



**REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT**
Commonwealth Avenue, Quezon City, Philippines

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, 2016 and 2015 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 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 opinion.

Basis for Qualified Opinion

Bad debts expense of P281.824 million for CY 2016 and P88.420 million for CY 2015 was understated by P1.502 billion and P539.724 million, respectively, thereby understating TIDCORP's recorded loss of P264.859 million for CY 2016 and P12.045 million for CY 2015 by the same amounts due to non-compliance with the Bangko Sentral ng Pilipinas regulations on loan classification and provisioning requirements.

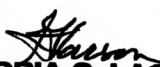
Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly the financial position of TIDCORP as at December 31, 2016 and 2015, 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 25 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


GLORIA O. LACSON
Officer-in-Charge
Supervising Auditor

May 18, 2017

TRADE AND INVESTMENT DEVELOPMENT CORPORATION OF THE PHILIPPINES
Philippine Export Import Credit Agency
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2016 and 2015
(In Philippine Peso)

	2016	2015 (As restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	481,215,167	330,819,555
Financial assets - available-for-sale (AFS)	478,953,000	575,887,613
Loans and receivables, net	45,159,483	68,753,833
Other current assets	17,753,312	18,970,135
	1,021,080,962	992,231,236
NON-CURRENT ASSETS		
Loans and receivables, net	348,874,783	537,204,273
Investment property, net	64,818,402	57,168,643
Property and equipment, net	69,035,218	70,200,121
Intangible assets, net	900,296	1,367,043
Deferred tax asset	221,860,416	102,706,897
Other non-current assets	18,811,225	18,357,029
	723,300,360	787,002,006
TOTAL ASSETS	1,744,381,312	1,779,233,242
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	373,724,268	121,408,880
Interest payable	4,133,787	3,681,778
Loans payable	855,000,000	900,000,000
Accrued expenses	11,501,311	9,550,588
Unearned income	28,847,188	42,199,254
Other payables	81,074,743	42,751,897
	1,354,081,277	1,119,572,395
NON-CURRENT LIABILITIES		
Unearned income	3,016,263	7,816,263
Deferred tax liability	521,178	943,214
	3,537,441	8,759,477
TOTAL LIABILITIES	1,357,618,718	1,128,331,872
EQUITY		
Capital stock	5,461,899,438	5,461,899,438
Deficit	(5,035,580,001)	(4,770,695,455)
Net unrealized gain (loss) on AFS financial assets	(39,558,843)	(40,302,613)
TOTAL EQUITY	386,762,594	650,901,370
TOTAL EQUITY and LIABILITIES	1,744,381,312	1,779,233,242

TRADE AND INVESTMENT DEVELOPMENT CORPORATION OF THE PHILIPPINES
Philippine Export-Import Credit Agency
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015
(In Philippine Peso)

	2016	2015 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Guarantee, interest and premium receipts	103,671,672	134,654,603
Miscellaneous receipt	54,007,154	57,083,358
Cash payments to employees and suppliers	(130,639,721)	(158,604,069)
Collection of loans receivables	69,987,495	348,354,458
Loan releases	(69,007,101)	(86,170,905)
Receivables from subrogated claims on default guaranteed accounts	88,169,374	(35,951,361)
Other receivables, net	(522,512)	2,709,189
Deposits from customers and contractors	48,170,041	34,457,166
Payment to clients/government agencies	3,001,902	5,314,754
Payment for government taxes	(12,155,529)	(16,855,565)
Net cash provided by operating activities	154,682,775	284,991,628
CASH FLOWS FROM INVESTING ACTIVITIES		
Net placements/proceeds of matured securities	94,553,020	388,719,486
Purchase of property, plant and equipment	(5,969,679)	(6,201,870)
Net cash provided by investing activities	88,583,341	382,517,616
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid		(48,605,119)
Corporate Borrowings	(45,000,000)	
Guarantee fee due to the National Government	(4,950,000)	(5,061,111)
Lenders representing amortization of borrowings		(810,000,000)
Lenders for interest and financial charges	(42,793,335)	(57,666,664)
Net cash provided by used in financing activities	(92,743,335)	(921,332,894)
Effect of exchange rate changes on cash on hand and in banks	72,831	809,589
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS	150,595,612	(253,014,061)
Cash and cash equivalents at beginning of period	330,619,555	583,633,616
CASH AND CASH EQUIVALENTS AT END OF PERIOD	481,215,167	330,619,555

TRADE AND INVESTMENT DEVELOPMENT CORPORATION OF THE PHILIPPINES
Philippine Export-Import Credit Agency
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2016 and 2015
(In Philippine Peso)

	Capital stock	Deficit	Other comprehensive Income - AFS	Total
Note	18.1	18.2	18.3	
Balance, January 1, 2015	5,461,899,438	(4,769,811,168)	(24,599,889)	667,488,381
Add/(Deduct):				
Prior period errors		11,160,404		11,160,404
Balance, December 31, 2015, as restated	5,461,899,438	(4,758,650,764)	(24,599,889)	678,648,785
Decrease in fair value adjustment	-	-	(15,702,724)	(15,702,724)
Net loss	-	(12,044,691)	-	(12,044,691)
Balance, December 31, 2015	5,461,899,438	(4,770,695,455)	(40,302,613)	650,901,370
Increase in fair value adjustment	-	-	745,770	745,770
Reversal of forex gains (losses)		(25,438.00)		(25,438)
Net income	-	(264,859,108)	-	(264,859,108)
Balance, December 31, 2016	5,461,899,438	(5,035,580,001)	(39,556,843)	386,762,594

TRADE AND INVESTMENT DEVELOPMENT CORPORATION OF THE PHILIPPINES
Philippine Export-Import Credit Agency
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2016 and 2015
(In Philippine Peso)

	2016	2015 (As restated)
REVENUE		
Operating income	171,143,960	292,317,370
Other income	72,831	784,152
	171,216,791	293,101,522
EXPENSES		
Operating expenses:		
Bad debts expense	354,743,434	88,420,245
Personal services	91,276,504	103,481,864
Depreciation expense	9,663,926	10,223,174
Other services	8,826,903	8,038,703
Rent, light and water	6,608,636	6,827,702
Audit fees and services	3,833,977	3,501,421
Repairs and maintenance	3,534,353	2,518,169
Communication expense	3,509,051	3,527,362
Administration expense	3,306,866	2,545,765
Licenses and taxes	2,398,872	2,730,750
Business development expense	2,248,783	2,548,842
Insurance	2,081,447	1,798,426
Amortization expense	1,793,884	4,766,815
Staff training and development	1,298,749	1,198,206
Travelling expense	1,067,206	1,686,088
Representation expense	778,430	907,052
Supplies and materials	770,251	721,631
Legal fees and other services	680,800	44,233
Fuel, oil and lubricants	607,390	651,976
Dues and subscription	285,540	409,955
Consultancy expense	187,356	838,552
Donation and contribution	99,974	-
Miscellaneous expense	219,379	273,423
Other expenses:		
Interest and financial charges	49,810,725	63,270,802
	549,632,446	310,928,156
INCOME BEFORE INCOME TAX	(378,415,655)	(17,824,634)
INCOME TAX EXPENSE		
Current tax	6,338,624	7,019,645
Deferred tax	(119,895,171)	(12,799,588)
	(113,556,547)	(5,779,943)
NET INCOME (LOSS)	(264,859,108)	(12,044,691)
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized gain (loss) - AFS	1,065,386	(22,432,463)
Tax expense	(319,616)	6,729,739
NET OTHER COMPREHENSIVE INCOME (LOSS)	745,770	(15,702,724)
TOTAL COMPREHENSIVE INCOME (LOSS)	(264,113,338)	(27,747,415)