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS | (253,057,543) | 419,056,505 |
| Cash and cash equivalents at beginning of period | 583,484,109 | 164,427,604 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 330,426,566 | 583,484,109 |