

## EXECUTIVE SUMMARY

### INTRODUCTION

The DBP Management Corporation (DBPMC) was created primarily to purchase, or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation, association, domestic or foreign and to carry on and to manage the general business of any company.

In accordance with the expanded Commercial Banking license of the Development Bank of the Philippines (DBP), DBPMC's parent company, allowing DBP to engage in non-allied activities through its subsidiaries, DBPMC was authorized to set up a remittance office in Hong Kong under DBP Board Resolution No. 0110 dated September 20, 2005.

In connection with its remittance business mandate, the Board of Directors of DBPMC approved under Resolution No. 05-2005 dated September 14, 2005 the increase in authorized capital stock of DBPMC from P10 million to P500 million, the additional subscribed and paid-in capital stock of DBP amounting to P122.50 million and P35 million, respectively, and the increase in membership of the DBPMC Board of Directors from six to nine directors.

The amended Articles of Incorporation of the DBPMC and the Certificate of Increase of Capital Stock were approved by the Securities and Exchange Commission on December 21, 2005.

The DBP management recently made the decision to discontinue and close the operations of the DBP subsidiary office in Hong Kong to give way to a shift in strategy and business model for DBP's OFW remittance business in Hong Kong. Closure of the subsidiary was effected in the books of DBPMC on December 29, 2015.

Also, under Executive Order No. 849 dated December 15, 2009, DBPMC was authorized to organize Millennium Challenge Account – Philippines (“MCA-Philippines”) as its subsidiary and with the following purposes:

- To be the Philippines' designated accountable entity or central point of contact for projects funded by the Millennium Challenge Corporation (MCC), a United States government corporation;
- To oversee the MCC-funded projects and their various components and activities (“Program”), allocate resources, oversee and implement a financial plan, approve expenditures and procurements, continue the consultative process, and be accountable for Program's results;
- To be the responsible entity for the Philippine government's commitments under the Compact; and
- To ensure that the limitations on the use of MCC funding are observed.

On January 20, 2010, the Articles of Incorporation and By-Laws of the Millennium Challenge Account – Philippines Inc. (MCA-P) were approved by the Securities and

Exchange Commission and the said original documents were forwarded to the Secretary of the Department of Finance on January 22, 2010.

MCC and the Government of the Republic of the Philippines entered into a Millennium Challenge Compact (Compact) providing for a USD 433.910 million grant to the Republic of the Philippines. The Compact was signed on September 23, 2010 and remained in force for five years from May 25, 2011, the date of entry into force, to May 25, 2016.

In view of the Compact end date, MCA-Philippines had formulated the Program Closure Plan (PCP) in accordance with MCC guidelines. The post compact arrangements for program assets and compliance with the provisions of the PCP were carried out during the Compact Closure Period from May 26, 2016 through September 22, 2016.

Pursuant to a resolution of the Company's Board of Trustees' made on December 3, 2015, the Company temporarily ceased operations on September 22, 2016 until a second Compact is signed with MCC or until the Government of the Philippines (GOP) issues a directive to continue the Corporation's operations.

As of December 31, 2016, DBPMC has no employee whether on contractual, casual, temporary, probationary or permanent status/basis. It has four directors, one of whom is also acting as treasurer. The administrative and financial operations of DBPMC are handled by two officers from DBP, its parent company. The members of the Board of Directors (BOD) and Principal Officers as of December 31, 2016 are as follows:

Gil A. Buenaventura	Chairman (Resigned effective June 30, 2016)
Gilda M. Velez	President
Ma. Teresa M. Jesudason	Director (Retired on October 31, 2016)
Roda T. Celis	Director/Treasurer
Fritz M. Salazar	Director (Sworn in on December 1, 2016)

## **AUDIT METHODOLOGY AND SCOPE OF AUDIT**

Our audit covered the examination, on a test basis, of transactions and accounts of DBPMC for the period January 1 to December 31, 2016 to enable us to express an opinion on the financial statements for the years ended December 31, 2016 and 2015 in accordance with the Philippine Public Sector Standards on Auditing. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations as well as adherence to prescribed policies and procedures.

## **FINANCIAL HIGHLIGHTS (In Philippine Peso)**

### **I. Comparative Financial Position**

	<b>2016</b>	<b>2015</b>	<b>Increase/ Decrease</b>
Assets	75,258,764	72,576,281	2,682,483
Liabilities	5,000,000	5,000,000	0
Equity	70,258,764	67,576,281	2,682,483

## II. Comparative Results of Operations

	2016	2015	Increase/ Decrease
Income	3,594,161	1,616,488	1,977,673
Expenses	909,758	12,369,054	(11,459,296)
Net income (loss)	2,684,403	(10,752,566)	13,436,969
Other comprehensive income/(loss)	(1,920)	2,304	(4,224)
Total Comprehensive income (loss)	2,682,483	(10,750,262)	13,432,745

## III. Comparative Budget and Actual Expenditures

	Budget		Actual	
	2016	2015	2016	2015
Maintenance and other operating expenses	438,165	204,165	30,137	58,484

### AUDITOR'S OPINION

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of DBPMC for the years ended December 31, 2016 and 2015, in accordance with Philippine Financial Reporting Standards. However, attention was drawn to Note 20 which disclosed, among others, that the DBPMC's current operations may be viewed as not any more attuned with its corporate objectives for reasons stated therein, and that the Governance Commission for GOCCs (GCG) has already classified DBPMC as "Inactive" since April 30, 2016, hence, its closure has become imminent.

### SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2016, DBPMC has no outstanding suspensions, disallowances and charges

### STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the two audit recommendations embodied in CY 2015 Annual Audit Report (AAR), one was implemented and the other one was not implemented. The details are presented in Part II of the Report.