



Republic of the Philippines
COMMISSION ON AUDIT
Corporate Government Sector
Cluster 5 – Agricultural and Natural Resources

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Quedan and Rural Credit Guarantee Corporation
34 Panay Avenue, Quezon City

We have audited the accompanying financial statements of **Quedan and Rural Credit Guarantee Corporation**, which comprise the balance sheet as at December 31, 2013 and the statement of income and expenses, statement of changes in government equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 adverse audit opinion.

Bases for Adverse Opinion

The reliability of the Trade Receivable and Deficiency Claims Receivable, Cash in Bank, Cash under Receivership (Claims from Unrelieved Losses) and Acquired Assets accounts with balances of P6.353 billion, P827.666 million, P31.162 million and P323.224 million, respectively, is doubtful due to, among others:

1. General ledger (GL) balance of trade and deficiency claims receivables is less than by P119.838 million when compared with the subsidiary ledgers (SLs) due to, among others, unreliable borrowers' loan historical data; SLs with negative balances totaling P52.808 million; unaccounted accounts in one program of P48.788 million; and improper maintenance of SLs;
2. Total net discrepancy of P13.426 million between the book balance of Cash in Bank accounts and results of confirmation with depository banks due to non-preparation/updating of bank reconciliation statements; existence of negative balances totaling P10.651 million in some bank accounts; and unrecorded reconciling items of P11.416 million;
3. Unreconciled net variance in Cash under Receivership Receivable of P7.047 million for 32 out of 43 closed banks when compared with the Philippine Deposit Insurance Corporation (PDIC) records, and which are not also reconciled with the control records maintained by the concerned QUEDANCOR departments; and
4. The non-recording of 72 acquired assets valued at P64.604 million due to incomplete/unreconciled ledgers/records and incomplete inventory reports, the non-reclassification from receivable account to acquired assets of 33 foreclosed properties worth P10.863 million.


Adverse Opinion

In our opinion, because of the effects of the matters discussed in the Bases for Adverse Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of **Quedan and Rural Credit Guarantee Corporation** as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

We draw attention to the observation in the audit report, on the financial stability of the Corporation because of continuous incurrence of huge losses from its operations since 2006 totaling P10.165 billion, casting doubt on its capability to continue providing guarantee on loan programs and operate as a going concern.

COMMISSION ON AUDIT


ARSENIO S. RAYOS, JR.
Officer-in-Charge- Supervising Auditor
Audit Group F
Cluster 5 – Corporate Government Sector

May 19, 2014

Attn: Ms. Vicky

QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION
BALANCE SHEET
For the Year Ended December 31, 2013
(In Philippine Peso)

	Note	2013	2012
ASSETS			
Current Assets			
Cash	3	837,328,222	679,691,125
Investments - current	4	45,012,943	-
Receivables (trade) - current, net	5	1,688,940,421	787,437,521
Other receivables	6	279,903,671	311,742,977
Prepayments	7	1,618,350	1,792,887
Other current assets	8	5,932,337	7,928,232
		2,858,735,944	1,788,592,742
Non-current Assets			
Investments	9	370,386	448,853
Receivables (trade) - long term	10	392,262,568	379,270,154
Property and equipment	11	54,168,334	55,538,977
Other assets	12	394,267,052	476,395,233
		841,068,340	911,653,217
TOTAL ASSETS		3,699,804,284	2,700,245,959
LIABILITIES AND EQUITY			
Current Liabilities			
Payables	13	8,248,415,698	7,169,085,992
Other current liabilities		274,059,832	278,046,222
		8,522,475,530	7,447,132,214
Non-current Liabilities			
Long-term liabilities	14	893,072,184	1,131,640,184
Deferred credits	15	3,010,568	4,508,012
		896,082,752	1,136,148,196
		9,418,558,282	8,583,280,410
Capital stock (2 billion shares authorized at P1.00 par value per share)	16	1,042,332,942	1,042,328,808
Capital in excess of par value		78,165,063	78,165,063
Deficit		(6,839,252,003)	(7,003,528,322)
Government Equity		(5,718,753,998)	(5,883,034,451)
TOTAL LIABILITIES AND EQUITY		3,699,804,284	2,700,245,959

The Notes on pages 10 to 22 form part of these financial statements.

QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION
STATEMENT OF INCOME AND EXPENSES
For the Year Ended December 31, 2013
(In Philippine Peso)

	Note	2013	2012
INCOME			
	17		
Business income		89,515,512*	89,442,669
Other income		115,646,333	35,605,143
		205,161,845	125,047,812
EXPENSES			
PERSONAL SERVICES			
	18		
Salaries and wages		64,710,270	120,273,995
Other compensation		18,635,087	32,551,567
Personnel benefits contributions		9,007,956	15,998,386
Other personnel benefits		1,312,046	1,965,206
		93,665,359	170,789,154
MAINTENANCE AND OTHER OPERATING EXPENSES			
	19		
Bad debts		1,384,903,786	2,493,793,071
Professional services		23,644,321	23,765,717
Loss on sale of acquired assets		17,404,170	20,128,918
Supplies and materials expenses		6,154,042	8,786,791
Utility expenses		5,172,058	7,502,293
Taxes, insurance premiums and other fees		4,961,839	23,410,264
Rent expenses		3,754,415	6,063,078
Communication expenses		3,577,184	4,575,046
Traveling expenses		2,540,299	3,149,809
Depreciation		1,389,236	1,860,743
Repairs and maintenance		1,324,771	1,403,113
Printing and binding		369,106	548,061
Extraordinary and miscellaneous expenses		216,000	215,858
Advertising expenses		181,653	159,814
Subscription expenses		57,741	132,618
Representation expenses		37,446	75,324
Membership dues		26,470	23,068
Training and scholarship expenses		3,700	6,550
Transportation and delivery expenses		618	1,219
Other maintenance and operating expenses		47,470,362	33,892,721
		1,503,189,217	2,629,494,076
FINANCIAL EXPENSES			
	20		
Other financial expenses		580,529,319	580,567,988
Interest expenses		269,751,784	270,982,596
		850,281,103	851,550,584
		2,447,135,679	3,651,833,814
NET LOSS		(2,241,973,834)	(3,526,786,002)

The Notes on pages 10 to 22 form part of these financial statements.

QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION
STATEMENT OF CHANGES IN GOVERNMENT EQUITY
For the Year Ended December 31, 2013
(In Philippine Peso)

	Note	2013	2012
Capital stock	16	1,042,332,942	1,042,328,808
Paid-in capital in excess of par value		78,165,063	78,165,063
Deficit			
Balance, beginning		(7,003,528,322)	(3,871,930,968)
Net loss		(2,241,973,834)	(3,526,786,002)
Prior years' adjustments	21	2,406,250,153	395,188,648
Deficit balance, December 31		(6,839,252,003)	(7,003,528,322)
Equity balance, end of year		(5,718,753,998)	(5,883,034,451)

The Notes on pages 10 to 22 form part of these financial statements.

QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013
(In Philippine Peso)

	Note	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of service income		152,475,476	159,513,072
Collection of receivables		133,982,786	84,144,055
Sale of acquired assets		102,048,878	-
Fund transfer from/to Regional Offices/District Offices		19,091,273	(21,962,095)
Collection/Refund of performance/bidders bond		3,215,216	(394,485)
Receipt of guarantee/hold out deposits		2,216,230	989,624
Collections on disallowed payments		2,176,083	-
Remittance/liquidation of inter-agency payables		1,002,976	(1,621,126)
Refund of cash advances to officers and employees		254,061	473,745
Payment of operating expenses		(211,257,423)	(282,795,583)
Remittance of trust liabilities		(2,618,502)	(359,621)
Payment of guarantee claims		(292,523)	-
		202,294,531	(62,012,414)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from issuance of stocks/buy-back of stocks		742,834	(395,900)
Redemption of short-term investments		73,890	682,102,268
Placement of investment on T-bills		(45,012,943)	(101,465,077)
Purchase of property and equipment		(461,215)	(273,357)
		(44,657,434)	579,967,934
NET INCREASE/(DECREASE) IN CASH		157,637,097	517,955,520
CASH, BEGINNING OF YEAR		679,691,125	161,735,605
CASH, END OF YEAR	3	837,328,222	679,691,125

The Notes on pages 10 to 22 form part of these financial statements.

QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2013
(In Philippine Peso)

	DBM-approved Budget	Actual ₱	Variance
EXPENSES			
Personal services			
Salaries and wages	68,131,000	64,710,270	3,420,730
Personnel economic relief allowance	4,584,000	4,284,474	299,526
Representation/Transportation allowance	3,042,000	5,317,087	(2,275,087)
Uniform/clothing allowance	955,000	1,074,800	(119,800)
Anniversary bonus	573,000	745,000	(172,000)
Productivity enhancement incentive	-	714,510	(714,510)
Productivity incentive benefits	382,000	-	382,000
Honoraria (Board expenses)	408,000	84,500	323,500
Longevity pay	-	106,579	(106,579)
Year-end amelioration and cash gift	6,631,000	6,308,137	322,863
Personnel benefit contributions	9,279,000	9,007,956	271,044
Monetized vacation leave	-	646,690	(646,690)
Court appearance fee	-	5,406	(5,406)
Rice allowance	-	659,950	(659,950)
	93,985,000	93,665,359	319,641
Maintenance and other operating expenses (MOOE)			
Traveling expenses	3,126,000	2,540,299	585,701
Training and scholarship expenses	7,000	3,700	3,300
Supplies and materials	11,899,000	6,154,042	5,744,958
Utility expenses	5,200,000	5,172,058	27,942
Communication expenses	3,700,000	3,577,184	122,816
Membership dues and contributions	77,000	26,470	50,530
Advertising expenses	506,000	181,653	324,347
Printing, binding and reproduction	715,000	369,106	345,894
Rent expenses	4,292,000	3,754,415	537,585
Representation expenses	167,000	37,446	129,554
Subscription expenses	235,000	57,741	177,259
Transportation and delivery expenses	-	618	(618)
Auditing services	16,150,000	16,143,936	6,064
Consultancy services	62,000	62,000	0
Janitorial services	1,680,000	1,676,575	3,425
Security services	5,939,000	5,756,510	182,490
Other professional services	-	5,100	(5,100)
Legal services	-	200	(200)
Repair and maintenance-buildings	181,000	66,224	114,776
Repair and maintenance-office equipment	800,000	185,393	614,607
Repair and maintenance-transportation equipment	1,100,000	1,073,154	26,846
Subsidies and donations	20,000	-	20,000
Extraordinary and miscellaneous expenses	122,000	216,000	(94,000)
Taxes, duties and fees	4,400,000	4,368,789	31,211
Fidelity bond and insurance expenses	600,000	593,050	6,950
Loss on sale of assets	-	599,421	(599,421)
Sports and cultural activities	20,000	-	20,000
Meetings and conferences	304,000	247,228	56,772
Contracted services	37,000,000	36,861,297	138,703
Litigation/judicial/acquired asset expenses	12,216,000	7,533,631	4,682,369

	DBM-approved Budget	Actual	Variance
Trust fee expense	1,184,000	1,183,965	35
Gender and development	100,000	59,654	40,346
Loyalty award	-	260,000	(260,000)
Miscellaneous expenses	1,166,000	725,166	440,834
Loss on sale of acquired assets	-	17,404,170	(17,404,170)
Financial expenses	270,175,000	850,281,103	(580,106,103)
	383,143,000	967,177,298	(584,034,298)
Total expenses	477,128,000	1,060,842,657	(583,714,657)
Capital outlay			
Office equipment	2,547,000	267,935	2,279,065
Furniture and fixtures	178,000	-	178,000
Communication equipment	200,000	51,200	148,800
Other machineries and equipment	294,000	142,080	151,920
	3,219,000	461,215	2,757,785
Total expenses and equipment outlay	480,347,000	1,061,303,872	(580,956,872)
Loans outlay			
Guarantee fund investment	148,000,000	-	148,000,000
Guarantee payments	20,200,000	292,523	19,907,477
	168,200,000	292,523	167,907,477
Total capital outlay	171,419,000	753,738	170,665,262
Total expenses and outlay	648,547,000	1,061,596,395	(413,049,395)

The Notes on pages 10 to 22 form part of these financial statements.

QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION
NOTES TO FINANCIAL STATEMENTS
(In Philippine Peso, unless otherwise stated)

1. GENERAL/CORPORATE INFORMATION

The Quedan and Rural Credit Guarantee Corporation (QUEDANCOR) was established through Republic Act (R.A.) No. 7393 on April 13, 1992 with an authorized capital stock of P2 billion divided into two billion ordinary and voting shares, with par value of P1 per share, 60 per cent thereof to be subscribed solely by the National Government and/or government-owned or controlled corporations and 40 per cent thereof by small farmers, fisherfolks, their cooperatives and other private investors. Its mandate is to accelerate the flow of investments and credit resources into the countryside so as to trigger the vigorous growth and development of rural productivity, employment and enterprises, livelihood and income opportunities.

One of the primary functions of the Corporation is to establish a credit support mechanism for the benefit of farmers, fishermen, rural workers, cooperatives, retailers, wholesalers and primary processors of agricultural and aquatic commodities to accelerate growth and development of rural productivity, employment, livelihood and income opportunities in the countryside.

QUEDANCOR is an attached agency of the Department of Agriculture (DA). Its principal office is in 34 Panay Avenue, Quezon City.

The Corporation's personnel complement as of December 31, 2013 totaled 309, consisting of 177 regular, 31 contractual and 101 job order employees.

QUEDANCOR remains in the same strategic focus this year with emphasis on intensified effort to generate enough resources to finance its daily operation. Upon the instruction of the Governing Board, the pilot implementation of its re-engineered guaranteed co-financing program was discontinued and instead, sole guarantee scheme would be given priority in implementation to support the DA's banner projects and programs. Despite another challenging year, with a struggle to implement the approved Rationalization Plan (RatPlan), the Corporation remains optimistic towards the revival of its core business operation and hopeful to re-emerge as a reliable guarantee provider to the agriculture sector.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Financial Statements Preparation

The financial statements are prepared in accordance with Philippine Financial Reporting Standards (PFRS). The Corporation adopts the calendar year in closing its books.

2.2 Basis of Consolidation

The consolidated financial statements include the accounts of the Head Office, the National Capital Region (NCR) and the 13 regional offices nationwide.

2.3 The Head Office is using the e-NGAS in recording its financial transactions since January 1, 2006. Though it was agreed before its adoption, the system was not totally customized in accordance with the needs of the Corporation. Some schedules and reports cannot be generated. On the other hand, all the regional offices are recording and generating their transactions using the EXCEL program. The e-NGAS cannot be replicated because certain concerns at the Head Office were not yet addressed by COA-GAFMIS like the generation of schedule of receivables on a per borrower/per program basis and several other schedules that Management deems necessary.

2.4 All Regional offices prepare reports of collections, disbursements, fund transfers and remittances, foreclosures, remediated accounts and other financial transactions for recording in their books.

2.5 Income and expenses are recognized using modified accrual method of accounting.

2.6 Provision on Allowance for doubtful accounts

QUEDANCOR conducts an annual assessment of all trade receivables and contingent assets every end of the year for the purpose of classifying valuation reserves. Past due accounts shall be aged and classified in accordance with the terms and length of the period they have been past due.

In estimating the net realizable value of trade receivables, QUEDANCOR adopts two classifications:

Collateralized accounts

Description	Assigned Valuation
Fair market value \geq outstanding principal	None
Fair market value < outstanding principal	Deficient/shortage amount

Non-collateralized accounts – duly identified accounts shall be provided an allowance on a per account basis based on QUEDANCOR's collection experience and expected loss experience with sound judgment.

In the exercise of sound judgment, the following cases, such as but not limited to, shall serve as the basis for a one-time valuation reserve of 100 percent:

- Ghost borrowers;
- Missing borrowers whose whereabouts are unknown despite repeated skip tracings;
- Deceased borrowers without group comprehensive life insurance coverage;
- Accounts with unfavorable final judgment with absolutely no possibility of collection;
- Accounts with favorable final judgment in a civil case but execution was not secured within a period of five years;
- Unsecured accounts with legal constraints or the collateral securing the loan has become worthless and no payment has been received within a period of five years; and
- Judicial declaration of insolvency or bankruptcy of debtor.

The remaining accounts not included above of non-collateralized accounts shall be provided the allowance using the aging of the accounts as follows while deficiency claims shall be provided 100 per cent allowance:

No. of Years Past Due	Valuation Reserve (% of Outstanding Principal)
One year or less	5 per cent
More than 1 year to 2 years	10 per cent
More than 2 years to 3 years	20 per cent
More than 3 years to 4 years	30 per cent
More than 4 years to 5 years	40 per cent
More than 5 years to 10 years	50 per cent
More than 10 years	100 per cent

3. CASH AND CASH EQUIVALENTS

This account includes cash deposits with various banks, undeposited collections, petty cash fund and high yield savings and time deposits maturing 90 days from acquisition date as follows:

	2013	2012
Cash on hand		
Cash – collecting officers	8,743,478	9,102,349
Payroll fund	806,169	992,851
Petty cash fund	112,247	151,265
Cash-disbursing officers	(80)	18,670
Cash in bank-local currency		
Cash in bank-local currency, time deposits	810,658,828	630,164,756
Cash in bank-local currency, current account	5,709,167	21,112,533
Cash in bank-local currency, savings account	11,298,413	18,148,701
	837,328,222	679,691,125

4. INVESTMENTS - CURRENT

This account includes short-term investments carried at cost. These investments are placed with Landbank of the Philippines, United Coconut Planters Bank and Philippine Veterans Bank. This account consists of the following:

Financial Institution	2013	2012
Land Bank of the Philippines	12,000,000	-
United Coconut Planters Bank	5,922,125	-
Philippine Veterans Bank	27,090,818	-
	45,012,943	-

5. RECEIVABLES – TRADE

5.1 Trade receivables accounts represent amounts collectible on loans to borrowers under the various programs of the Corporation. These are classified into:

- a. Current trade receivables are accounts due for collections as of December 31, 2013 and those accounts which are expected to be realized within one year.
- b. Non-current trade receivables (Long-term) are those accounts which matured beyond December 31, 2014.
- c. Past due trade receivables are those accounts that are due and demandable as of December 31, 2013 and remained outstanding despite lapse of the maturity date.

5.2 Deficiency claims receivables arise when the value of the property foreclosed is not sufficient to cover the borrowers' outstanding loan balance as of the date of issuance of certificate of sale by the sheriff in favor of QUEDANCOR.

5.3 Subrogated receivables represent payments made by QUEDANCOR to the lending banks for the account of the defaulting borrowers with guarantee coverage.

5.4 Assigned receivables represent accounts sold to various banks secured by promissory notes.

5.5 Installment receivables arise when acquired assets are sold or redeemed through installment basis.

5.6 Reconciling entries are payment of receivables at one office (Central or Regional/District Office) but were not recorded by the lending district office or the central office. It also includes payment thru the receipt of life insurance proceeds of deceased borrowers.

	2013	2012
Trade receivables:		
Active programs		
Current	12,144,143	37,503,642
Past due	5,327,246,746	5,350,394,469
	5,339,390,889	5,387,898,111
Deficiency claims receivables	651,172,902	585,586,720
Subrogated receivables (guarantee claims)	483,543,824	497,239,424
Assigned receivables	2,566,266	17,123,487
Installment receivables	11,341,685	8,630,288
Reconciling entries (unrecorded payments at the field offices)	(18,461,750)	(17,033,028)
	6,469,553,816	6,479,445,002
Allowance for doubtful accounts	4,780,613,395	5,692,007,481
	1,688,940,421	787,437,521

6. OTHER RECEIVABLES

Other receivables include advances granted to officers and employees – Self-Reliant Teams (SRT) Multi-coop, intra-district borrowings and miscellaneous account.

	2013	2012
Interest receivables	218,985,793	201,982,138
Due/Advances from officers and employees	2,554,741	50,264,897
Disallowances (SVLF, Honorarium, etc.)	4,837,873	7,249,156
Reconciling items of head/field offices	1,356,058	1,288,352
Loans receivables	522,062	522,062
Other receivables	51,647,144	50,436,372
	279,903,671	311,742,977

7. PREPAYMENTS

This account consists of the following:

	2013	2012
Prepaid rent	969,163	1,211,525
Prepaid insurance	366,496	424,459
Prepaid communication	133,873	41,401
Prepaid subscription	4,500	3,236
Prepaid miscellaneous	144,318	112,266
	1,618,350	1,792,887

8. OTHER CURRENT ASSETS

This account consists of the following:

	2013	2012
Deposits-water, power and telephone	290,977	158,816
Guarantee deposits	65,667	65,667
Deposits-others (for adjustment)	(302,814)	-
Office supplies	1,547,795	1,719,838
Accountable forms	1,679,317	1,581,749
Spare parts	219,164	261,788
Gasoline, oil and lubricants	3,676	4,289
Drugs and medicines	742	742
Other supplies	2,427,813	4,135,343
	5,932,337	7,928,232

9. INVESTMENTS

This account consists of the following:

	2013	2012
Investments in bonds	370,386	448,853

10. RECEIVABLES (TRADE) – LONG TERM

This is composed of program receivables that will mature beyond December 31, 2014:

	2013	2012
Active programs	362,145,660	371,435,774
Installment receivables	30,116,908	7,834,380
	392,262,568	379,270,154

11. PROPERTY AND EQUIPMENT

The composition of this account is as follows:

	Land, office buildings, other leasehold improvements-building	IT Equipment & Software, Communication Equipment, Office Equipment	Motor Vehicles	Furniture and fixture, other machineries and equipment	Total
Gross carrying amount					
01 January 2013	46,641,013	67,599,463	39,935,691	8,022,835	162,199,002
Additions	-	355,935	-	142,080	498,015
Transfers	-	-	-	-	-
Adjustments	(87,107)	(352,630)	(258,250)	(69,311)	(767,298)
Retirement/disposals/cancellation	-	(3,983,452)	(1,423,103)*	(396,542)	(5,803,097)
31 December 2013	46,553,906	63,619,316	38,254,338	7,699,062	156,126,622
Accumulated depreciation/amortization					
01 January 2013	6,228,213	59,056,694	34,904,229	6,470,889	106,660,025
Charged for the period	645,398	300,729	180,575	262,534	1,389,236
Adjustments	(6,227)	(434,048)	(321,294)	(87,183)	(848,752)
Retirement/disposals/cancellation	-	(3,632,519)	(1,316,915)*	(292,767)	(5,242,221)
31 December 2013	6,867,384	55,290,856	33,446,595	6,353,453	101,958,288
Net book value, 31 December 2013	39,686,522	8,328,460	4,807,743	1,345,609	54,168,334
Net book value, 31 December 2012	40,412,800	8,542,769	5,031,462	1,551,946	55,538,977

*All fixed assets of the Corporation in Region VIII (Tacloban City Regional Office) was totally devastated by super typhoon Yolanda in November 2013.

A contract of conditional sale was entered into by and between Livelihood Corporation as the Vendor and Quedan & Rural Credit Guarantee Corporation as the Vendee on May 19, 1995, wherein the subject of the contract consists of land, building and building machineries and equipment for and in consideration of the amount of Thirty One Million Seven Hundred Ninety Seven Thousand & Nine Hundred Pesos (P31,797,900), which was registered in the name of QUEDANCOR in 2003.

Property and equipment are stated at cost less accumulated depreciation, which is computed using the straight line method based on estimated service life of the property ranging from three to 10 years except for building which is depreciated over 30 years. Depreciation expense is automatically computed by the e-NGAS.

12. OTHER ASSETS

The composition of the account is as follows:

	2013	2012
Acquired assets		
Land, building and other structures	189,854,015	256,747,653
Motor vehicles	1,599,874	3,070,873
Machineries/equipment/others	910,699	2,848,418
	192,364,588	262,666,944
Acquired assets for consolidation	130,859,352	155,181,256
Cash under receivership (claims from unrelieved losses)	31,161,631	30,540,691
Foreclosed properties under redemption	36,733,940	28,126,062
Inactive bank accounts	3,147,541	(119,720)
	394,267,052	476,395,233

Acquired assets account represents mortgages subsequently foreclosed by QUEDANCOR from defaulting borrowers. The foreclosed properties consist of several real and personal properties of borrowers under the Intensified Rice Production Program (IRPP), Livelihood Financing for Employees Program (LIFE), Agri-Aqua and Production (CAMP), Livelihood Aqua-Marine Productivity (LAMP), Joint Agribusiness Venture (JAV), Fisherfolk Integrated Livelihood Program (FILP), Barangay Marketing Center (BMC), Credit Guarantee Program (CGP), Rice and Corn Based Financing System (RCBFS) and the GMA-CARES Program.

Cash under receivership are co-financing bank accounts that were closed by the Bangko Sentral ng Pilipinas and are under liquidation with the Philippine Deposit Insurance Corporation (PDIC).

Inactive bank accounts are composed of accounts maintained in various branches of PNB, Union Bank and in Metro Bank and various co-financing banks that remained open because of reconciling items which have not been adjusted due to lacking documents/references.

No depreciation expense was provided for acquired assets as these items are meant for sale/disposal to recover their money value. Gain or loss on the disposal is recognized in the books at the actual date of sale or other means of disposal.

13. CURRENT LIABILITIES

Included under this caption are the following accounts:

	2013	2012
Payables		
Loans payable-current portion of long-term debt	4,820,480,373	4,585,297,724
Accrued expenses	2,298,443,808	1,716,902,312
Payable to ACPC	17,080,414	17,147,770
Payable to banks (GCFM accounts)	15,878,026	15,558,425
Payable to district offices	14,109,667	14,909,667
Payable to input suppliers	7,734,078	7,734,078
Due to officers and employees	7,494,464	7,524,400
Attorneys fee payable	2,498,830	4,544,480
Rediscounting venture-LBP	14,719,329	4,048,467
Payable to PhilRice	3,781,000	3,781,000
Rediscounting venture-other banks	2,589,487	2,589,487
Assigned PN payable-PVB	3,631,271	2,391,085
Payable to accredited lawyers	2,226,947	2,202,910
NCB payables	1,348,184	1,901,070
Interest payable	1,007,289,956	737,655,527
Rediscounting venture-Allied Bank	(645,022)	575,443
Assigned PN payable-UCPB	(296,477)	9,298
Unclaimed tax refund	12,621	3,061
Assigned PN payable-ABC	(408,000)	(408,000)
Assigned PN payable-LBP	1,554,237	(297,492)
Assigned PN payable-EWB	(143,204)	(170,883)
Miscellaneous payable	29,035,709	45,186,163
	<i>3,427,925,325</i>	
	8,248,415,698	7,169,085,992
Other current liabilities		
Inter-agency payables		
Due to other GOCCs	109,655,437	114,632,848
Due to other NGAs	43,848,956	45,433,887 *
Due to BIR	12,645,356	15,235,019 *
Due to Pag-IBIG	254,797	237,776
Due to GSIS	(277,749)	(300,399)
Due to PHILHEALTH	(55,500)	(45,686)
	166,071,297	175,193,445
Other liabilities		
Guarantee deposits	6,637,268	5,390,668
Performance/bidders bond payable	4,919,846	3,146,113
Other payables	96,431,421	94,315,996
	107,988,535	102,852,777
	274,059,832	278,046,222
	8,522,475,530	7,447,132,214

The account includes penalties on the unpaid principal of the Multi-Series Bonds and Corporate Notes that were already matured in 2011. Negotiation for restructuring with the creditors is proposed with the request for waiver of penalties and haircut on the interest rate.

The authorized capital stock of the Corporation per RA No. 7393 is two billion pesos (P2,000,000,000) divided into two billion common and voting shares with par value of P1.00 per share. Sixty per cent thereof shall be subscribed by the National Government and/or Government-Owned or Controlled Corporations and the forty per cent by farmers, fisherfolks, their cooperatives and private investors.

	2013	2012
Breakdown of capital stocks-issued and Outstanding		
Government share		
National Government	877,423,123	877,423,123
DA/Agricultural Credit Policy Council	130,326,502	130,326,502
Cooperative Development Authority	2,000,000	2,000,000
	1,009,749,625	1,009,749,625
Private sector share (Net of treasury stocks)	32,583,317	32,579,183
	1,042,332,942	1,042,328,808

Paid-in capital in excess of par value consists of Miscellaneous Other Capital. These accounts were classified under the said account title because there is no appropriate account code under e-NGAS that specifically describes such accounts. Other Capital includes fully liquidated grant from the National Agricultural and Fishery Council (NAFC) and the Bureau of Fisheries and Aquatic Resources amounting to P77.41 million that were released to various fisherfolks in the form of loan.

17. BUSINESS INCOME

The account includes guarantee fees which represent fees received from accredited lending banks on the guarantee coverage extended by QUEDANCOR on the loans granted, income from loans representing interests and other charges earned from various programs of the Corporation and miscellaneous operating income.

	2013	2012
Service income	89,515,512	89,442,669
Other income		
Interest on bank deposits/Treasury bills	14,475,814	27,124,391
Gain on sale of acquired assets	89,561,073	4,268,984
Subsidy from ACEF	-	394,276
Miscellaneous income	11,609,446	3,817,492
	205,161,845	125,047,812

18. PERSONAL SERVICES

Components of the account are as follows:

	2013	2012
Salaries and wages	64,710,270	120,273,995
Personnel benefit contributions	9,007,956	15,998,386
Other compensation	18,635,087	32,551,567
Other personnel benefits	1,312,046	1,965,206
	93,665,359	170,789,154

Last July 1, 2012 the Governance Commission on GOCCs (GCG) disapproved the continuance of the services of the casual and contractual employees pursuant to the approved Rationalization Plan of 191 employees. However, its implementation was put on hold pending resolution of Quezon City Regional Trial Court Branch 96: Writ of Preliminary Investigation (WPI).

19. MAINTENANCE AND OTHER OPERATING EXPENSES

The account consists of the following:

	2013	2012
Bad debts	1,384,903,786	2,493,793,071
Contracted services	36,861,297	23,848,306
Professional services	23,644,321	23,765,717
Loss on sale of acquired assets	17,404,170	20,128,918
Assets/Litigation expenses	7,533,631	5,458,308
Supplies and materials expenses	6,154,042	8,786,791
Utility expenses	5,172,058	7,502,293
Taxes, insurance premiums and other fees	4,961,839	23,410,264
Rent expenses	3,754,415	6,063,078
Communication expenses	3,577,184	4,575,046
Traveling expenses	2,540,299	3,149,809
Depreciation	1,389,236	1,860,743
Repairs and maintenance	1,324,771	1,403,113
Trust fee expenses	1,183,965	2,199,061
Loss on sale of asset	599,421	-
Printing, binding and reproduction	369,106	548,061
Loyalty award	260,000	1,145,000
Meetings and conference expenses	247,228	236,580
Extraordinary and miscellaneous expenses	216,000	215,858
Advertising expenses	181,653	159,814
Gender and development	59,654	31,593
Subscription expenses	57,741	132,618
Representation expenses	37,446	75,324
Membership dues	26,470	23,068
Training and scholarship expenses	3,700	6,550
Transportation and delivery expenses	618	1,219
Hospitalization expenses	-	175,346
Miscellaneous expenses	725,166	798,527
	1,503,189,217	2,629,494,076

20. FINANCIAL EXPENSES

This account consists of the following:

	2013	2012
Interest expenses on multi-series bonds and corporate notes	269,751,784	270,982,596
Penalties on multi-series bonds and corporate notes	580,500,835	580,500,835
Bank charges	26,319	37,986
Documentary stamps expenses	2,165	29,167
	850,281,103	851,550,584

21. PRIOR YEARS' ADJUSTMENTS

This account consists of the following adjustments made in 2013 pertaining to prior years due to non-accrual or understatement/overstatement of various nominal accounts arising from compliance to audit findings and reconciliation of various accounts:

	Amount
Prior years' charges	
Overstatement of bad debts/depreciation expense	2,332,141,727
Overstatement/unaccrued various personal services accounts	709,533
Overstatement of various maintenance and other operating expenses	(82,300,394)
	2,250,550,866
Prior years' credits	
Understatement/unaccrued miscellaneous income	24,494,146
Overstatement/unaccrued interest and other charges on loan	131,205,141
	155,699,287
	2,406,250,153

22. COMPLIANCE WITH REVENUE REGULATIONS 15-2010

The breakdown of licenses, duties, taxes and fees for CY 2013 is as follows:

	2013	2012
Registration fees	181,423	212,124
Taxes withheld from interests	2,872,465	5,405,653
Real estate tax	993,082	16,879,373
Others	321,818	140,279
Fidelity bond premium	95,243	156,653
Insurance expense	497,808	616,182
	4,961,839	23,410,264

23. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of QUEDANCOR for CY 2013 was authorized for issue by the Officer-in-Charge/President, Atty. Armando R. Crobalde, Jr., as presented to the Governing Board on April 29, 2014 and was submitted to COA on April 29, 2014.