



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Ave., Quezon City  
**CORPORATE GOVERNMENT SECTOR**  
**CLUSTER 2 – SOCIAL SECURITY AND HOUSING**

**INDEPENDENT AUDITOR'S REPORT**

**The Board of Directors**  
Social Housing Finance Corporation  
Banco de Oro Plaza  
8737 Paseo de Roxas, Makati City

We have audited the accompanying financial statements of Social Housing Finance Corporation, a wholly-owned subsidiary of the National Home Mortgage Finance Corporation, which comprise the balance sheet as at December 31, 2012, and the statement of income and expenses, statement of changes in equity and statement of cash flows for the year 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 audit. We conducted our audit in accordance with 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 audit opinion.

#### **Bases for Qualified Opinion**

As discussed in Observation No. 1, the general ledger balances of Loan Installment Receivable and Items in Litigation accounts differ by P414.283 million with the total balance of member-beneficiaries subsidiary ledgers aggregate balance consisting of a total positive variance of P2.65 billion and a total negative variance of P1.65 billion, thus creating doubt on the validity of the account balances as at year-end.

Likewise, as discussed in Observation No. 2, the temporary distribution of the current year's balance of Undistributed Collections account at year-end and derecognition of the distribution made at the beginning of the year in the amount of P94.460 million cast doubt on the accuracy of the balance of Loan Installment Receivable and the other affected accounts. The undistributed collections for CYs 2008 to 2011 totaling P206.397 million have not moved and remained not posted in the member-beneficiaries subsidiary ledgers.

#### **Opinion**

In our opinion, except for the possible effects of the matters described in the Bases for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Social Housing Finance Corporation as at December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with state accounting principles.

#### **COMMISSION ON AUDIT**



ATTY. RESURRECCION C. QUIETA  
Supervising Auditor

June 28, 2013

**SOCIAL HOUSING FINANCE CORPORATION**  
**(A Wholly - owned Subsidiary of the National Home Mortgage Finance Corporation)**  
**BALANCE SHEET**  
**DECEMBER 31, 2012**  
(In Philippine Peso)

	Note	2012	2011 (As Restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	4	2,136,275,531	1,049,821,780
Receivables	5	64,531,724	61,885,801
Other current assets	6	5,392,913	5,325,482
		2,206,200,168	1,117,013,063
<b>Assets Held in Trust</b>			
National Home Mortgage Finance Corporation	7	8,983,144,762	8,755,684,247
Abot-Kaya Pabahay Fund	7	547,761,311	554,440,660
		9,530,906,073	9,310,124,907
<b>Non-current Assets</b>			
Long-term receivables	8	30,468,402	29,467,733
Property and equipment	9	197,686,383	200,254,029
		228,154,785	229,721,762
<b>TOTAL ASSETS</b>		<b>11,965,261,026</b>	<b>10,656,859,732</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Payables	10	683,778,926	701,599,323
Inter-agency payables	11	34,826,104	34,742,729
Other current liabilities	12	479,639,211	304,746,715
		1,198,244,241	1,041,088,767
<b>Long-term Liabilities</b>			
Other long-term liabilities	13	135,873,345	145,177,812
<b>Trust Liabilities</b>			
National Home Mortgage Finance Corporation	14	9,843,069,114	8,594,080,784
Abot-Kaya Pabahay Fund	15	547,761,311	554,440,660
		10,390,830,425	9,148,521,444
<b>TOTAL LIABILITIES</b>		<b>11,724,948,011</b>	<b>10,334,788,023</b>
<b>EQUITY</b>		<b>240,313,015</b>	<b>322,071,709</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,965,261,026</b>	<b>10,656,859,732</b>

The Notes on pages 7 to 17 form part of these financial statements.

**SOCIAL HOUSING FINANCE CORPORATION**  
**(A Wholly - owned Subsidiary of the National Home Mortgage Finance Corporation)**  
**STATEMENT OF INCOME AND EXPENSES**  
**For the Year Ended December 31, 2012**  
(In Philippine Peso)

	Note	2012	2011 (As Restated)
<b>INCOME</b>			
Interest income on loans		238,212,490	232,917,642
Interest on savings deposits		67,972,882	36,132,047
Interest income on notes		12,000,000	12,000,000
Service fees		8,948,943	7,627,365
Miscellaneous income		92,758,346	128,569,342
		<b>419,892,461</b>	<b>417,246,396</b>
<b>EXPENSES</b>			
<b>Personal Services</b>			
Salaries and wages		68,533,517	59,446,806
Other personnel benefits		43,249,452	43,680,267
Other compensation		35,622,844	31,326,496
Personnel benefit contributions		3,158,243	3,060,207
		<b>150,564,056</b>	<b>137,513,776</b>
<b>Maintenance and Other Operating Expenses</b>			
Loan loss	3.3	55,904,368	-
Professional services		42,267,910	31,120,239
Taxes, insurance premiums and other fees		25,053,046	17,129,308
Depreciation	9	13,934,177	13,408,927
Origination and appraisal cost		11,203,273	18,292,776
Supplies and materials		7,471,126	5,560,343
Utility		7,359,018	6,559,126
Representation		6,015,693	7,089,171
Travelling		4,077,017	3,399,887
Training and seminars		3,441,104	576,085
Rent		3,438,554	4,579,491
Confidential, extraordinary and miscellaneous		3,358,473	2,379,072
Communication		3,192,942	3,228,330
Building association dues and contribution to organization		3,126,599	2,922,996
Repairs and maintenance		1,033,791	617,443
Advertising		904,068	786,229
Printing and binding		822,537	950,621
Subsidies and donations		365,144	118,670
Subscription		133,244	126,999
Transportation and delivery		80,203	24,977
Litigation		-	5,170
Miscellaneous		3,424,431	2,247,213
		<b>196,606,718</b>	<b>121,123,073</b>
<b>Financial Expenses</b>			
Interest expense		8,376,900	8,824,447
Bank charges		78,228	74,178
Other financial charges		1,716,644	1,015,782
		<b>10,171,770</b>	<b>10,014,407</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>62,549,917</b>	<b>148,595,140</b>
Provision for income tax		19,222,842	51,156,125
<b>NET INCOME AFTER INCOME TAX</b>		<b>43,327,075</b>	<b>97,439,015</b>

The Notes on pages 7 to 17 form part of these financial statements.

**SOCIAL HOUSING FINANCE CORPORATION**  
**(A Wholly - owned Subsidiary of the National Home Mortgage Finance Corporation)**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the Year Ended December 31, 2012**  
(In Philippine Peso)

	<b>Paid in Capital (Note 16)</b>	<b>Retained Earnings (Note 18)</b>	<b>Total Equity</b>
Balance at December 31, 2010	10,000,000	229,340,665	239,340,665
Dividends paid	-	(53,768,141)	(53,768,141)
Prior period adjustment	-	39,060,170	39,060,170
Net income, as restated	-	97,439,015	97,439,015
<b>Balance at December 31, 2011</b>	<b>10,000,000</b>	<b>312,071,709</b>	<b>322,071,709</b>
Balance at December 31, 2011, as restated	10,000,000	312,071,709	322,071,709
Dividends paid	-	(74,174,928)	(74,174,928)
Net income	-	43,327,075	43,327,075
Prior period adjustment	-	(50,910,841)	(50,910,841)
<b>Balance at December 31, 2012</b>	<b>10,000,000</b>	<b>230,313,015</b>	<b>240,313,015</b>

The Notes on pages 7 to 17 form part of these financial statements.

**SOCIAL HOUSING FINANCE CORPORATION**  
**(A Wholly - owned Subsidiary of the National Home Mortgage Finance Corporation)**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2012**  
(In Philippine Peso)

	Note	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Amortization collections from borrowers		582,967,647	700,345,674
Subsidy income			
Receipt of Community Mortgage Program fund transferred from NHMFC		1,250,000,000	462,140,244
Other income			
Receipts of interests from deposits		65,256,827	33,497,327
Receipts of interests on notes		12,000,000	12,000,000
Service fee income		8,948,943	7,627,365
Miscellaneous income		2,085,225	4,067,934
Insurance prepayments		2,936,650	15,249,851
Other receipts			
Other receipts		46,260,496	45,685,251
Receipts of interest on investments		2,033,764	414,345
Cash paid for loan take-outs, employees and suppliers		(865,146,740)	(1,042,754,611)
<b>Net Cash Provided By Operating Activities</b>		<b>1,107,342,812</b>	<b>238,273,380</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Leasehold improvements		(703,544)	(314,687)
Purchase/construction of building/equipment/furnitures and fixtures		(451,633)	(1,133,812)
Purchase of office equipment, IT equipment and office furniture and fixtures		(5,667,897)	(1,429,940)
Purchase of transportation equipment		(6,921,450)	-
Payment of amortization of office building		(7,144,537)	(6,596,989)
<b>Net Cash Used In Investing Activities</b>		<b>(20,889,061)</b>	<b>(9,475,428)</b>
<b>Net increase in cash</b>		<b>1,086,453,751</b>	<b>228,797,952</b>
<b>Cash at beginning of year</b>		<b>1,049,821,780</b>	<b>821,023,828</b>
<b>CASH AT END OF YEAR</b>	<b>4</b>	<b>2,136,275,531</b>	<b>1,049,821,780</b>

The Notes on pages 7 to 17 form part of these financial statements.

**SOCIAL HOUSING FINANCE CORPORATION**  
**(A Wholly-owned Subsidiary of the National Home Mortgage Finance Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
(All amounts in Philippine Peso unless otherwise stated)

**1. GENERAL INFORMATION**

On January 20, 2004, Executive Order No. 272 was signed and approved by the President of the Republic of the Philippines authorizing the National Home Mortgage Finance Corporation (NHMFC) to organize and establish the Social Housing Finance Corporation (SHFC), as a wholly-owned subsidiary, formed in accordance with the Corporation Code and pertinent rules and regulations issued by the Securities and Exchange Commission (SEC). SHFC has been formally organized and established on June 21, 2005 with the issuance of the Certificate of Incorporation under SEC No. CS 200510702.

As a wholly-owned subsidiary of NHMFC, SHFC was created primarily to be the lead agency to undertake social housing programs that will cater to the formal and informal sectors in the low-income bracket and shall take charge of developing and administering social housing program schemes, particularly the Community Mortgage Program (CMP) and the Amortization Support and Developmental Financing Programs of the Abot-Kaya Pabahay Fund (AKPF).

Presently, SHFC is merely a trustee of the transferred CMP funds and assets. The NHMFC remains in control of the affairs of SHFC and did not abandon its obligation to use its ownership under a trust relationship having retained its full ownership over the subject funds.

The governing board of SHFC which exercises corporate powers and determines its policies is composed of the following: (a) the Chairman of Housing Urban Development Coordinating Council; (b) the President of SHFC; (c) the Secretary of Department of Budget and Management; (d) the National Treasurer and Undersecretary of Department of Finance; (e) the Assistant Governor of Bangko Sentral ng Pilipinas; (f) the President of National Home Mortgage Finance Corporation; (g) the Undersecretary of Department of Interior and Local Government; and (h) three private sector representatives.

The President is assisted in the management of the Corporation by the Executive Vice-President, five Vice-Presidents, two Officer-in-Charge and fourteen Department Managers. The personnel complement for current year 2012 is 308, with 177 regular and 131 agency-hired employees.

The registered office of the Corporation is located at the Banco De Oro Plaza, 8737 Paseo de Roxas, Makati City. The Corporation operates within the Philippines.

**2. BASIS OF FINANCIAL STATEMENTS PREPARATION**

The accompanying financial reports and statements are prepared in accordance with the state accounting principles.



### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Accounting system**

The SHFC uses the commercial accounting system. Under this system, recording of financial transactions is centralized in the Finance and Controllershship Department (FCD). The Corporate chart of accounts is prepared to conform to the accounts prescribed under COA Circular No. 2004-002 dated April 29, 2004.

#### **3.2 Accounting basis**

The SHFC adopts the accrual basis of accounting. The effects of transactions and events on assets and liabilities are recognized and reported in the financial statements in the period to which they relate.

#### **3.3 Allowance for probable loss**

Allowance for probable loss is set up to absorb potentially uncollectible receivables associated with CMP portfolio.

The Board of Directors, in its Resolution No. 329, Series of 2013, approved the policy entitled "Adoption of the Policy on Loan Loss Provisioning, With Prescribed Rates, Reserve, Write-off and Accounting Thereof", to wit:

- a. For Loan Installment Receivable, loan loss provisioning rates are:

<b>Loan Classification</b>	<b>Loan Loss Rates</b>
Current	.25 %
Current – Restructured	.25 %
Past Due	
>3 – 12 months	.50 %
>1 year – 3 years	.75 %
Over 3 years	1.00 %

- b. For Items in Litigation (IL), provision for losses is at five per cent.

#### **3.4 Property and equipment**

In adherence to the New Government Accounting System, SHFC uses the straight line method of depreciation wherein a residual value equivalent to ten per cent of the cost is applied. Property and equipment are carried at cost less accumulated depreciation. Significant improvements and accessories are capitalized, while the cost of maintenance and repairs is treated as expense.

#### **3.5 Inventories**

Supplies and materials purchased for inventory purposes are recorded using the Perpetual Inventory System. The costs of ending inventory of office supplies and materials and other inventory items are computed using the moving average method.



Inventories are reclassified to expense upon issuance thereof and recorded based on the Report of Supplies and Materials Issued.

#### 4. CASH

This account consists of the following:

	2012	2011
Cash in bank - time deposit	2,055,683,287	945,745,339
Cash in bank - current account	73,176,536	98,899,590
Cash collecting officers	6,741,642	4,640,481
Revolving fund	674,066	536,370
	<b>2,136,275,531</b>	<b>1,049,821,780</b>

##### 4.1 Cash on Hand

Cash on hand represents collection of cash collecting officers and supervising tellers, and Revolving fund established at the Head Office and Regional/Satellite Offices to defray immediate or emergency minimal expenses.

##### 4.2 Cash in Bank

This account consists of the following:

- a. Funds deposited with government banks for payroll, corporate operating funds and take-out funds.
- b. Cash in banks earns interest at prevailing interest rates of 0.5 per cent per annum for savings account and 3.65625 per cent to 4.6875 per cent per annum for time deposit.

#### 5. RECEIVABLES

This account consists of the following:

	2012	2011
Due from NHMFC <sup>5.1/</sup>	59,342,196	55,948,991
Due from AKPF <sup>5.2/</sup>	2,219,613	2,637,221
Accounts receivable -- investment	2,096,791	2,033,765
Due from HUDCC <sup>5.3/</sup>	452,945	959,458
Due from Social Security System (SSS)	191,359	165,684
Due from officers and employees	16,845	78,731
Accounts receivable -- others	211,975	41,951
	<b>64,531,724</b>	<b>61,865,801</b>

5.1 Due from NHMFC includes the CMP amortization payments and other nature of receipts collected by NHMFC for the account of SHFC. This also comprised the management fee computed pursuant to Section VI of the Trust Agreement entered into by and between NHMFC (Trustor) and SHFC (Trustee) which provides the Trustee a compensation consisting of: 1) ten per cent of total collection on a monthly basis; 2) actual cost of pre and take-out operations plus 15 per cent from October 2005 to July 2006 only.

5.2 Due from AKPF refers to the accumulated Personal Services and other administrative expenses of the fund advanced by SHFC during the year including previous years.

5.3 Due from HUDCC represents the total advances made by SHFC for the account of the Office of Housing and Urban Development Coordinating Council (HUDCC) pertaining to office building special assessments and other administrative expenses.

## 6. OTHER CURRENT ASSETS

This account consists of the following:

	2012	2011
Office and other supplies inventory	3,570,045	3,430,857
Prepaid insurance	1,152,507	1,295,764
Guaranty deposits	670,361	598,861
	<b>5,392,913</b>	<b>5,325,482</b>

## 7. ASSETS HELD IN TRUST

This account represents the balances of CMP related general ledger accounts transferred from NHMFC to SHFC pertaining to projects taken-out from 1994 to September 30, 2005 including the AKPF which are administered by the SHFC by virtue of Executive Order No. 272, details as follows:

	2012	2011
<b>NHMFC</b>		
Loan installment receivables – current <sup>7.1/</sup>	5,174,241,061	4,909,557,113
Past due loan installment receivables <sup>7.2/</sup>	3,371,051,300	3,371,051,300
Notes receivable - National Housing Authority (NHA) <sup>7.3/</sup>	200,000,000	200,000,000
Insurance receivables <sup>7.4/</sup>	207,803,742	187,372,410
Items in litigation <sup>7.5/</sup>	50,925,357	50,925,357
Unamortized mortgage origination cost <sup>7.6/</sup>	34,594,575	36,344,972
Interest receivables	433,095	433,095

	2012	2011
	9,039,049,130	8,755,684,247
Allowance for probable loss	(55,904,368)	-
	8,983,144,762	8,755,684,247
AKPF (Fund Balance)	547,761,311	554,440,660
	<b>9,530,906,073</b>	<b>9,310,124,907</b>

7.1 Loan installment receivables - current represents the amount of CMP accounts transferred from NHMFC with cut-off date of September 20, 2005 and the CMP taken-out projects thereafter. In 2010, CMP projects taken-out from 1989 to 1993 by NHMFC were transferred to SHFC with a monetary consideration amounting P621 million representing outstanding principal loan balances of said accounts as at December 31, 2009. This outstanding principal loan balance were based on the Community Association's (CAs) ledger and still subject to final adjustment upon completion of posting based on Member-Beneficiary (MB) ledger.

7.2 Past due loan installment receivables represents the past due portion of the outstanding balance of CMP accounts transferred from NHMFC with cut-off date of September 30, 2005. The outstanding balance of these CMP accounts was based on the CAs ledger. The CA-based ledger balances is not reflective of the actual balances of the loan, and for this reason, the build-up of database down to member-beneficiary (MB) was undertaken with the end view of determining the correct balances of the CMP loan portfolio and the proper classification of every account necessary for aging analysis. In order not to complicate the data pending database development, the entire principal portion of the loan amortization payment, upon distribution, was temporarily credited to LIR-Current account thus the figures for Past Due LIR account in the general ledger remain unchanged from the time of transfer up to the present.

7.3 Notes receivable - NHA refers to Bridge Financing Facility for the Northrail Development Project, Valenzuela Segment granted to NHA by NHMFC at an interest rate of six per cent per annum payable quarterly. Said receivable was transferred and assumed by SHFC being the trustee of the CMP funds and by virtue of the Trust Agreement executed by and between NHMFC and SHFC.

7.4 Insurance receivables consist of the general ledger balances transferred from NHMFC as at September 30, 2005. This is increased whenever there is renewal of the MRI coverage and advance payment by SHFC for qualified CAs on a yearly basis and reduced upon collection of insurance repayments from member-beneficiaries which can be determined only upon reversal/distribution of collections temporarily lodged in the Undistributed Collections (UC) account.

7.5 Items in litigation represent the outstanding balances of delinquent CAs which has been transferred to the Legal Department for foreclosure and with petitions already filed in court. Outstanding balance of this account represents the original amount transferred from NHMFC.

7.6 Unamortized mortgage origination cost refers to the unamortized portion of the origination and appraisal cost. It is the policy of the Corporation to capitalize the

origination cost and amortized it over the term of the loan which is 25 years or 300 months. However, beginning year 2011 the origination fee was treated as an Outright Expense.

## 8. LONG-TERM RECEIVABLES

This account represents the car and calamity loans availed by SHFC officers and employees in the amount of P25.76 million and P4.71 million, respectively or a total balance of P30.47 million.

## 9. PROPERTY AND EQUIPMENT – NET

This account consists of the following:

	Leasehold Improve- ments	Office and Communi- cation Equipment	Office Furniture and Fixtures	Transpor- tation Equipment	IT Equipment and Software	Library Mate- rials	Other Property, Plant and Equipment	Office Buildings	Total
<b>Cost</b>									
January 1, 2011	13,730,537	6,042,162	7,254,988	9,025,418	20,837,410	59,028	18,743,805	184,770,000	258,283,356
Additions	722,982	706,770	896,544	7,890,500	1,312,943	36,792	-	-	11,366,531
December 31, 2011	14,453,519	6,748,932	8,151,542	16,715,918	21,950,353	95,818	18,743,805	184,770,000	269,629,887
<b>Accumulated depreciation</b>									
January 1, 2011	4,497,500	4,382,981	2,104,203	4,779,055	9,588,105	12,798	2,467,946	30,176,741	58,009,327
Depreciation	1,253,953	624,772	723,580	1,737,198	2,767,548	12,173	804,325	6,210,828	13,934,177
December 31, 2011	5,751,453	5,007,753	2,827,783	6,516,253	12,355,653	24,969	3,072,271	36,387,369	71,943,504
<b>Book Value</b>									
December 31, 2012	8,702,066	1,741,179	5,323,759	10,199,665	9,594,700	70,849	13,671,534	148,382,631	197,686,383
<b>Book Value</b>									
December 31, 2011	9,233,037	1,659,181	5,160,795	4,246,363	11,049,305	46,230	14,275,659	154,593,259	200,264,029

## 10. PAYABLES

This account consists of the following:

	2012	2011
Accounts payable – MCR/Suppliers <sup>10.1/</sup>	683,113,513	701,369,838
Performance/bidders bonds payable	341,714	192,059
Performance warranty payable	286,273	-
Due to officers and employees	37,426	37,426
	<b>683,778,926</b>	<b>701,599,323</b>

10.1 Accounts payable - Mortgage Community Receipts (MCR) represents the remaining 50 per cent CMP loan proceeds subject for release upon compliance with the requirements for loan take-out. The 50 per cent partial release of loan proceeds is implemented based on NHMFC Board approved Resolution No. 3149, series of 2001. This account also includes perfected contracts with suppliers amounting to P1.84 million.



## 11. INTER - AGENCY PAYABLES

This account consists of:

	2012	2011
Due to NHMFC <sup>11.1/</sup>	18,867,978	17,512,498
Due to BIR <sup>11.2/</sup>	11,846,299	16,314,759
Due to HUDCC	2,500,000	-
Due to Provident Fund	1,230,896	587,581
Due to SSS	157,814	133,851
Due to Pag-IBIG	147,317	128,165
Due to PhilHealth	75,800	65,875
	<b>34,826,104</b>	<b>34,742,729</b>

11.1 Due to NHMFC includes expenses for personal services, administrative and operating expenses, retirement benefits and renewal/enrollment of CMP accounts at Pag-IBIG Mortgage Redemption Insurance (MRI) Pool advanced by NHMFC as provided for in the Trust Agreement.

11.2 Due to BIR represents the taxes withheld from payment of employees' compensation, origination fees, honoraria, taxes withheld at source and on government money payments including the provision for corporate income tax for CY 2012.

## 12. OTHER CURRENT LIABILITIES

This account consists of the following:

	2012	2011
Accrued expenses payable	16,114,347	16,009,610
Other payables		
Undistributed collections <sup>a/</sup>	206,397,241	122,587,696
Guaranty deposits payable <sup>b/</sup>	76,196,636	63,783,025
Dividends payable	74,174,928	26,884,070
Advances from borrowers <sup>c/</sup>	59,985,786	31,134,709
Deferred credits <sup>d/</sup>	16,583,756	14,360,441
Insurance payable <sup>e/</sup>	14,572,278	16,024,633
Origination fee payable <sup>f/</sup>	13,672,901	11,997,719
Tax refund payable	1,334,988	1,369,704
Other payable - others	294,167	299,062
Other liabilities	312,183	296,046
	<b>479,639,211</b>	<b>304,746,715</b>

12.1 Other Payables include the balances of CMP related general ledger accounts transferred from NHMFC to SHFC pertaining to projects taken-out from 1994 to

September 30, 2005 and transactions affecting every account as a result of its operations thereafter.

a. Undistributed collections (UC) – refers to un-posted/unpaid amortization payments covering CYs 2008 to 2012 due to the following reasons:

1. Payment without abstract of collections (AOC);
2. Payments not in masterlist;
3. Un-posted collections from restructured and remedial accounts awaiting computer program;
4. No transmittal of NHMFC collections; and
5. Unaccounted amortization payments.

For tax purpose, the 2012 unapplied amortization payments was subjected to temporary reversal using average historical percentages of the actual distributions made during the year but reverted back to UC on the first transaction day of the following year where income account shall be closed to prior period adjustment.

b. Guaranty deposits payable refers to the two months and six months advance deposits required for old and new originators, respectively, pursuant to Corporate Circular CMP No. 003, calculated based on the total monthly amortization payment plus one year MRI premiums. However, these deposits shall be applied to CA's account once the collection efficiency ratio (CER) falls below 80 per cent but in no case such application be made earlier than six months from take-out date.

c. Advances from borrowers refer to, upon distribution of amortization collections, amortization payments made by member-beneficiaries which are in excess of the amount due for the current period but are not deducted from the principal balance.

d. Deferred credits represent the principal portion of amortization payments of office spaces acquired under capital lease and the total cost incurred for the renovation of office space advanced by SHFC, all for the account of HUDCC. Once the memorandum of agreement (MOA) is approved, this account shall be adjusted accordingly.

e. Insurance payable refers to one year insurance premium paid in advance to SHFC by member-beneficiaries through CAs and accordingly remitted upon enrollment to MRI Pool.

f. Origination fee payable refers to the 50 per cent origination fee retained by SHFC pending completion of some requirements.

### **13. OTHER LONG -TERM LIABILITIES**

This account represents the total long-term payable set up pertaining to the Banco de Oro Plaza office building and other structures acquired under financing/capital lease by SHFC from Bangko Sentral ng Pilipinas. The amount represents the acquisition cost less the principal portion of the amortization payments.

#### 14. TRUST LIABILITIES – NHMFC

The transfer of the CMP accounts to the SHFC was initially implemented through the transfer of the cash balance as at September 30, 2005 of P532 million on November 10, 2005 and the turn over of the outstanding principal loan balance of the mortgages taken-out from 1994 onwards. The said conveyance correspondingly requires the transfer of the general ledger balances of certain accounts related to the program. In addition, the transfer also took into consideration the determination of that portion of the GL balances pertaining to mortgages turned over to SHFC and to those retained by NHMFC.

The CMP mortgages from 1989 to 1993 which were retained by NHMFC was eventually transferred to SHFC with a total outstanding principal loan balances (Community Association's Ledger level) of P621 million as at December 31, 2009. This amount is temporarily lodged to LIR-Current account pending build up of individual loan ledger and subject to adjustment upon the determination of the actual principal loan balances (Member-Beneficiary Ledger level).

The details of this account are as follows:

	2012	2011
Loan installment receivable	6,720,378,326	6,176,767,821
Past due loan installment receivables	2,750,042,775	2,750,042,775
Cash	589,337,544	(179,062,643)
Notes receivable – National Housing Authority	200,000,000	200,000,000
Interest income	165,678,128	165,678,128
Insurance receivables	119,762,108	119,783,373
Interest receivables	72,873,957	72,873,957
Items in litigation	50,925,357	50,925,357
Unamortized mortgage origination cost	49,800,535	49,854,414
Origination and appraisal cost	20,117,638	8,720,089
Accounts payable-MCR/Suppliers	(679,570,812)	(607,928,426)
Undistributed collections	(151,175,963)	(151,138,678)
Guaranty deposits payable	(48,886,140)	(48,654,406)
Origination fee payable	(10,646,431)	(8,753,042)
Insurance payable	(3,716,833)	(3,429,289)
Advances from borrowers	(1,598,646)	(1,598,646)
Performance warranty payable	(252,429)	-
	<b>9,843,069,114</b>	<b>8,594,080,784</b>



## 15. TRUST LIABILITIES - AKPF

The AKPF was previously under the administration of the NHMFC. Due to the passage of Executive Order No. 272, the management of the Amortization Support and Developmental Financing Programs of AKPF is transferred to SHFC.

This trust account is treated in the books of SHFC in a manner and procedure it was previously treated in the books of NHMFC wherein periodic increment and reduction in said account as a result of operations are taken up as credit and debit to Trust Liabilities account. Details of this account are as follows:

	2012	2011
Cash in bank	268,207,053	258,729,429
Acquired assets	117,237,505	166,800,475
Past due loan receivable-developmental loan	73,894,974	77,132,167
Installment sales receivable, long-term	40,665,674	10,004,519
Items in litigation	39,383,712	40,761,488
Installment sales receivable, current	6,466,074	3,414,654
Developmental loan receivable	6,000,000	6,000,000
Accounts receivable	5,280,000	
Interest receivable - SSD	530,461	936,068
Office equipment-net	48,293	42,736
Investment in BSP - SSD	7,600	-
Due to LGUs	(7,634,330)	(6,539,880)
Due to SHFC	(2,219,613)	(2,637,221)
Accrued income tax payable-SSD	(106,092)	(187,213)
Gross receipts tax payable	-	(16,562)
	<b>547,761,311</b>	<b>554,440,660</b>

## 16. CAPITAL STOCK AND PAID IN CAPITAL

The Corporation has an authorized capital stock of One Hundred Million Pesos (P100,000,000), Philippine Currency, and divided into One Hundred Thousand shares (100,000) with a par value of One Thousand Pesos (P1,000) each. The amount of said capital stock which has been actually subscribed by the National Home Mortgage Finance Corporation is Twenty Five Million Pesos (P25,000,000), of which, Ten Million Pesos (P10,000,000) was paid up and the balance of Fifteen Million Pesos (P15,000,000) of the subscribed capital stock remain unpaid.

## 17. PRIOR PERIOD ADJUSTMENT

This account consists of interest income and penalty in the amount of P49.555 million recorded under Undistributed Collections (UC) account in 2011 and temporarily distributed to Interest Income and Penalty accounts at year-end 2011. This temporary

distribution was reverted back to UC on the first transaction day of 2012 where Interest Income and Penalty accounts were closed to Prior Period Adjustment account. The account also consists of P1.355 million representing Personnel Services and Maintenance and Other Operating Expenses incurred by SHFC and paid in advance by NHMFC during SHFC's first year of operation.

## 18. RETAINED EARNINGS

This account consists of the following:

	2012	2011 (As Restated)
Balance at beginning of year	312,071,709	229,340,665
Dividends paid	(74,174,928)	(53,768,141)
Net income	43,327,075	97,439,015
Prior period adjustment	(50,910,841)	39,060,170
<b>Balance at end of year</b>	<b>230,313,015</b>	<b>312,071,709</b>
Less: Transfer to retained earnings, appropriated for program expansion and special reserve for probable contingencies*	170,697,293	237,892,781
<b>Unappropriated retained earnings, end of year **</b>	<b>59,615,722</b>	<b>74,178,928</b>

\* In compliance to SEC Memorandum Circular No. 11

\*\*In compliance to Republic Act 7656

## 19. COMPLIANCE WITH TAX LAWS

In compliance with the requirements set forth by Revenue Regulation No. 15-2010, hereunder are the information on taxes, licenses and fees paid or accrued during the taxable year:

	2012	2011
<b>A. National</b>		
BIR Registration	500	500
	<b>500</b>	<b>500</b>
<b>B. Withholding taxes paid/accrued for the year:</b>		
Percentage tax	7,819,318	7,078,438
Final tax paid on income	13,594,536	7,146,482
Real property tax	1,235,041	794,068
Corporate income tax	19,222,842	51,156,125
	<b>41,871,737</b>	<b>66,175,113</b>