



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

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 (QUEDANCOR)**, which comprise the balance sheet as at December 31, 2014 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

We rendered an adverse opinion on the fairness of presentation of the financial statements of QUEDANCOR in view of the following reasons:

1. Comparison between the General Ledger of Accounts Receivable-Trade and Assigned Receivable accounts totaling P5.633 billion against the subsidiary ledgers of P5.746 billion disclosed a discrepancy of P113.349 million due to, among others, non-correction of variances; non-issuance of Official Receipts (ORs) allegedly by collecting officers; erroneous recording and posting or distribution of the payments as to principal, interest and penalty charges; hence, rendering the balances of the accounts doubtful;
2. The long outstanding book reconciling items aging from 1 to 14 years in 61 bank accounts aggregating P67.780 million remained unrecorded due to, among others, unavailability of supporting documents; discrepancy between the balance per books against bank confirmations; and non-preparation of bank reconciliation statements (BRS) for three bank accounts, thus rendered the Cash in Bank (CIB) account balance of P711.661 million unreliable and also affected the Trade Receivables and Interest Income accounts;
3. The accuracy and reliability of the Other Assets - Cash under Receivership (Claims from Unrelieved Losses) and Inactive Guarantee Co-Financing Mode (GCFM) accounts totaling P43.567 million cannot be ascertained due to, among others, reconciling items of P40.826 million identified since 1 to 30 years ago but cannot be adjusted due to lack of supporting documents, and the existence of negative balances of P3.443 million in 39 bank accounts; and
4. The unaccounted net difference of P869.238 million between the balance per books and results of confirmation from creditors created doubt as to the accuracy of the Loans Payable account of P5.074 billion.


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 **QUEDANCOR** as at December 31, 2014, 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 Note 16 of the Notes to Financial Statements and Paragraph no. 1 of the Observations and Recommendations portion of the audit report, which discussed QUEDANCOR's continuous losses from 2006 to 2014 that resulted in accumulated deficit of P11.571 billion, thus casting doubt on its financial stability to operate as a going concern and sustain its capability to provide guarantee on loan programs pursuant to its mandate.

COMMISSION ON AUDIT


ARSENIO S. RAYOS, JR.
Supervising Auditor *AR*
Audit Group F
Cluster 5 – Corporate Government Sector

June 30, 2015

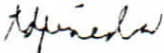
QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION
34 PANAY AVENUE , QUEZON CITY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Quedan and Rural Credit Guarantee Corporation is responsible for all information and representations contained in the consolidated financial statements as of December 31, 2014. The consolidated financial statements have been prepared based on the reports forwarded by field offices, and in conformity with generally accepted accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Head of Agency reviews the consolidated financial statements before such statements are approved and submitted to the Commission on Audit.


TERESITA D. PINEDA
OIC Financial Management Cluster

4/15/15
Date


ATTY. ARMANDO R. CROBALDE, JR.
Officer-in-Charge / President

4/15/15
Date

QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION
BALANCE SHEET
For the Year Ended December 31, 2014
(In Philippine Peso)

	<i>July 31, 2014</i> Note	2014	2013
ASSETS			
Current assets			
Cash and cash equivalents	3	720,936,382	837,328,222
Investments - current	4	156,541,337	45,012,943
Receivables (trade) - current, net	5	1,641,089,117	1,688,940,421
Other receivables	6	281,687,352	279,903,671
Prepayments	7	1,325,028	1,618,350
Other current assets	8	6,506,676	5,932,337
		<u>2,808,085,892</u>	<u>2,858,735,944</u>
Non-current assets			
Investments	9	323,267	370,386
Receivables (trade) - long term	10	89,719,366	392,262,568
Property and equipment	11	52,428,437	54,168,334
Other assets	12	387,957,757	394,267,052
		<u>530,428,827</u>	<u>841,068,340</u>
TOTAL ASSETS		<u>3,338,514,719</u>	<u>3,699,804,284</u>
LIABILITIES AND EQUITY			
Current liabilities			
Payables	13	9,334,358,055	8,248,415,698
Other current liabilities		323,872,364	274,059,832
		<u>9,658,230,419</u>	<u>8,522,475,530</u>
Non-current liabilities			
Long-term liabilities	14	633,072,184	893,072,184
Deferred credits	15	3,394,801	3,010,568
		<u>636,466,985</u>	<u>896,082,752</u>
		<u>10,294,697,404</u>	<u>9,418,558,282</u>
Capital stock (2 billion shares authorized at P1.00 par value per share)		1,041,096,008	1,042,332,942
Capital in excess of par value		78,165,063	78,165,063
Deficit		(8,075,443,756)	(6,839,252,003)
Government equity	16	(6,956,182,685)	(5,718,753,998)
TOTAL LIABILITIES AND EQUITY		<u>3,338,514,719</u>	<u>3,699,804,284</u>

The Notes on pages 11 to 23 form part of these financial statements.

QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION
STATEMENT OF INCOME AND EXPENSES
For the Year Ended December 31, 2014
(In Philippine Peso)

	Note	2014	2013
INCOME	17		
Business income		51,575,653	89,515,512
Other income		28,182,637	115,646,333
		79,758,290	205,161,845
EXPENSES			
Personal services	18		
Salaries and wages		59,827,564	64,710,270
Other compensation		16,877,124	18,635,087
Personnel benefits contributions		8,621,167	9,007,956
Other personnel benefits		12,747,512	1,312,046
		98,073,367	93,665,359
Maintenance and other operating expenses	19		
Bad debts		448,540,271	1,384,903,786
Professional services		22,408,903	23,644,321
Supplies and materials expenses		5,256,103	6,154,042
Loss on sale of acquired assets		4,628,764	17,404,170
Utility expenses		4,377,226	5,172,058
Taxes, insurance premiums and other fees		4,312,729	4,961,839
Rent expenses		3,455,881	3,754,415
Communication expenses		3,262,769	3,577,184
Traveling expenses		1,656,315	2,540,299
Repairs and maintenance		1,376,169	1,324,771
Depreciation		1,305,579	1,389,236
Printing, binding and reproduction		283,200	369,106
Advertising expenses		106,655	181,653
Extraordinary and miscellaneous expenses		94,434	216,000
Subscription expenses		44,354	57,741
Membership dues		23,472	26,470
Training and scholarship expenses		2,400	3,700
Representation expenses		-	37,446
Transportation and delivery expenses		-	618
Other maintenance and operating expenses		36,856,109	47,470,362
		537,991,333	1,503,189,217
Financial expenses	20		
Other financial expenses		580,562,090	580,529,319
Interest expenses		269,714,658	269,751,784
		850,276,748	850,281,103
		1,486,341,448	2,447,135,679
NET LOSS		(1,406,583,158)	(2,241,973,834)

The Notes on pages 11 to 23 form part of these financial statements.

QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION
STATEMENT OF CHANGES IN GOVERNMENT EQUITY
For the Year Ended December 31, 2014
(In Philippine Peso)

	Note	2014	2013
Capital stock	16	1,041,096,008	1,042,332,942
Paid-in capital in excess of par value		78,165,063	78,165,063
		1,119,261,071	1,120,498,005
Deficit			
Balance, beginning		(6,839,252,003)	(7,003,528,322)
Net loss		(1,406,583,158)	(2,241,973,834)
Prior years' adjustments	21	170,391,405	2,406,250,153
Deficit balance, December 31		(8,075,443,756)	(6,839,252,003)
Equity balance, end of the year		(6,956,182,685)	(5,718,753,998)

The Notes on pages 11 to 23 form part of these financial statements.

QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014
(In Philippine Peso)

	Note	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of service income		59,530,707	152,475,476
Collection of receivables		73,327,881	133,982,786
Sale of acquired assets		6,361,522	102,048,878
Fund transfer from/to regional offices/district offices		40,919,660	19,091,273
Collection/refund of performance/bidders bond		(2,165,548)	3,215,216
Receipt of guarantee/hold out deposits		1,291,735	2,216,230
Collections on disallowed payments		1,397,197	2,176,083
Remittance/liquidation of inter-agency payables		-	1,002,976
Refund of cash advances to officers and employees		(175,676)	254,061
Payment of operating expenses		(182,209,054)	(211,257,423)
Remittance of trust liabilities		(1,990,932)	(2,618,502)
Payment of guarantee claims		-	(292,523)
		(3,712,508)	202,294,531
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from issuance of stocks/buy-back of stocks		(18,800)	742,834
Redemption of short-term investments		475,966,930	73,890
Placement of investment on T-bills		(587,482,339)	(45,012,943)
Purchase of property and equipment		(1,145,123)	(461,215)
		(112,679,332)	(44,657,434)
NET INCREASE/(DECREASE) IN CASH		(116,391,840)	157,637,097
CASH, BEGINNING OF YEAR		837,328,222	679,691,125
CASH, END OF YEAR	3	720,936,382	837,328,222

The Notes on pages 11 to 23 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, 2014
(In Philippine Peso)

	DBM-approved Budget	Actual	Variance
EXPENSES			
Personal services			
Salaries and wages	65,591,000	59,827,564	5,763,436
Personnel economic relief allowance	4,224,000	3,956,768	267,232
Representation/transportation allowance	4,524,000	5,112,643	(588,643)
Uniform/clothing allowance	880,000	834,164	45,836
Productivity enhancement incentive	880,000	644,035	235,965
Productivity incentive benefits	352,000	441,614	(89,614)
Honoraria (Board expenses)	1,560,000	89,750	1,470,250
Longevity pay	174,000	151,873	22,127
Year-end amelioration and cash gift	6,346,000	5,646,277	699,723
Personnel benefit contributions	8,891,000	8,621,167	269,833
Terminal pay	-	10,730,272	(10,730,272)
Monetized vacation leave	2,337,000	827,240	1,509,760
Rice allowance	1,395,000	1,040,000	355,000
Loyalty award	-	150,000	(150,000)
	97,154,000	98,073,367	(919,367)
Maintenance and other operating expenses (MOOE)			
Traveling expenses	3,642,000	1,656,315	1,985,685
Training and scholarship expenses	53,000	2,400	50,600
Supplies and materials	12,630,000	5,256,103	7,373,897
Utility expenses	8,944,000	4,377,226	4,566,774
Communication expenses	8,449,000	3,262,769	5,186,231
Membership dues and contributions	50,000	23,472	26,528
Advertising expenses	189,000	106,655	82,345
Printing, binding and reproduction	384,000	283,200	100,800
Rent expenses	3,332,000	3,455,881	(123,881)
Representation expenses	39,000	-	39,000
Subscription expenses	60,000	44,354	15,646
Auditing services	15,900,000	16,346,707	(446,707)
Consultancy services	37,000	-	37,000
Janitorial services	1,764,000	1,406,998	357,002
Security services	6,236,000	4,655,198	1,580,802
Repair and maintenance-buildings	733,000	482,036	250,964
Repair and maintenance-office equipment	887,000	135,194	751,806
Repair and maintenance-transportation equipment	1,116,000	758,939	357,061
Subsidies and donations	20,000	-	20,000
Extraordinary and miscellaneous expenses	132,000	94,434	37,566
Taxes, duties and fees	13,544,000	3,943,677	9,600,323
Fidelity bond and insurance expenses	617,000	369,052	247,948
Loss on sale of assets	-	39,000	(39,000)
Sports and cultural activities	25,000	21,308	3,692
Meetings and conferences	218,000	151,039	66,961
Contracted services	37,441,000	31,484,494	5,956,506
Litigation/judicial/acquired asset expenses	10,434,000	2,697,025	7,736,975
Trust fee expense	-	1,928,591	(1,928,591)
Gender and development	100,000	60,588	39,412

	DBM-approved		
	Budget	Actual	Variance
Miscellaneous expenses	1,355,000	474,064	880,936
Financial expenses	192,000	850,276,748	(850,084,748)
Loan repayment	120,000,000	-	120,000,000
	248,523,000	933,793,467	(685,270,467)
Total expenses	345,677,000	1,031,866,834	(686,189,834)
Capital outlay			
Office equipment	2,945,000	1,090,830	1,854,170
Furniture and fixtures	351,000	10,488	340,512
Communication equipment	200,000	-	200,000
Other machineries and equipment	151,000	43,805	107,195
	3,647,000	1,145,123	2,501,877
Total expenses and equipment outlay	349,324,000	1,033,011,957	(683,687,957)
Loans outlay			
Guarantee fund investment	-	-	-
Guarantee payments	-	-	-
	-	-	-
Total capital outlay	3,647,000	1,145,123	2,501,877
Total expenses and outlay	349,324,000	1,033,011,957	(683,687,957)

The Notes on pages 11 to 23 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 (RA) 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 (GOCCs) 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, 2014 totaled 293, consisting of 159 regular, 40 contractual and 94 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 guarantee 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-National Government Accounting System (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 the then COA-Government Accountancy and Financial Management Information System (GAFMIS) Sector, now Government Accountancy Sector (GAS), 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 \leq 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:

	2014	2013
Cash on hand		
Cash – collecting officers	8,612,568	8,743,478
Payroll fund	571,253	806,169
Petty cash fund	83,569	112,247
Cash-disbursing officers	8,074	(80)
Cash in bank-local currency		
Cash in bank-local currency, time deposits	668,417,708	810,658,828
Cash in bank-local currency, current account	12,908,102	5,709,167
Cash in bank-local currency, savings account	30,335,108	11,298,413
	720,936,382	837,328,222

4. INVESTMENTS - CURRENT

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

Financial Institution	2014	2013
Land Bank of the Philippines (LBP)	11,924,832	12,000,000
United Coconut Planters Bank (UCPB)	6,009,455	5,922,125
Philippine Veterans Bank (PVB)	138,607,050	27,090,818
	156,541,337	45,012,943

5. RECEIVABLES (TRADE) - CURRENT

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, 2014 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, 2015.

c. Past due trade receivables are those accounts that are due and demandable as of December 31, 2014 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 borrower's 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 claims against defaulting borrowers on account of guarantees paid to the lending banks.

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

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

5.6 Reconciling entries are payments 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 through the receipt of life insurance proceeds of deceased borrowers.

	2014	2013
Trade receivables:		
Active programs		
Current	306,240,913	12,144,143
Past due	5,279,895,738	5,327,246,746
Deficiency claims receivables	5,586,136,651	5,339,390,889
Subrogated receivables (guarantee claims)	826,634,655	651,172,902
Installment receivables	478,078,925	483,543,824
Assigned receivables	15,138,470	11,341,685
Reconciling entries (unrecorded payments at the field offices)	600,860	2,566,266
	-	(18,461,750)
Allowance for doubtful accounts	6,906,589,561	6,469,553,816
	5,265,500,444	4,780,613,395
	1,641,089,117	1,688,940,421

6. OTHER RECEIVABLES

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

	2014	2013
Interest receivables	224,451,182	218,985,793
Disallowances (SVLF, honorarium, etc.)	3,998,896	4,837,873
Due/advances from officers and employees	1,878,144	2,554,741
Loans receivables	522,062	522,062
Other receivables	50,837,068	51,647,144
Reconciling items of head/field offices	-	1,356,058
	281,687,352	279,903,671

7. PREPAYMENTS

This account consists of the following:

	2014	2013
Prepaid rent	947,863	969,163
Prepaid insurance	341,772	366,496
Prepaid communication	4,559	133,873
Prepaid subscription	2,714	4,500
Prepaid miscellaneous	28,120	144,318
	1,325,028	1,618,350

8. OTHER CURRENT ASSETS

This account consists of the following:

	2014	2013
Accountable forms	1,712,622	1,679,317
Office supplies	1,593,677	1,547,795
Deposits-water, power and telephone	271,743	290,977
Spare parts	234,419	219,164
Deposits-others	89,318	(302,814)
Guarantee deposits	65,667	65,667
Gasoline, oil and lubricants	2,235	3,676
Drugs and medicines	742	742
Other supplies	2,536,253	2,427,813
	6,506,676	5,932,337

9. INVESTMENTS

This account consists of the following:

	2014	2013
Investments in bonds	323,267	370,386

10. RECEIVABLES (TRADE) – LONG TERM

This is composed of program receivables that will mature beyond December 31, 2015:

	2014	2013
Active programs		
Installment receivables	46,013,984	362,145,660
	43,705,382	30,116,908
	89,719,366	392,262,568

11. PROPERTY AND EQUIPMENT

The composition of this account is as follows:

	Land, office buildings, other leasehold improvements - building	IT equipment and software, communication equipment, office equipment	Motor vehicles	Furniture and fixture, other machineries and equipment	Total
Gross carrying amount					
January 1, 2014					
Additions	46,553,906	63,619,316	38,254,338	7,699,062	156,126,622
Transfers	-	1,076,632	-	44,089	1,120,721
Adjustments	-	-	663,000	-	663,000
Retirement/disposals/cancellation	(1,493,400)	(453,815)	(715,542)	(193,702)	(2,856,459)
December 31, 2014	45,060,506	63,583,941	38,094,800	7,549,449	154,288,696
Accumulated depreciation/amortization					
January 1, 2014					
Charged for the period	6,867,384	55,290,856	33,446,595	6,353,453	101,958,288
Adjustments	534,727	502,917	72,630	195,305	1,305,579
Retirement/disposals/cancellation	44,424	(1,169,174)	(110,788)	(168,070)	(1,403,608)
December 31, 2014	7,446,535	54,624,599	33,408,437	6,380,688	101,860,259
Net book value					
December 31, 2014	37,613,971	8,959,342	4,686,363	1,168,761	52,428,437
Net book value, December 31, 2013	39,686,522	8,328,460	4,807,743	1,345,609	54,168,334

A contract of conditional sale was entered into by and between Livelihood Corporation as the Vendor and QUEDANCOR as the Vendee on May 19, 1995, wherein the subject of the contract consisted 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 3 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:

	2014	2013
Acquired assets		
Land, building and other structures	165,802,147	189,854,015
Motor vehicles	1,640,873	1,599,874
Machineries/equipment/others	477,848	910,699
	167,920,868	192,364,588
Acquired assets for consolidation	146,862,841	130,859,352
Cash under receivership (claims from unrelieved losses)	31,845,354	31,161,631
Foreclosed properties under redemption	29,606,747	36,733,940
Inactive bank accounts	11,721,947	3,147,541
	387,957,757	394,267,052

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 Ginintuang Masaganang Ani-Countrywide Assistance for Rural Employment and Services (GMA-CARES) Program.

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

Inactive bank accounts are composed of accounts maintained in various branches of Philippine National Bank, 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:

	2014	2013
Payables		
Loans payable-current portion of long-term debt	5,074,395,046	4,820,480,373
Accrued expenses	2,888,499,739	2,298,443,808
Interest payable	1,277,004,614	1,007,289,956
Payable to banks (GCFM accounts)	15,741,706	15,878,026
Payable to district offices	14,109,667	14,109,667
Payable to input suppliers	7,734,078	7,734,078
Due to officers and employees	7,457,277	7,494,464
Rediscounting venture-LBP	6,631,996	14,719,329
Payable to PhilRice	3,781,000	3,781,000
Payable to ACPC	3,468,346	17,080,414
Payable to accredited lawyers	2,230,355	2,226,947
NCB payables	1,929,016	1,348,184
Rediscounting venture-other banks	1,918,362	2,589,487
Attorneys fee payable	1,792,596	2,498,830
Assigned PN payable-PVB	897,533	3,631,271
Rediscounting venture-Allied Bank	692,261	(645,022)
Assigned PN payable-UCPB	-	(296,477)
Unclaimed tax refund	7,313	12,621
Assigned PN payable-ABC	-	(408,000)
Assigned PN payable-LBP	-	1,554,237
Assigned PN payable-EWB	-	(143,204)
Miscellaneous payable	26,067,150	29,035,709
	9,334,358,055	8,248,415,698
Other current liabilities		
Inter-agency payables		
Due to other GOCCs	86,857,359	109,655,437
Due to other NGAs	43,848,955	43,848,956
Due to BIR	9,083,519	12,645,356
Due to Pag-IBIG	309,399	254,797
Due to GSIS	(112,890)	(277,749)
Due to PHILHEALTH	(87,962)	(55,500)
	139,898,380	166,071,297
Other liabilities		
Guarantee deposits	6,445,697	6,637,268
Performance/bidders bond payable	2,545,252	4,919,846
Other payables	174,983,035	96,431,421
	183,973,984	107,988,535
	323,872,364	274,059,832
	9,658,230,419	8,522,475,530

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.

14. LONG-TERM LIABILITIES

This account consists of the following obligations:

	2014	2013
Agricultural Credit Policy Council (ACPC)	523,922,184	523,922,184
Department of Agriculture (DA)	103,650,000	363,650,000
DA-CARAGA-RFU	5,000,000	5,000,000
2 nd Congressional District of South Cotabato	500,000	500,000
	633,072,184	893,072,184

The ACPC Trust Funds are composed of P123.922 million guarantee fund for the Integrated Farming System, another flagship program of the DA, P300 million for GMA-CARES Program, and P100 million AFCGF for another guarantee program activity.

The DA loan consists of P22 million Agri-Makamasa-CORN and P81.650 million Agri-Makamasa-HYBRID-CORN, meant to implement the credit and guarantee needs of various flagship programs of the Department.

15. DEFERRED CREDITS

The account consists of payments of trade receivables at various field offices directly deposited by clients to various LBP branches but identities were not disclosed. Field personnel are coordinating with the local LBP branches for the identification of the borrowers/depositors.

	2014	2013
Deferred credits	3,394,801	3,010,568

16. GOVERNMENT EQUITY

The account consists of the following:

	2014	2013
Capital stock-authorized 2,000,000,000 shares @ P1.00 par value		
Issued and Outstanding	1,041,794,588	1,043,031,522
Less: Treasury stocks	698,580	698,580
Net issued and outstanding	1,041,096,008	1,042,332,942
Paid in capital in excess of par value (Other capital)	78,165,063	78,165,063
Deficit	(8,075,443,756)	(6,839,252,003)
	(6,956,182,685)	(5,718,753,998)

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 GOCCs and the forty per cent by farmers, fisherfolks, their cooperatives and private investors. The breakdown of the capital stocks issued and outstanding is as follows:

	2014	2013
Government share		
National Government	877,423,123	877,423,123
Department of Agriculture	130,326,502	130,326,502
Cooperative Development Authority	2,000,000	2,000,000
Private sector share (net of treasury stocks)	1,009,749,625	1,009,749,625
	31,346,383	32,583,317
	1,041,096,008	1,042,332,942

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 (BFAR) 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.

	2014	2013
Service income		
Other income	51,575,653	89,515,512
Interest on bank deposits/treasury bills	10,290,114	14,475,814
Gain on sale of acquired assets	4,504,079	89,561,073
Miscellaneous income	13,388,444	11,609,446
	79,758,290	205,161,845

18. PERSONAL SERVICES

Components of the account are as follows:

	2014	2013
Salaries and wages		
Personnel benefit contributions	59,827,564	64,710,270
Other compensation	8,621,167	9,007,956
Other personnel benefits	16,877,124	18,635,087
	12,747,512	1,312,046
	98,073,367	93,665,359

Included under Other personnel benefits account is the Terminal leave benefit which represents accumulated leave credits earned by employees who were separated from the service in 2012 and those who resigned and retired as of December 31, 2014. This benefit is recognized in the year it is paid when the employees have submitted and complied with all the documentary requirements like Certificate of Clearance, Statement of Assets and Liabilities, Certificate of no Pending Case, among others.

19. MAINTENANCE AND OTHER OPERATING EXPENSES

The account consists of the following:

	2014	2013
Bad debts	448,540,271	1,384,903,786
Contracted services	31,484,494	36,861,297
Professional services	22,408,903	23,644,321
Supplies and materials expenses	5,256,103	6,154,042
Loss on sale of acquired assets	4,628,764	17,404,170
Utility expenses	4,377,226	5,172,058
Taxes, insurance premiums and other fees	4,312,729	4,961,839
Rent expenses	3,455,881	3,754,415
Communication expenses	3,262,769	3,577,184
Assets/litigation expenses	2,697,025	7,533,631
Trust fee expenses	1,928,591	1,183,965
Traveling expenses	1,656,315	2,540,299
Repairs and maintenance	1,376,169	1,324,771
Depreciation	1,305,579	1,389,236
Printing, binding and reproduction	283,200	369,106
Meetings and conference expenses	151,039	247,228
Advertising expenses	106,655	181,653
Extraordinary and miscellaneous expenses	94,434	216,000
Gender and development	60,588	59,654
Provident expenses	47,982	-
Subscription expenses	44,354	57,741
Loss on sale of asset	39,000	599,421
Membership dues	23,472	26,470
Sports and cultural expenses	21,308	-
Training and scholarship expenses	2,400	3,700
Loyalty award	-	260,000
Representation expenses	-	37,446
Transportation and delivery expenses	-	618
Miscellaneous expenses	426,082	725,166
	537,991,333	1,503,189,217

20. FINANCIAL EXPENSES

This account consists of the following:

	2014	2013
Penalties on multi-series bonds and corporate notes	580,502,385	580,500,835
Interest expenses on multi-series bonds and corporate notes	269,714,658	269,751,784
Documentary stamps expenses	40,926	2,165
Bank charges	18,779	26,319
	850,276,748	850,281,103

21. PRIOR YEARS' ADJUSTMENTS

This account consists of the following adjustments made in 2014 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:

	2014	2013
Prior years' charges		
Overstatement of bad debts/depreciation expense	31,594,801	2,332,141,727
Overstatement of various maintenance and other operating expenses	6,754,201	(82,300,394)
Overstatement/unaccrued various personal services accounts	(605,854)	709,533
	37,743,148	2,250,550,866
Prior years' credits		
Overstatement/unaccrued interest and other charges on loan	124,363,495	131,205,141
Understatement/unaccrued miscellaneous income	8,284,762	24,494,146
	132,648,257	155,699,287
	170,391,405	2,406,250,153

22. COMPLIANCE WITH REVENUE REGULATIONS 15-2010

The breakdown of licenses, duties, taxes and fees for CY 2014 is as follows:

	2014	2013
Taxes withheld from interests	2,026,002	2,872,465
Real estate tax	1,280,992	993,082
Insurance expense	262,439	497,808
Registration fees	162,614	181,423
Fidelity bond premium	106,613	95,243
Others	474,069	321,818
	4,312,729	4,961,839

23. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of QUEDANCOR for CY 2014 was authorized for issue by the Officer-in-Charge/President, Atty. Armando R. Crobalde, Jr., as presented to the Governing Board on April 15, 2015 and was submitted to COA on the same date.