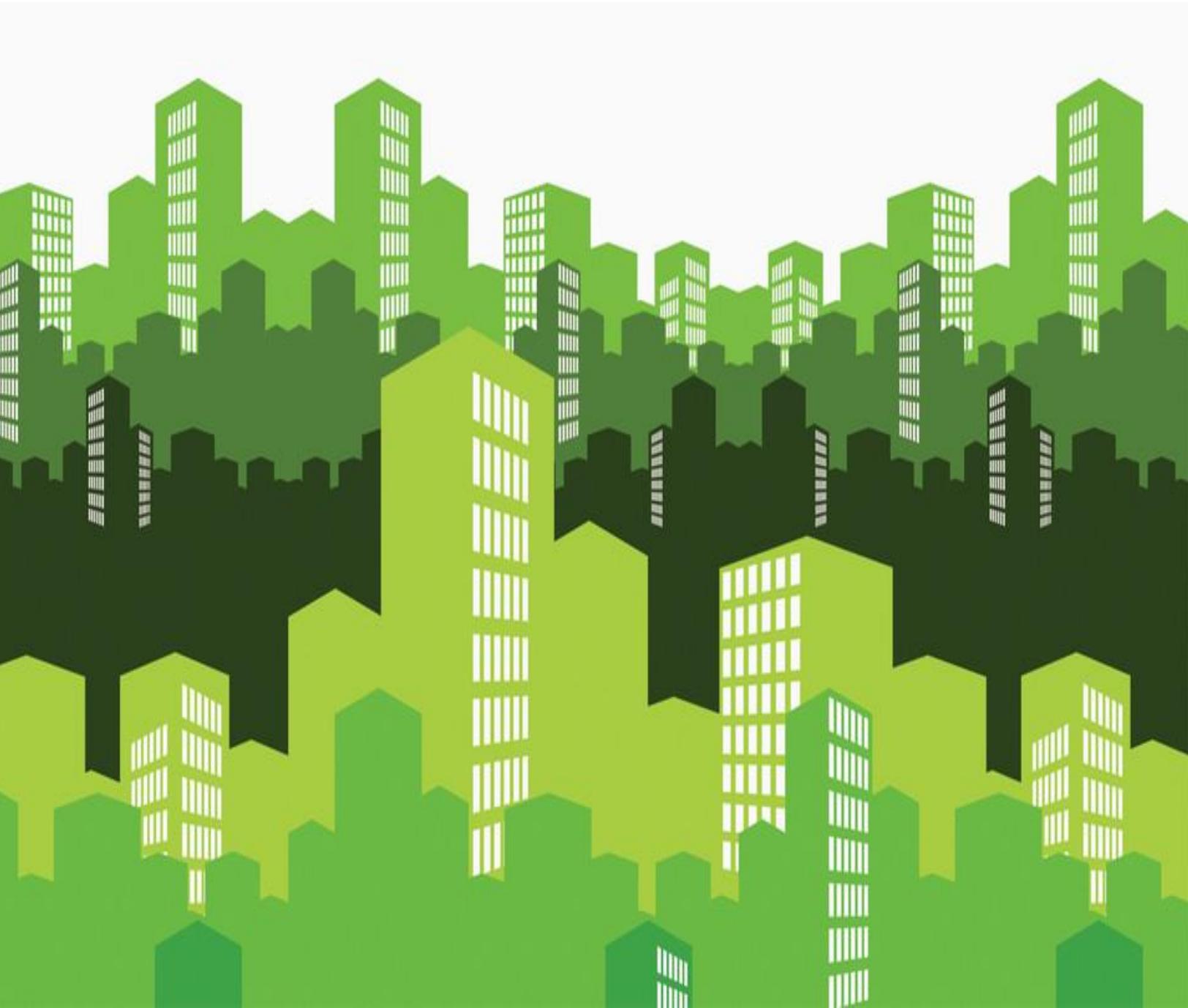




ANNUAL REPORT 2017



VISION

By 2022, LBRDC will be a triple “A” company that will provide LANDBANK, other government agencies and private clients with quality service by using advance technology and innovative processes to be competitive in the delivery of construction and real estate management, property maintenance, manpower and other support services.

MISSION

To Our Clients:

We will use advance technology, innovative and environmental safety processes to deliver quality service in construction, real estate management, property maintenance and manpower and other allied services supportive to the goals and objectives of LANDBANK and other clients.

To Our Employees:

We will train and develop employees to be highly competitive and enhance their capability to strive for excellence in providing quality service to our clients.

Core Values

- **Professionalism – Competency, Reliability and Good Judgement**
- **Integrity – Honesty, Transparency and Accountability**
- **Prudence – Thrifty, Cost Conscious and Economical**
- **Excellence – Commitment to outstanding performance**
- **Employee’s Welfare – healthy work-life balance**

Message from LANDBANK President and CEO

Taking stock of another challenging yet rewarding year, we at LANDBANK send our congratulations to the LBP Resources and Development Corporation (LBRDC) on helping bring more tangible growth and development for its clients in 2017.

With the reliable products and services you offer your clients and partners in diverse industries, you are helping them to engage in economic activities. Such an outcome is vital to creating an environment that is ripe with opportunities for many sectors in society.

This year has seen LBRDC maintain its solid footing, with income and profitability at a steady increase from the previous year's financial performance. This has translated to the generation of much needed employment for more Filipinos, especially in manpower services. Your capability to meet financial targets for the year speaks not just of keen management and operational strength, but also of the significant impact of LBRDC to the people and communities it serves.

As LANDBANK also relies on the quality of work and relationship LBRDC has to offer, we are equally committed to be part of a team that puts similar values in achieving goals and envisioning a country that is open to building bigger and better prospects for people and places. We look forward to seeing more success in your future endeavors, whether they be in construction, property management, and other investment pursuits.

Rest assured that LANDBANK shall remain your partner in strength and development, as we all continue to elevate work standards and quality living across the country.

Again, congratulations to all the men and women who continue to make LBP Resources and Development Corporation an important part of sustainable progress.




ALEX V. BUENAVENTURA



Message from the President and CEO

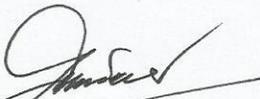
We are pleased to present this CY 2017 Annual Report wherein the company delivered positive results during the year. Our core business in construction management was able to achieve and even surpass its target and completed five (5) building construction and thirty-two (32) renovation projects.

For the past years, LBRDC demonstrated strong impact made by the contributed performance of its various business operations. We will continue to develop these businesses by doubling our efforts to generate more revenues and further improve our services to enhance our clients' satisfaction. Through our commitment and perseverance, we will translate this growth to be a strategic partner in creating a positive future to our country.

Moving forward, I remain positive on the prospects of LBRDC. With the strong performance of our economy, the Build, Build, Build Program of the present administration and the increase in the renovation and construction of LANDBANK offices nationwide that will sustain our project pipeline for many years to come, I believe we are well positioned to capitalize on the growth opportunities and provide products and services for LANDBANK and its clients.

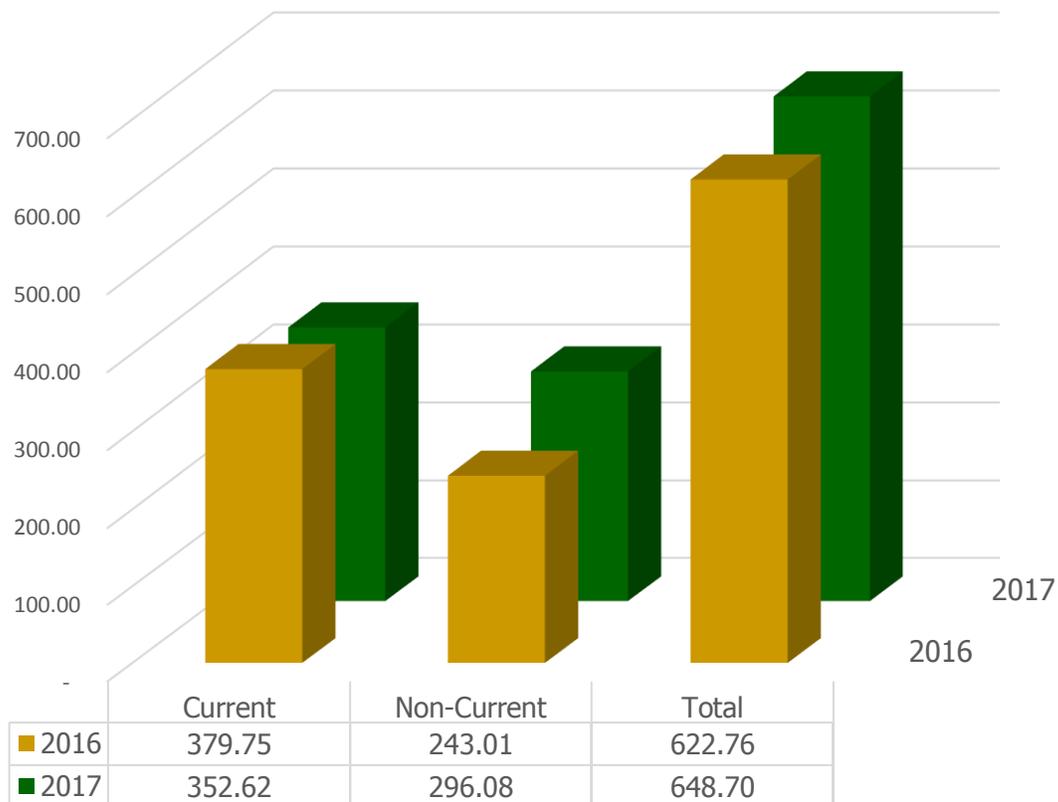
I am thankful to our entire organization for their dedication and outstanding teamwork towards achieving our goals. I would like to thank also our Board of Directors, LANDBANK, and our stakeholders for believing in us and supporting our principles and aspirations as we bring LBRDC towards stronger and more sustained positions in the coming years




SIMEONA S. GUEVARRA
President & CEO

Financial Highlights

ASSETS (in Million Pesos)

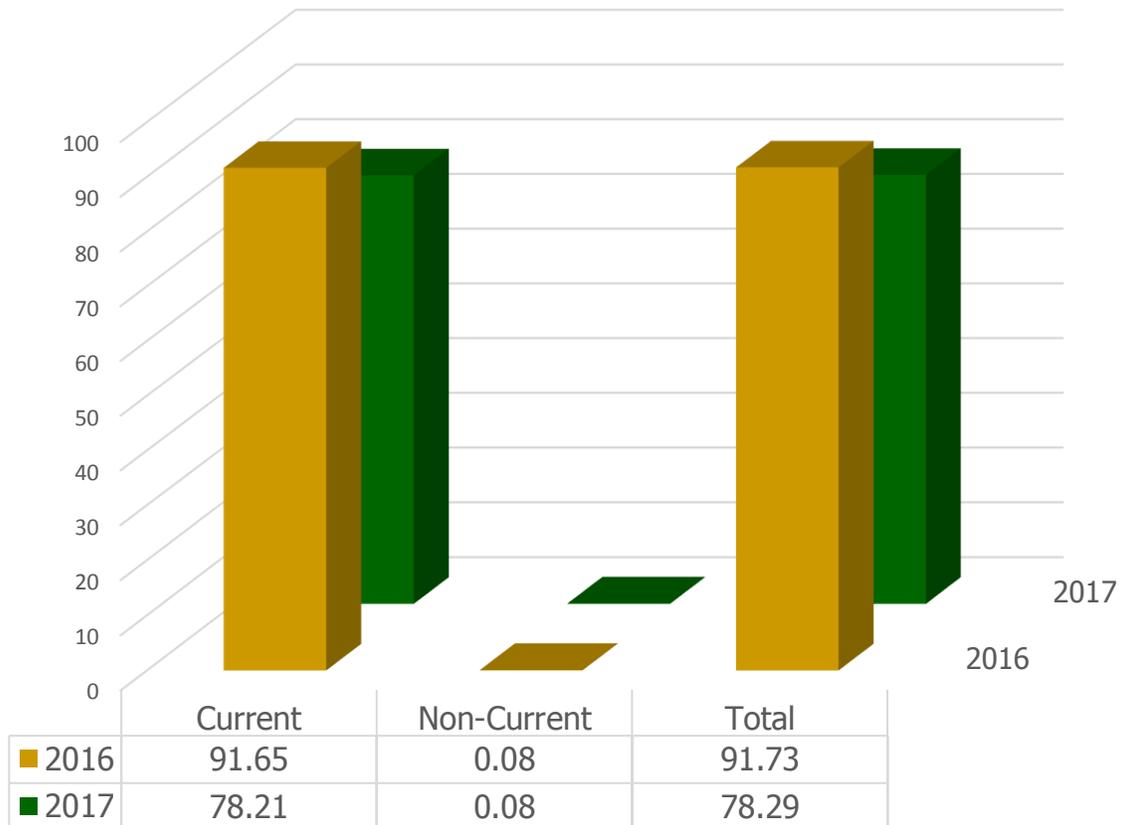


LBRDC's Current Assets decreased 7.14% due to the significant decreased of Cash and Cash equivalents from 118.34 Million Pesos to 75.53 Million Pesos while the Non-Current Assets increased 21.84% due to the additional investments of 59 Million Pesos in Retail Treasury Bonds. Total Assets increased 4.17% or 25.94 Million Pesos.

Financial Highlights

LIABILITIES

(in Million Pesos)



LBRDC's Current and Total Liabilities decreased 14.58% due to the decrease in Inter-Agency Payables, Accounts Payable-Others and Accrued Expenses.

Financial Highlights

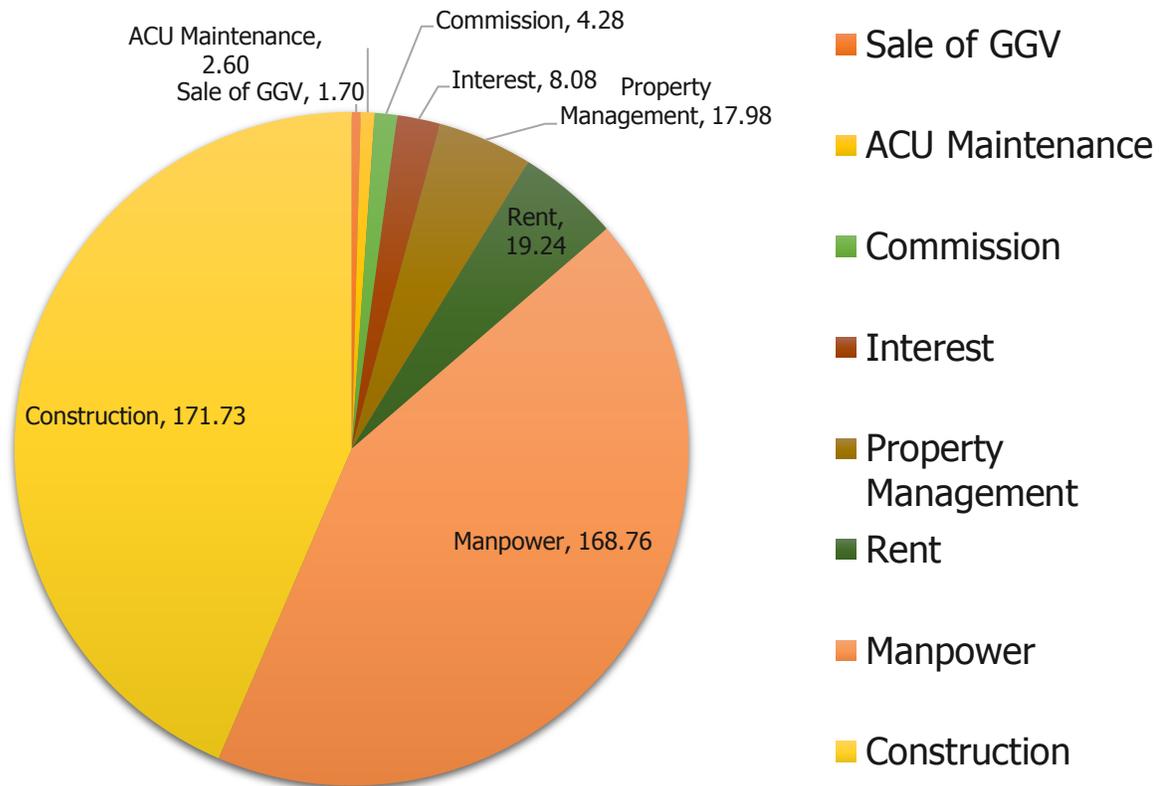
STOCKHOLDER'S EQUITY (in Million Pesos)



LBRDC's Retained Earnings increased by 48.33% due to the income generated from CY 2017. The amount of P 34,209,924.50 was remitted to the National Government thru the Bureau of the Treasury as cash dividend. The Retained Earnings increase also affected the increase in the Total Stockholder's Equity.

Financial Highlights

REVENUE 2017 (by Business Type)



	Amount (in Million Pesos)		Amount (in Million Pesos)
Sale of GGV	1.70	Property Management	17.98
ACU Maintenance	2.60	Rent	19.24
Commission	4.28	Manpower	168.76
Interest	8.08	Construction	171.73

OVERVIEW

LBP Resources and Development Corporation (LBRDC) formerly LANDBANK Realty Development Corporation is a wholly-owned subsidiary of the Land Bank of the Philippines. LBRDC was incorporated in May 1975 as Lumang Bayan Realty Development Corporation with Registration No. 61385 issued by the Securities and Exchange Commission. It was initially created as an investment diversification vehicle for landowners whose properties have been covered by the agrarian reform program on carrying on a general estate business.

In general, LBRDC is mandated to be a LANDBANK partner in the attainment of its corporate goals, especially in the development of infrastructure and similar activities, relative to the realization of its Countryside Development Program and other related projects. One of its missions is to provide LANDBANK, its subsidiaries, its clients and its employees timely and quality construction services at the most reasonable cost.

For the past forty-one (41) years of existence it has acquired extensive experience in the provision of project management services in the design, construction management and implementation thru direct administration of LANDBANK's infrastructure requirements. Its major projects since then were:

1. joint venture with landowners in the development and construction of the Palacio del Gobernador in Intramuros, Manila;
2. the development of the Lumang Bayan Executive Village in Antipolo City;
3. the construction of the 4-storey commercial LBRDC Building in Naga City;
4. the construction of the LB One Condominium in Singalong, Manila;
5. the construction of the Grand Garden Villas in Dasmariñas, Cavite;
6. the construction of LBRDC warehouse in Antipolo City; and
7. the construction of LANDBANK Warehouse in Antipolo City.

LBRDC has expanded its business lines which includes property management and maintenance services, brokering and offers various manpower services such as sanitation, housekeeping, janitorial and messengerial services. Recently, LBRDC has ventured into air-conditioning unit (ACU) preventive maintenance services of LANDBANK Branches in NCR and Luzon areas.

SERVICES

I. CONSTRUCTION AND RENOVATION / PROJECT MANAGEMENT

- Accredited by the Philippine Contractor's Accreditation Board (PCAB) since June 30, 1994 with license number 17950 with principal classification and category as a General Building A contractor, validity period until June 30, 2018
- License limit categorization, Medium A for building and industrial, up to P 200 Million
- Handles the construction and renovation of Land Bank branches, Extension Offices, and other facilities as well as construction of automated teller machine (ATM) booths and LANDBANK Easy-Access Facilities (LEAF)
- Implements the construction/ renovation of LBP Subsidiaries – LANDBANK Insurance Brokerage, Inc., LBP Leasing and Finance Corporation, Masaganang Sakahan, Inc., LANDBANK Countryside Development Foundation, Inc.
- Implements the construction/ renovation of other government agencies and private clients – DOF, BOC, BIR, NLDC, NLSF, Bayan Delinquent, etc.
- Construction and maintenance of subdivision and townhouses.

A. Benefits

- Forty-two (42) years of construction experience

B. Past Projects

- Townhouses, 12 units at Grand Garden Villas in Dasmariñas, Cavite
- LB One Condominium in Singalong, Manila
- Palacio del Gobernador in Intramuros, Manila
- Four (4) – storey building in Naga City
- Construction of over 59 major branch offices
- Renovation of more than 575 branch offices
- Construction/renovation of over 500 ATM booths
- Construction/Renovation of over 20 Easy-Access Facilities
- Construction/Finish fit-out and maintenance of LBP Plaza in Manila

- Construction of LANDBANK Warehouse in Antipolo City
- Renovation of the offices of the Department of Finance (DOF), Bureau of Customs (BOC), Bayan Delinquent (Deutsche Bank), National Livelihood and Development Corporation (NLDC), LBP Leasing Corp., LBP Insurance Brokerage, Inc., Masaganang Sakahan, Inc., Land Bank Countryside Development Foundation, Inc.
- Construction of LBP Resources & Development Corporation Warehouse in Antipolo City
- Project Management of BIR's new offices in Manila

II. PROPERTY MANAGEMENT & MAINTENANCE SERVICES AND BROKERING

- Property management covering property security, upkeep, lease, and caretakership of foreclosed properties/ROPA's such as provision of security guard and /or caretaker, repairs and maintenance, and payment of real property taxes/utilities/other dues.
- Brokering of real and other properties or acquired assets through lease, rental, or sale for a fee or commission.

III. MANPOWER

- Authorized Job Contractor of the Department of Labor and Employment (DOLE) under D.O. No. 18-A, Series of 2011, numbered NCR-MFO-78101-062315-003-R with validity period until June 22,2018
- Recruitment and selection process that assures our client company that individuals hired are physically and mentally fit, have sound moral character, and equipped with appropriate and proper competencies to meet, if not surpass, our client's qualification specifications and standards
- Administer battery of IQ tests i.e. verbal and non-verbal reasoning, quantitative reasoning, math application, and reading comprehension) Work Place Personality Profile, and Applicant Risk Profiler
- Continuous pooling of applicants for various positions to ensure timely deployment of manpower requirements through participation in job fairs, networking with universities, LGU's PESO, and religious sector, and job posting in newspapers and online career portals, among others
- Strict compliance with the provisions of the labor laws, tax laws, and other codes, ordinances, rules, and regulations in any matter affecting the manpower services operations which are promulgated by the government of the Republic of the

Philippines, the Department of Labor and Employment, or any pertinent government agency.

A. SERVICES

Job Contracting

- Provides sanitation, housekeeping, janitorial and messengerial/courier services including the required basic equipment and implements

B. BENEFITS

- Relief from the time-consuming and costly processes of recruitment like job-posting, interviewing, testing and background/character checking;
- Relief from the hassle of record-keeping, verifying pre-employment requisites, timekeeping, and payroll processing of contractual personnel;
- More quality time to devote to the core business;
- Absence of labor cases since contract workers remain our employees; and
- Immediate replacement of personnel who fail to meet the clients company's performance standards within thirty (30) days from engagement date.

IV. OTHER ALLIED SERVICES

- Provides preventive maintenance and repair services of air-conditioning units (ACU)

OPERATIONAL HIGHLIGHTS

COMPLETED PROJECTS FOR 2017



	NCR	LUZON	VISAYAS	MINDANAO	TOTAL
CONSTRUCTED	1	2	2	0	5
RENOVATED	15	14	1	2	32

OPERATIONAL HIGHLIGHTS



BROKERING/ COMMISSION (2017)

SALE
No. of Transactions

29 ROPAs Sold

Amount
(in Pesos)

493.684 Million

COMMISSION INCOME
(Net, In Pesos)

4.330 Million

PROPERTY MANAGEMENT (2017)

NET INCOME

P 6.560 MILLION

**NO. OF PROPERTY
MANAGEMENT CONTRACTS**

82 CONTRACTS

NO. OF TITLES

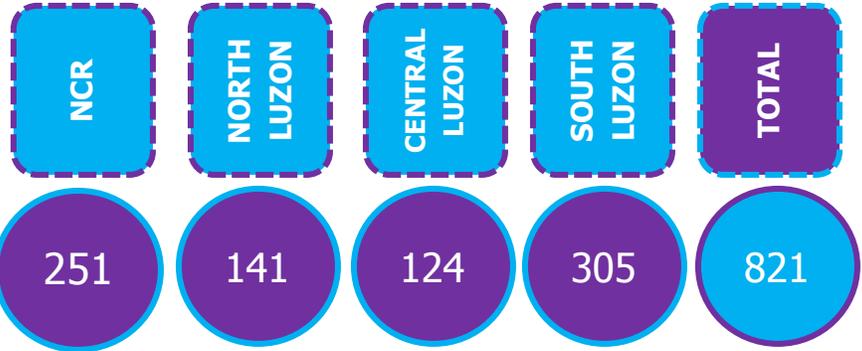
1,943 TITLES

OPERATIONAL HIGHLIGHTS

ACU MAINTENANCE FOR CY 2017

AIR-CONDITION UNITS SERVICED

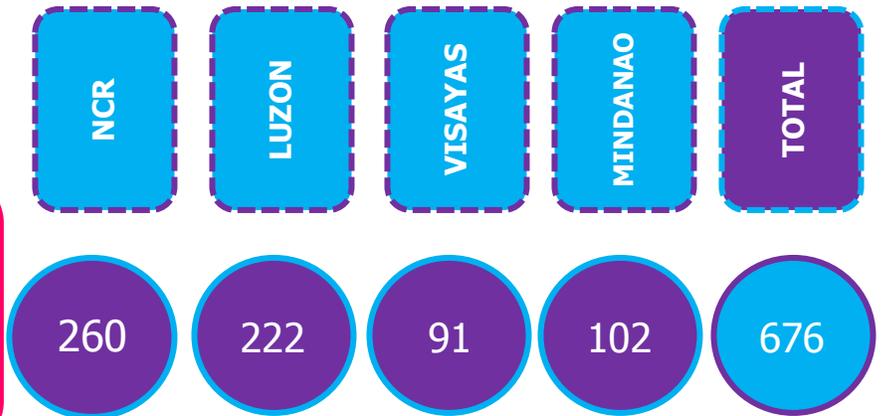
(NCR, North, Central & South
Luzon Branches)



MANPOWER SERVICES FOR CY 2017

NO. OF MANPOWER PERSONNELS DEPLOYED

(Holcim Bulacan – Norzagaray &
Calumpit, LBP Plaza, Field Units &
Satellite Offices)



INSTITUTIONAL VIABILITY

CORPORATE GOVERNANCE

LBRDC Board and Management are firmly committed to ensuring high standards of corporate governance, which are essential to sustaining the company's business operations. LBRDC's corporate governance structure lay out the governance policies, guidelines, processes and mechanisms that are adopted by the company and clearly establishes the lines of accountability and responsibility coming from the Board of Directors to the officers and staff. The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to heighten awareness within the organization and amongst its stakeholder at every opportunity. The relevant policies on good governance of LBRDC are embodied in the Articles of Incorporation, By-Laws, Manual on Corporate Governance and Code of Conduct for LBRDC Directors and Employees. LBRDC Board of Directors, Management and Staff strictly adheres full compliance with the Code of Corporate Governance.

In addition to those specified in the Articles of Incorporation and/or By-Laws, the Board shall perform the following functions:

- Meet regularly, ideally at least once every month, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, and that all such meetings shall be properly documented in forms either of Board Resolution or minutes of the meeting;
- Determine the company's purpose and value, as well as adopt strategies and policies, including

risk management policies and programs, in order to ensure that the GOCC survives and thrives despite financial crises and that its assets and reputation are adequately protected;

- Monitor and evaluate on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's over-all performance to ensure optimum results;
- Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan, to ensure that the Officers of the company have the necessary motivation, integrity, competence and professionalism;
- Monitor and manage potential conflicts of interest of Directors, Management, and shareholders, including misuse of corporate assets and abuse in related party transactions;
- Implement a system of internal checks and balances, which may be applied in the first instance to the Board; and ensure that such systems are reviewed and updated on a regular basis;
- Ensure the integrity of the company's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
- Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas;

- Adopt, implement and oversee the process of disclosure and communications;
- Constitute an Audit and Risk Management Committee and such other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions; and
- Conduct and maintain the affairs of the company within the scope of its authority, as prescribed in its Articles of Incorporation, By-laws, and applicable laws, rules and regulations.

LBRDC Board of Directors

The Board is responsible for providing policy directions, monitoring and overseeing Management actions, as articulated in its Articles of Incorporation and other relevant legislation, rules and regulations. The Board is vested directly by law with the legal capacity and authority to exercise all corporate powers, conduct all the business, and to hold all the properties of the company. The Governing Board is primarily responsible for the governance of the company. Consequently, it is the Board and not Management that is primarily accountable to the State for the operations and performance of the company. The Board must ensure that they elect and/or employ only Officers who are fit and proper to hold such offices with due regard to their qualifications, competence, experience and integrity. The Board is therefore obliged to provide an independent check on Management. The Board reviews the risk/internal control of the corporation and ensures that the internal control is in place and consistently implemented. Newly appointed and elected Board of Directors are subject to orientation and briefing on the business operation of the company.

Board Composition

LBRDC Board is composed of eleven (11) members duly appointed by the President of the Philippines from a shortlist submitted by the Governance Commission for Government-Owned and Controlled Corporation (GCG). They have a term of one (1) year and conducts regular meeting once a month. Schedule of the Board and Committee meetings for CY 2017 was approved per Resolution no. 16-12-15 on December 15, 2016. The Board Officers of the company are the Chairman of the Board (who is the highest ranking of the Board Officers), the Vice-Chairman, the Corporate Secretary, and the Compliance Officer, who must all be at least Filipino citizens.

Board Committees

The creation of Board Committees and other such oversight bodies enables the members of the Governing Board to efficiently manage their time and ensure the proper understanding and resolution of all issues affecting the GOCC and the proper handling of all other concerns and allows the Board to effectively utilize the expertise of its Directors.

The LBRDC Board shall therefore constitute the proper committees to assist them in performing their duties and responsibilities, providing each of the committees with written terms of reference defining the duties, authorities and the composition of the committees constituted. The committees shall report to the entire Board as a collegial body and the minutes of their meetings shall be circulated to all members of the Board. The existence of the committees shall not excuse the Board of Directors/Trustees of its collective responsibility for all matters that are within the primary responsibility and accountability of the Board.

LBRDC Board of Directors is well assisted by two (2) Board-level Committees – the Executive, Governance, Nomination and

Remuneration Committee and the Audit and Risk Management Committee.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and Chief Executive Officer (CEO) of the Company are separate persons and are not related. The Chairman post remains vacant until the President of the Philippines, Secretary of the Department of Finance or the President of Land Bank of the Philippines appoints a candidate to fill-up the vacancy. As an interim measure, during September 2017 Stockholder's Meeting, amongst themselves designated as the Interim Chairman of LBRDC Atty. Manuel C. Piczon and Atty. Reynauld R. Villafuerte was designated as the Interim Vice Chairman.

Ms. Simeona S. Guevarra is the current President and CEO of LBRDC. The roles of the Chairman and the CEO are deliberately kept distinct through a clear division of responsibilities to ensure effective oversight, appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The respective Role Statements for the Chairman and CEO have been endorsed by the Board.

The Role Statement for the Chairman sets out that the Chairman is responsible for:

- Providing leadership and upholding the highest standards of integrity and probity;
- Setting the agenda and ensuring that adequate time is available for discussion of all agenda items (in particular, strategic issues);
- Promoting a culture of openness and debate at the Board;
- Constructively determining and approving the Group's strategies, together with the Board;

- Ensuring that Board matters are effectively organized to enable Directors to receive timely and clear information in order to make sound decisions;
- Promoting constructive relations amongst Directors and within Board Committees as well as between Directors and Management;
- Promoting high standards of corporate governance;
- Establishing a relationship of trust with the CEO; and
- Ensuring effective communication with shareholders.

The President is the Chief Executive Officer of the company and shall be charged with the duty of executing and administering the policies of the Board of Directors. As provided for in the By-laws, the CEO shall be elected annually by the members of the Board from among its ranks. The CEO shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause. In addition to the duties imposed on him/her by the Board, the CEO shall:

- Have direct and immediate supervision and control of the operation and active management of the Corporation, according to the orders, laws, resolutions and instructions of the Board of Directors and according to his own discretion whenever and wherever the same is not expressly limited by such orders, resolutions and instruction;
- Exercise general superintendence and direction over all the employees and other subordinate personnel of the corporation, and see to it that their respective duties are properly performed;

- Submit an annual report of the operations of the Corporation to the Board of Directors and such other reports and at such other times as the latter may request, and an annual report thereof to the stockholders at the annual meeting;
- Sign all certificates of stock issued to its registered owners; and
- Exercise such other powers and perform such other duties as the Board of Directors may from time to time fix or delegate by a board resolution not incompatible with the law and the by-laws.

DIVIDEND DECLARATION

In compliance with the Republic Act 7656 or the GOCC Dividend Law, LBRDC declared P 34,935,120.50 cash dividend representing 50% of its CY 2017 earnings. The accumulated cash dividend remittance of the company to the National Government for the past six (6) years is P 137,989,213.57

Meetings of the Board

The dates of the Board and Board Committee meetings as well as the Annual Stockholders' Meeting for the succeeding year are scheduled before the end of the current financial year. The Board approved the schedule of CY 2017 Board and Board Committee Meetings on December 15, 2016 per Resolution no. 16-12-15. In addition to these scheduled meetings, special meetings are held whenever the Board's or Committee's guidance or approval is required. On May 20, 2017, the Board of Directors met without the President and CEO. The Board allows meetings to be conducted via telephone/video conference or other means of similar communication. Directors who cannot be physically present at any Board or Board Committee Meeting can participate in the meeting via such means. The materials for the Board and Committee meetings are released three (3) working days

prior to the meeting. The practice was made for the Board of Directors and Committee Members to review the materials and for them to comment in such during the meetings. The attendance of the Board Meetings are as follows:

BOARD MEMBERS	TOTAL
BANAL SR., JORGE L.*	13
BAUTISTA, ANNALENE M.*	5
BORNAS, ALAN V.***	17
CERVERO, JOSEPHINE G.	19
DEVEZA, MERTON V.**	14
FERAREN, RODOLFO S.*	10
GUEVARRA, SIMEONA S.	19
HUGO, ANTONIO***	5
JULIANO, RICARDO C.**	10
MACALINO, FELICIANO L.**	6
NERY, VIRGIL G.**	8
PICZON, MANUEL C.	19
VILLAFUERTE, REYNAULD R.	19

*replaced directors for CY 2017

**newly appointed directors for CY 2017

***resigned directors for CY 2017

On August 16, 2017, the Board reviewed the company's vision, mission and strategic objectives as follows:

- Providing of High-Quality Services through (i.) completion of construction and renovation projects on time and (ii) number of manpower service clients;
- Increasing Profitability and Optimize Use of Resources;
- Enhancing of Management and Information System (MIS);
- Building a Strategic Tie-Up with Key Suppliers;
- Obtaining the Certificate of Readiness for ISO 9001:2015; and
- Having Board-Approved Competency Framework and having establish a baseline data

Composition of the Governing Board

As provided in the Articles of Incorporation, the Board of Directors shall be composed of eleven (11) members duly appointed by the President of the Philippines, from a shortlist submitted by the GCG pursuant to Republic Act (R.A.) No. 10149. The Directors shall have a term of one (1) year, beginning 01 July and ending 30 June of the succeeding year. The CEO shall be a Member of the Board duly elected by the Members from among its ranks.

Executive, Governance, Nomination, Remunerations and Grievance Committee

The Executive, Governance, Nomination, Remunerations and Grievance Committee is composed of five (5) members of the Board, with the Chairman of the Committee being elected by the Board. The Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by a vote of at least two-thirds (2/3) of its members on such specific matters within the competence of the Board as may from time to time be delegated to the Executive Committee in accordance with the LBRDC's By-Laws. The Committee conducts meeting at least once a month.

Chairman: Mr. Manuel C. Piczon
Members: Ms. Simeona S. Guevarra
Mr. Reynauld R. Villafuerte
Ms. Josephine G. Cervero
Mr. Merton V. Deveza

The Executive, Governance, Nomination, Remunerations and Grievance Committee's major accomplishments for the CY 2017 are the approval of reorganization of LBRDC, modification of salary structure as prescribed by Governance Commission on GOCCs (GCG) as an interim measure (EO 36) for the suspension of Compensation and Position Classification System (CPCS) and Index of Occupational Services (IOS), regularization of eight (8) new employees, promotion of eight (8) personnel, advance mobilization of

thirteen (13) LBP renovation projects, Competency Framework and additional investment to the retirement fund.

EXECUTIVE COMMITTEE MEMBERS	TOTAL
BANAL SR., JORGE L.*	10
BAUTISTA, ANNALENE M.*	5
CERVERO, JOSEPHINE G.**	6
DEVEZA, MERTON V.**	3
FERAREN, RODOLFO S.*	7
GUEVARRA, SIMEONA S.	13
PICZON, MANUEL C.	13
VILLAFUERTE, REYNAULD R.**	6

*replaced directors for CY 2017

**reassigned to ExCom from AuditCom

Audit and Risk Management Committee

The Audit and Risk Management Committee consists of three (3) Directors, with the Chairman having an audit, accounting or finance background. The Committee is responsible for the overseeing, monitoring and evaluating the adequacy and effectiveness of the LBRDC's internal control system. It also engages and provides oversight of the LBRDC's internal and external auditors, and coordinates with the Commission on Audit (COA). The Committee instigated the adequacy of the company's internal controls and risk management system. The Audit and Risk Management Committee conducts meeting at least once every quarter.

Chairman: Mr. Ricardo C. Juliano
Members: Mr. Virgil G. Nery
Mr. Feliciano L. Macalino

Audit and Risk Management Committee major accomplishments for CY 2017 are the approval of CY 2017 and CY 2018 Audit Plans and Programs that includes Pre and Post-Audit of Documents, Physical Inspection of Assets, Compliance Audit for Internal

Controls and other audit-related activities and functions.

AUDIT & RISK MGT. COM. MEMBERS	TOTAL
BORNAS, ALAN V.*	3
CERVERO, JOSEPHINE M. **	1
DEVEZA, MERTON V.**	1
HUGO, ANTONIO*	1
JULIANO, RICARDO C.***	1
MACALINO, FELICIANO L.***	1
NERY, VIRGIL G.***	1
VILLAFUERTE, REYNAULD R.**	2

*resigned directors for CY 2017

**reassigned to Excom from AuditCom

***newly appointed directors for CY 2017

PERFORMANCE INCENTIVE BONUS

For the past five (5) consecutive years, LBRDC was authorized by the Governance Commission for GOCCs (GCG), through the LBRDC Board of Directors, to grant Performance Based Bonus (PBB) to its qualified officers and employees and Performance Based Incentives (PBI) to the qualified member of the Board. The PBB and PBI is granted to LBRDC if it has achieved at least 90% weighted average in its Performance Scorecard and has completed and submitted documents in compliance with all Good Governance Conditions and all other reportorial documents.

Code of Conduct

The Code of Conduct provides LBRDC Employees with a general statement of the basic and minimum standards of conduct that the company expects of all employees in the performance of their respective duties and responsibilities. All LBRDC Board of Directors, Senior Management and Employees shall at all times perform their official duties properly and diligently. It also mandates the employees to commit themselves exclusively to the business and responsibility of their office during working hours unless,

otherwise, properly allowed under the existing laws, rules and regulations. In January of every year, LBRDC Board of Directors, Senior Management and Employees do an annual sign-off that will signify their commitment to the company's Code of Conduct.

Whistleblowing Guidelines and Reporting

It is the policy of LBP Resources and Development Corporation to uphold the highest ethical standards among its officers and employees and to promote good governance at all levels of the organization in accordance to the code of Conduct of the Corporation and similar applicable issuances. These guidelines aim to encourage the employees with creditable information to blow the whistle against graft and corrupt practices and other reportable conditions by providing protection and assistance to employees who voluntarily disclose their knowledge or give evidence about graft and corrupt practices. It shall be the duty of all employees of the Corporation who witness or become aware of any attempted, ongoing or consummated act of graft and corruption and other reportable conditions involving any employee, to report the same at the earliest possible time. The identity of the whistleblower and the matters disclosed shall be kept confidential, except when disclosure thereof is essential to the successful prosecution of a charge arising from the protected disclosure.

Gender and Development (GAD) Plans and Programs

LBRDC promotes Gender and Development Plan to ensure that every employee is gender responsive and the plan also mandates employee's awareness on GAD, awareness to legal right, social protection and inequalities and provision for comprehensive gender responsive health services. LBRDC sends employees to seminar and lectures regarding Gender and Development and provides humanitarian, legal and health services

assistance to its employees as part of its plans and programs. In 2017, LBRDC provided Human Papillomavirus (HPV) vaccine to its regular female employees regardless of their marital status.

Employee's Health, Wellness, Safety and Welfare

LBRDC aims to ensure a safe and healthy working environment for all its employees, outside contractors and visitors. LBRDC shall comply with all relevant local legislation or regulations, and best practice guidelines recommended by national health and safety authorities. The staff should be informed regarding the policies and practices of LBRDC in order to maintain a healthy, safe and enjoyable environment. LBRDC has approved policies which can protect employees from any harm and danger like Drug-Free Workplace Policy and Program, HIV/AIDS Workplace Policy and Program, Sexual Harassment Policies and Procedures and Workplace Policy and Program on Tuberculosis (TB) Prevention and Control to name a few. LBRDC, as part of the LANDBANK Group, is part of its Wellness Program that aims to promote the integration of a healthy work life, employees' physical, mental and emotional facilities are developed and enriched through different kinds of sports like badminton, volleyball, basketball, table tennis, chess and bowling. In 2017, 100% of LBRDC employees had their annual physical examinations for them to ensure they are fit for their job and LBRDC office employees have taken shots for Influenza in preventing them to get colds and flu.

HR Management Reinforcement

LBRDC manpower reinforcement continues to rise, organic employees were 39 in 2017 from 31 in 2016 and project employees (janitors, messengers, relievers, drivers, ACU technicians, construction workers) rose from 860 in 2016 to 876 in 2017. In addition, with the current workforce, the company hired eleven (11) new office employees to suffice the needs of different departments who lack

manpower. The Board of Directors also approved eight (8) officers and staff promotions that are truly competent, efficient and effective from their current positions.

Training Program

It is also part of the company's policy to develop its employees by providing training and seminars, whether internal or external, related to their field of work. This helps employees to get new information and ideas that can be applied to their respective work, update them to new implementing rules and regulations, policies or guidelines provided by law and enhance their professional and career growth. For CY 2017, 100% of LBRDC's Organic Employees was sent to training. LBRDC also took advantage of the in-house trainings catered by LANDBANK. These trainings are requested thru Employee Relations Department (ERD) for the authorization of LBRDC employees to join their trainings.

In 2017, LBRDC Board of Directors, thru the recommendation of LBRDC Management, approved the Competency-Based Framework that outlines the competencies that are essential to the effective performance in the organization. LBRDC competency framework is made up of core and general technical competencies which are concerned with how people perform their roles, how they apply their technical knowledge and accomplish all their performance objectives. This also determines the type of training needed for each specific position.

Retirement Benefit Plan

LBRDC established a retirement benefit plan in order to comply with the requirements of the law particularly RA 7641 or the Retirement Law. The aim of the plan is to provide, through a retirement fund to be established by the company, for the payment of retirement or separation benefits to its employees or their beneficiaries as the case may be, subject to conditions and limitations embodied therein. In CY 2017, three (3)

employees were already benefited by the Retirement Benefit Plan.

Role of Management

The Management of LBRDC stands as the center of decision-making for the day-to-day affairs of the company. It determines the company's activities by putting the targets set by the Board as concrete terms and by implementing basic strategies for achieving these targets.

Management is responsible to the Board for implementing the infrastructure for the company's success through the following mechanisms in its organization as set by the Board organizational structures that work effectively and efficiently in attaining the goals of the company, useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach, information systems that are defined and aligned with an information technology strategy and the business goals of the company and a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the GOCC.

Responsibility to the Community

LBRDC strictly abides by the law, rules and regulations, policies and directives as mandated by the governing bodies to promote transparency, widen its clientele, enhance trustworthiness and confidence in the fulfillment of its mandate for the entire citizenry. LBRDC supports legitimate activities and programs of NGO's that safeguards and improves the state of the environment for future generations. LBRDC practice employee volunteerism by participating in the Land Bank of the Philippines' eco-friendly drive, fighting global climate change and ecological awareness for sustainable environment.

Interaction with the Community

LBRDC, during its pre-construction meetings in the project sites, interacts with Local

Government Unit (LGU) for the building permit and other fees needed to start the renovation/construction process. We also coordinate with the LGU for the waste disposal management, procurement of goods within the locality and hiring of laborers needed for the project. LBRDC also do courtesy visits to Water & Electricity Cooperative and DPWH Regional Office.

Responsibility to the Customers

LBRDC shall operate a highly effective and efficient organization, focused on meeting customer objectives with the aim of providing services which give fair value and consistent quality, reliability and safety in return for the price paid for the same. LBRDC aims to operate policies of continuous improvement, of both processes and the skills of the staff, to take best advantage of advances in all aspect of society in order to ensure that it continues to add value to its customers' businesses. LBRDC shall have clear and strong lines of communication to respond quickly and efficiently to customer and market requirements, as well as the public needs, and for the customers to receive consistent service in order to successfully and consistently deliver what LBRDC is mandated to do.

LBRDC recycles all the salvageable materials taken from the projects and always use environment-friendly materials like LED tubes and lights and other materials that are energy efficient.

Responsibility to the Environment

LBRDC shall consider that there are inevitable environmental impacts associated with daily operations. It shall be the goal of LBRDC to minimize harmful effects and consider the development and implementation of environmental standards to achieve this to be of great importance. As such, LBRDC shall strongly encourage 3 R's: "Reduce", "Re-use", and "Recycle".

In the course of the operations of LBRDC, it should identify opportunities to reduce consumption of energy, water and other natural resources. LBRDC shall also strive to re-use and recycle where possible and dispose of non-recyclable items responsibly, thereby minimizing our adverse impact on the environment. In doing so, by adopting simple, environmentally friendly initiatives, LBRDC shall raise awareness among the members of the communities it affects.

Newly-hired LBRDC employees are required to attend seminar regarding Environmental Management System (EMS) and are required to be implemented in its office and project sites.

Board Orientation and Training

As part of the company's continuing education, Directors are regularly updated on changes in applicable laws, regulations and latest amendments of company policies and procedures. New Directors were given orientation regarding LBRDC's businesses and overview of the operations of the company. Additional trainings of Directors were Risk and Control Assessment and Corporate Governance. No Director holds more than five (5) positions in other GOCCs and public listed companies.

Newly appointed Directors Virgil G. Nery, Ricardo C. Juliano, Feliciano L. Macalino and Merton V. Deveza attended Corporate Governance Orientation Program for GOCCs last September 28, 2017 for them to familiarize the works as a director in a GOCC.

Information Technology, Risk and Information Security Management

LBRDC created the Guidelines on Classification, Handling and Access and Disclosure of Information Assets wherein documents were categorized into Class A (Sensitive), Class B (Confidential), Class C (Private), Class D (Proprietary) and Public (No Label). The guidelines will assist the LBRDC personnel in handling information

held by the company on its own behalf and those entrusted to clients. The guidelines establish ownership associated with the responsibility to manage, handle and protect own information. This will also identify responsible units of their authority, accountability and responsibility on information assets.

LBRDC created Acceptable Use of Electronic Equipment and Internet Facilities that encourages employees to use the computers and internet connection for solely business purpose only. This also ensures the security and privacy of LBRDC's systems and networks. This also oblige authorized users of the systems to be more careful in the security of their respective system accounts.

Risk Management Policies and Practices

LANDBANK provides risk management oversight of its subsidiaries including LBRDC. For operations risk, LBRDC accomplished the Risk and Control Assessment (RCSA) template designed by LANDBANK. The RCSA is designed to identify operational risks of the company and assess effectiveness of relevant controls, identify risk awareness for enhanced risk management and motivate the employees to actively involve themselves in managing their own risks.

The result of Risk and Control Self-Assessment (RCSA) 2017, as reviewed by LANDBANK, was presented to the Board of Directors on November 21, 2017.

In 2017, LBRDC employees attended training and seminar on Information Security Assessment conducted by LANDBANK Risk Management Group. The seminar included workshop on the preparation of Risk Assessment Register (RAR) and Risk Treatment Register (RTR).

CORPORATE SOCIAL RESPONSIBILITY

OUTREACH PROGRAM 2017



CORPORATE SOCIAL RESPONSIBILITY

OUTREACH PROGRAM 2017



As part of the LBRDC's Corporate Social Responsibility, Last May 13, 2017, the company had an Outreach Program at St. Martin de Porres Orphanage at Bustos, Bulacan. The children at San Martin range in age from 6 to 17 years old and consist of mostly street children, victims of child labor, physical abuse and substance abuse. LBRDC donated in cash and in kind led by our President and CEO Ms. Simeona S. Guevarra and LBP-PMED also give some in-kind donations. Total of 109 children benefited from the said activity.

EMPLOYEE'S HEALTH, WELLNESS, SAFETY AND WELFARE

TEAM BUILDING 2017



EMPLOYEE'S HEALTH, WELLNESS, SAFETY AND WELFARE

TEAM BUILDING 2017



As part of LBRDC's Corporate Social Responsibility to its Employees' Wellness and Welfare, LBRDC hold its Team Building last May 13-14, 2017 on Pariancillo Eventsplace. This way LBRDC office staff and officers' exercises in becoming cohesive units of individuals that can effectively work together to complete tasks and for them to have a work-life balance after a year of working hard.



Outreach Program
Martin de Porres Orphanage
Davao, Davao
May 13, 2017

FIRST AID TRAINING 2017



As part of LBRDC's Corporate Social Responsibility to its Employees' Wellness and Welfare, LBRDC holds First Aid Training for the Project Engineers and Foremen that will give them the necessary tools and information they need to care for an ill or injured personnel in project sites, if necessary, until advanced help arrives.



CORPORATE SOCIAL RESPONSIBILITY

MANILA BAY CLEAN-UP 2017



CORPORATE SOCIAL RESPONSIBILITY

MANILA BAY CLEAN-UP 2017



As part of LBRDC's Corporate Social Responsibility, mandate to provide general manpower/janitorial services and as a member of the Manila Bay Sunset Partnership Program, Inc., LBRDC quarterly participates in Manila Bay Clean-Up Drive usually held at Manila Bay Catch Basin (near US Embassy)



BOARD OF DIRECTORS AND CORPORATE OFFICERS

Manuel C. Piczon – Interim Chairman/Executive Committee Chairman

Atty. Piczon, 70 years old, Filipino is the Interim Chairman of LBRDC since it is still vacant due to the non-appointment of the Chairman Post from the Governance Commission for GOCCs (GCG) and Land Bank of the Philippines (LBP). Since February 2013, Atty. Piczon serves as the Executive Committee Chairman and has been part of the Board of Directors since February 7, 2008. He holds Bachelor's Degree in Philosophy from San Beda College and finished his law studies at the same school. On June 1, 1976, He passed the Bar Examinations. He became the Senior Vice President for Legal Services Group of Land Bank of the Philippines from September 2007 to October 2010. He's been part of the Land Bank of the Philippines for 27 years before retiring in 2010.



Simeona S. Guevarra – President and CEO

Mrs. Guevarra, 69 years old, Filipino is the President and CEO of LBRDC since May 2011. She is also part of the Executive Committee. She holds a Bachelor of Science Degree in Commerce major in Accounting with Cum Laude Latin Honors from University of Santo Tomas. She also passed the Certified Public Accountant Board Examinations. She also earned her Master's Degree in Business Administration (Sans Thesis) in that same university. She is also a Licensed Real Estate Broker. Previous Directorship is with Masaganang Sakahan, Inc. (MSI) where she became their Executive Director and Executive Committee Chairman. She has also served LANDBANK for 36 years holding a position of Executive Vice President/Sector Head of Corporate Services Sector before she retired in August 2010. Currently, she is one of the independent directors of GM Bank of Luzon, Inc.



BOARD OF DIRECTORS AND CORPORATE OFFICERS

Reynauld R. Villafuerte – Interim Vice Chairman

Atty. Villafuerte, 65 years old, Filipino is the Interim Vice Chairman of LBRDC. He is part of the Executive Committee since April 2017 as a member. He also became an LBRDC director since April 2015. He finished his Bachelor of Laws Studies at the Ateneo de Zamboanga University. He is lawyer by profession since May 4, 1981. Currently, he is also member of the Board of Directors of LBP Insurance Brokerage, Inc. one of the subsidiaries of the Land Bank of the Philippines. He also became the Group Head/Senior Vice President of the Legal Services Group of the Land Bank of the Philippines before retiring in 2016.



RICARDO C. JULIANO – Audit and Risk Management Committee Chairman

Mr. Juliano, 53 years old, Filipino is the Audit and Risk Management Committee Chairman. He became part of the Board of Director of LBRDC since June 2017. He graduated at Notre Dame University in 1985 with the Bachelor in Science Degree in Commerce major in Accounting. He is also a Certified Public Accountant. He has two post-graduate studies one is Master's Degree in Business Administration (Central Bank Scholar) at the University of the Philippines in 1993 and the other one is Master's Degree in National Security Administration at the National Defense Colleges of the Philippines in 2008 with Academic Excellence Award. Currently, aside from LBRDC, Mr. Juliano is also a Member of the Board of Directors of Bohol Pensioner Finance Corporation and Maguindanao Skycable CATV, Inc.



BOARD OF DIRECTORS AND CORPORATE OFFICERS

MERTON V. DEVEZA – Member, Board of Directors

Mr. Deveza, 62 years old, Filipino has served as a Board of Director of LBRDC starting April 2017. He is also part of the Executive Committee. He has Bachelor's Degree in Liberal Arts and Commerce Major in Economics and Accounting at the De La Salle University Manila in 1976. He has earned his Master's Degree in Business Administration units in Ateneo de Manila University in 1980. He also finished a two-year Management Development Program at the Asian Institute of Management in 1994. He also has three certification programs from the American College namely Chartered Life Underwriter (CLU), Chartered Financial Consultant (ChFC) and Fellow, Life Underwriter Training Council (LUTCF) from 1985 to 1992. Currently, he is a Freelance Performance Consultant of various insurance companies in the Philippines.



FELICIANO L. MACALINO – Member, Board of Directors

Mr. Macalino, 60 years old, Filipino has served as a Board of Director of LBRDC starting September 2017. He is also member of the Audit and Risk Management Committee. He has a Bachelor of Science Degree in Education at Holy Angel University in 1979. He has also a Master's Degree of Arts in Economics at Centro Escolar University in 1983. He is also Licensure Examination for Teachers passer. For the past 37 years, Mr. Macalino has been part of the Faculty of the Holy Angel University. Currently, he is the Public Relation Officer of MRRD-NECC Pampanga Chapter.



BOARD OF DIRECTORS AND CORPORATE OFFICERS

VIRGIL G. NERY – Member, Board of Directors

Mr. Nery, 53 years old, Filipino has served as a Board of Director starting July 2017. He is also a member of the Audit and Risk and Management Committee. He is a graduate of Bachelor of Science in Civil Engineering at Mindanao State University – Main Campus (Marawi City) in 1986. He is also a graduate of Bachelor's Degree in Laws at the New Era University in 2001. He also has a Master's Degree in Development Management at Asian Institute of Management in 1997. Mr. Nery became part of the LANDBANK as a Branch Executive Officer of Branch Credit Management Department from September 1993 to May 1999. Currently, Mr. Nery is the Head of the Commercial Collection Department of Philippine Veterans Bank.



JOSEPHINE G. CERVERO – Member, Board of Directors

Ms. Cervero, 58 years old, Filipino has served as a Board of Director of LBRDC starting April 2015. She is also a member of the Executive Committee. She holds a Bachelor's Degree in Biology from the University of the Philippines. She finished her Master's Degree in Business Administration major in Finance from the De La Salle Graduate School. Ms. Cervero became the Vice President of Metrobank – Trust Banking Group from July 2006 to July 2012. Currently, she is the Senior Vice President/Group Head of the Trust Banking Group of LANDBANK.



BOARD OF DIRECTORS AND CORPORATE OFFICERS

DAISY U. ENDRACA – Corporate Treasurer

Ms. Endraca, 56 years old, Filipino has served as a Corporate Treasurer of LBRDC since August 2014. She graduated from Ateneo de Naga University with a Bachelor's Degree in Commerce major in Accounting. She is a Certified Public Accountant. She earned her Master's Degree in Business Administration at College of the Holy Spirit – Manila. Currently, she is part of IT-Project Management Office of LANDBANK.



REO S. ANDARINO – Corporate Secretary/Legal Counsel

Mr. Andarino, 48 years old, Filipino became the Corporate Secretary/Legal Counsel of LBRDC since November 2017. He graduated from Polytechnic University of the Philippines with a Bachelor's Degree in Communication Arts in 1990 with Latin Honors of Cum Laude. He also graduated with a Bachelor's Degree of Laws (Valedictorian) from the Adamson University in 2006. He is a lawyer by profession. Currently, he is the Assistant Vice President/Department Head of Overseas Remittance Marketing and Support Department of Land Bank of the Philippines.

BOARD OF DIRECTORS



(Seated from left to right: Director Ricardo C. Juliano, Director Merton V. Deveza, Interim Chairman Manuel C. Piczon, President and CEO Simeona S. Guevarra, Interim Vice Chairman Reynauld R. Villafuerte, Director Feliciano L. Macalino, Director Virgil G. Nery)



(Seated from left to right: Director Ricardo C. Juliano, Director Merton V. Deveza, President and CEO Simeona S. Guevarra, Interim Chairman Manuel C. Piczon, Director Virgil G. Nery, Director Feliciano L. Macalino, Interim Vice Chairman Reynauld R. Villafuerte)

MANAGEMENT TEAM



(Seated from left to right: Ms. Olive Princess J. Silvano, Acting Finance Manager; Ms. Simeona S. Guevarra, President and CEO, Ms. Selena L. Marasigan, PMMS Manager) (Standing from left to right: Mr. Joey R. Atienza, CMD Manager; Mr. Allan G. Redondo, AGSD Manager)

OFFICE OF THE PRESIDENT AND CEO



(standing, from Left to Right; Mr. Jan Carlo L. Libiran, Sr. Executive Assistant; Mr. Louis Anthony Mabeza, Jr. Internal Auditor; Ms. Neri T. Beley, Sr. Executive Assistant; Mr. Gilbert U. Oliveros, Driver; Mr. Jeffrey L. Vargas, Internal Auditor) (Seated from left to right: Director Ricardo C. Juliano, Interim Vice Chairman Reynauld R. Villafuerte, Director Merton V. Deveza, President and CEO Simeona S. Guevarra, Interim Chairman Manuel C. Piczon, Director Feliciano L. Macalino, Director Virgil G. Nery)

The functions of the Office of the President:

1. Provides direct and immediate supervision and control of the operation and active management of the corporation.
2. Implements orders, laws, resolutions, and instructions/ directives of the Board of Directors.
3. Provides general management and direction over all the employees of the corporation and ensures performance of their respective duties.
4. Policy review and formulation and agenda/direction-setting.
5. Manages business development activities.

CONSTRUCTION MANAGEMENT DEPARTMENT



(Standing from Left to Right: Ms. Michelle E. Falcotelo, Cost Engineer II; Ms. France Kimberly Francisco, Electrical Engineer; Ms. Krizzle Faith Casulla, Cost Engineer I; Ms. Dariel Pabia, Draftman; Mr. Jobert B. Barce, COD, CMD-CEU; Mr. Joey R. Atienza, CMD Manager; Mr. Diosdado G. Gallero, Engineer III, Mr. Christopher P. Dela Cruz, Draftman II, Mr. Jayson G. Saldivar, Cost Engineer I; Ms. Alyssa Albao, Cost Estimator; Ms. Heba Tamsilani; Cost Engineer I; Ms. Elma Tubanza, Draftman II)

The functions of the Construction Management Department:

1. Plans, implements, and supervises construction/ renovation projects from endorsements to turn-over and acceptance.
2. Prepares cost estimates of projects, conducts validation of project costs, change orders and additional works.
3. Prepares required architectural and engineering schematic layouts and specifications for project implementation.
4. Marketing of clients both private and government.
5. Ensure that all projects are in accordance with Building Code of the Philippines and other legal requirements.

PROPERTY MANAGEMENT AND MAINTENANCE SERVICES DEPARTMENT



Standing: (from Left to Right) Ms. Elma V. Tubanza, Account Officer II, Mr. Nicanor A. Barnes, COD, PMMS Department; Ms. Neri T. Beley, Account Officer III

The functions of the Property Management and Maintenance Services Department:

1. Handles the property mgt., brokering, and facility maintenance services (i.e. aircon maintenance, generator, maintenance, and signage cleaning) of the Corp.
2. Scouts/markets for clients' property management and facility maintenance services
3. Handles marketing of Grand Garden and other projects of LBRDC.
4. Prepares policies, systems and procedures for the department.
5. Prepares proposals, status reports, correspondences, and other documents pertaining to property management, brokering, janitorial, and facility maintenance.
6. Ensure that all transactions are in accordance with regulating requirements.

FINANCE DEPARTMENT



(standing, from Left to Right; Ms. Fei Mari S. Antonio, Financial/Account Processor; Ms. Maria Juvy Anne Banaag, Financial/Account Processor; Ms. Shiena Marie L. Elizalde, Disbursement Officer III; Ms. May Tweeny Trixa S. Aranda, Disbursement Officer II; Ms. Elsa G. Gragasin, Account Specialist; Ms. America Jimenez, Financial/Account Processor; Ms. Olive Princess J. Silvano, Acting Finance Manager; Ms. Lilia M. Quijano, Account Specialist; Ms. Marita R. Atienza, Cashier II, Ms. Venizza Salagantin, Accounting Clerk; Ms. Vielle Villanueva, Accounting Clerk; Ms. Janine R. Sucaldito, Accounting Clerk; Ms. Airah Grace Catubig, Financial/Account Processor)

The functions of the Finance Department:

1. Provides overall financial planning and management in accordance with approved financial directions by the Board and Management.
2. Prepares annual and supplemental budget of the corporation.
3. Handles the processing of all accounting financial transactions, bookkeeping and generation of periodic financial reports. (i.e Balance sheet, Income Statement, Cash Flow, Cash Position, etc.)
4. Maintains/ safe keeps all documents pertaining to accounting and financial transactions.
5. Ensures compliance to accounting guidelines, policies and procedures (i.e PFRS, COA, etc.) and to statutory requirements (i.e SSS, HDMF, PhilHealth, SEC, BIR etc.)
6. Prepares and processes payroll of all employees, including contractual, project employees, workers and manpower
7. Ensure that all financial transactions are in accordance with auditing, accounting policies.

ADMINISTRATIVE AND GENERAL SERVICES DEPARTMENT



(Seated from left to right: Ms. Maria Ivina D. Perez, Purchasing Specialist; Ms. Simeona S. Guevarra, President and CEO, Mr. Allan G. Redondo, AGSD Manager) (Standing from left to right: Ms. Ariane May Z. Juaño, HR Specialist; Mr. John Dennis P. Abo-abo, Utility/Messenger; Mr. Jan Carlo L. Libiran, Purchasing Analyst; Ms. Jessaem P. Diaz, HR Assistant; Mr. Ryan Joseph Y. Diaz, HR Specialist; Mr. Cyril G. Taguba, Admin Assistant, Mr. Norberto A. Colinares, Property Custodian II)

The functions of the Administrative and General Services Department:

1. Provides general management and control over the administrative services such as records, communication, and systems development and logistics such as supplies, property/ equipment, and motor pool,
- 2 Prepares /processes payroll of employees
3. Handles all human resources aspects of the company such as recruitment, personnel action/movement, capability development, and performance evaluation.
4. Handles the procurement of construction materials and other supplies/ inventory maintenance.
5. Ensure that all transactions are in accordance with Dept. of Labor and Employment (DOLE), Civil Service Commission (CSC) and other regulatory requirements.

LBRDC'S CY 2017 INDEPENDENT AUDITOR'S REPORT



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City
CORPORATE GOVERNMENT SECTOR
CLUSTER 1 – BANKING AND CREDIT

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
LBP Resources and Development Corporation
898 M. H. Del Pilar corner Quintos St.
Malate, Manila

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of **LBP Resources and Development Corporation (LBRDC)** (a wholly-owned subsidiary of Land Bank of the Philippines), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section, the financial statements present fairly, in all material respects, the financial position of the LBRDC as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Qualified Opinion

The Statement of Financial Position as at December 31, 2017 includes adjustment on the Construction Materials Inventory account amounting to P5.125 million which was not supported with proper documentation. Further, said financial statement includes Accounts Payable (AP)-Trade, AP-Others, Retention Payable and Accrued Expenses aggregating P7.129 million and P24.413 million as at December 31, 2017 and 2016, respectively, which were not provided with details as to specific supplier/payee. These are not in accordance with Philippine Accounting Standards (PAS) 1. Due to absence of supporting details, we were not able to satisfy ourselves through the application of alternative audit procedures that the recorded Construction Materials Inventory, AP-Trade, AP-Others, Retention Payable and Accrued Expenses accounts were free from material misstatements. Such items have significantly affected the faithful representation of the Inventories account in the financial statements with a balance of P12.935 million as at December 31, 2017 as well as the Financial Liabilities and Other Payables accounts with balances of P8.388 million and P17.195 million as at December 31, 2017, and P7.952 million and P28.987 million as at December 31, 2016.

Except for the foregoing, we conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the LBRDC in accordance with the ethical requirements that are relevant to our audit of the financial

statements in the Philippine Public Sector, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

In our report dated May 31, 2017, we expressed an unmodified opinion on the CY 2016 financial statements of the LBRDC as at December 31, 2016. As discussed in the *Basis for Qualified Opinion* section of the report, the Accounts Payable (AP)-Trade, AP-Others, Retention Payable and Accrued Expenses accounts includes balances aggregating P24.413 million as at December 31, 2016 without details as to specific supplier/payee which is not in accordance with PAS 1. Accordingly, our present opinion on the 2016 financial statements, as presented herein, is different from that expressed in our previous report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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.

In preparing the financial statements, management is responsible for assessing the LBRDC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the LBRDC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 LBRDC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

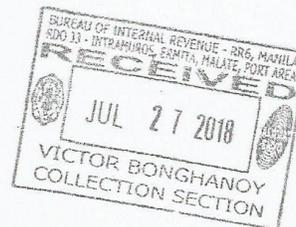
Report on Other Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information in Note 38 to the 2017 financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


ROCHIE J. FELICES
Supervising Auditor

June 27, 2018





LBP Resources and Development Corporation

Formerly : LB (Land Bank) Realty Development Corporation

A Subsidiary of the Land Bank of the Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

FOR FINANCIAL STATEMENTS

The Management of the LBP Resources and Development Corporation is responsible for the preparation of the financial statements as at December 31, 2017 and 2016, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material statement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the LBP Resources and Development Corporation in accordance with the International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

MANUEL C. PICZON

Interim Chairman of the
Board

June 20, 2018

Date signed

OLIVE PRINCESS J. SILVANO
Acting Finance Manager

June 20, 2018

Date signed

SIMEONA S. GUEVARRA
President and CEO/
Authorized Representative

June 20, 2018

Date signed

LBP RESOURCES AND DEVELOPMENT CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017 AND 2016
(In Philippine Peso)

	Note	2017	2016
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	75,531,004	118,343,610
Receivables, net	7	254,450,399	241,629,214
Inventories	8	12,935,065	9,143,428
Other Current Assets	14	9,701,841	10,636,820
Total Current Assets		352,618,309	379,753,072
Non-Current Assets			
Receivables, net	7	16,315,048	15,237,377
Financial Assets	9	151,669,049	92,669,049
Investment Property, net	10	101,651,412	102,771,396
Property, Plant and Equipment, net	11	17,890,568	17,758,783
Non-Current Assets Held for Sale	12	3,657,540	5,373,204
Intangible Assets, net	13	1,826,418	1,853,195
Deferred Tax Assets		505,149	505,149
Other Non-Current Assets	14	2,564,827	6,844,829
Total Non-Current Assets		296,080,011	243,012,982
Total Assets		648,698,320	622,766,054
LIABILITIES			
Current Liabilities			
Financial Liabilities	15	8,388,128	7,952,461
Inter-Agency Payables	16	38,801,440	42,216,224
Trust Liabilities	17	7,066,433	6,182,716
Deferred Credits/Unearned Income	18	95,749	0
Provisions	19	6,667,071	6,312,280
Other Payables	20	17,195,474	28,987,316
Total Current Liabilities		78,214,295	91,650,997
Non-Current Liabilities			
Deferred Credits/Unearned Income	18	75,179	75,179
Total Non-Current Liabilities		75,179	75,179
Total Liabilities		78,289,474	91,726,176
EQUITY			
Share Capital	21	133,212,000	133,212,000
Share Premium		5,162,840	5,162,840
Revaluation Surplus	22	61,200,000	61,200,000
Retained Earnings	23		
Appropriated		250,000,000	250,000,000
Unappropriated		120,834,006	81,465,038
Total Equity		570,408,846	531,039,878
Total Liabilities and Equity		648,698,320	622,766,054

The notes on pages 9 to 37 form part of these statements.

LBP RESOURCES AND DEVELOPMENT CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Philippine Peso)

	Note	2017	2016
Income			
Service and Business Income	24	394,386,114	397,627,467
Other Non-Operating Income	30	417,502	111,335
Total Income		394,803,616	397,738,802
Expenses			
Personnel Services	26	(9,161,665)	(5,564,347)
Maintenance and Other Operating Expenses	27	(7,039,224)	(8,281,177)
Financial Expenses	28	(272,503)	(155,743)
Direct Costs	25	(277,907,379)	(295,635,519)
Non-Cash Expenses	29	(1,678,028)	(1,805,455)
Total Expenses		(296,058,799)	(311,442,241)
Net Income Before Tax		98,744,817	86,296,561
Income Tax Expense	31	(28,874,576)	(25,293,903)
Net Income After Tax/			
Total Comprehensive Income		69,870,241	61,002,658

The notes on pages 9 to 37 form part of these statements.

LBP RESOURCES AND DEVELOPMENT CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Philippine Peso)

	Share Capital	Share Premium	Revaluation Surplus (Note 22)	Retained Earnings (Note 23)	TOTAL
BALANCE AT JANUARY 1, 2016	133,212,000	5,162,840	61,200,000	299,549,980	499,124,820
CHANGES IN EQUITY FOR 2016					
Add/(Deduct):					
Net Income for the Year				61,002,658	61,002,658
Declaration of Cash Dividend				(29,435,600)	(29,435,600)
Other Adjustments				348,000	348,000
BALANCE AT DECEMBER 31, 2016	133,212,000	5,162,840	61,200,000	331,465,038	531,039,878
CHANGES IN EQUITY FOR 2017					
Add/(Deduct):					
Net Income for the Year				69,870,241	69,870,241
Declaration of Cash Dividend				(30,501,329)	(30,501,329)
Other Adjustments				57	57
BALANCE AT DECEMBER 31, 2017	133,212,000	5,162,840	61,200,000	370,834,006	570,408,846

The notes on pages 9 to 37 form part of these statements.

LBP RESOURCES AND DEVELOPMENT CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Philippine Peso)

	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Income/Revenue		226,110,698	222,294,390
Collection of Receivables		177,583,951	170,337,345
Trust Receipts		1,611,403	213,414
Other Receipts		1,628,160	2,805,186
Total Cash Inflows		406,934,212	395,650,335
Cash Outflows			
Payment of Expenses		(142,441,125)	(130,749,797)
Purchase of Inventories		(37,179,062)	(40,154,385)
Grant of Cash Advances		(6,321,405)	(9,839,974)
Prepayments		(2,731,227)	(524,977)
Refund of Deposits		(1,325,534)	(131,982)
Payments of Accounts Payable		(5,818,414)	(9,851,517)
Remittance of Personnel Benefit Contributions and Mandatory Deductions		(72,943,688)	(66,456,820)
Other Disbursements		(93,656,402)	(83,733,930)
Total Cash Outflows		(362,416,857)	(341,443,382)
Net Cash Provided by Operating Activities		44,517,355	54,206,953
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Receipt of Interest Earned		4,285,059	3,035,544
Proceeds from Investments/Redemption of Long-term Return on Investments		737,436,039	770,648,684
Total Cash Inflows		741,721,098	773,684,228
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		(3,129,158)	(4,014,171)
Purchase of Investments		(795,423,897)	(753,142,824)
Purchase of Intangible Assets		0	(1,679,334)
Total Cash Outflows		(798,553,055)	(758,836,329)
Net Cash Provided By/(Used In) Investing Activities		(56,831,957)	14,847,899
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Payment of Cash Dividends		(30,498,004)	(29,435,600)
Cash Used In Financing Activities		(30,498,004)	(29,435,600)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(42,812,606)	39,619,252
CASH AND CASH EQUIVALENTS, JANUARY 1		118,343,610	78,724,358
CASH AND CASH EQUIVALENTS, DECEMBER 31	6	75,531,004	118,343,610

The notes on pages 9 to 37 form part of these statements.

LBP RESOURCES AND DEVELOPMENT CORPORATION

(A wholly-owned subsidiary of Land Bank of the Philippines)

NOTES TO FINANCIAL STATEMENTS

(All amounts in Philippine Peso, unless otherwise stated)

1. GENERAL INFORMATION

1.1 Corporate Information

The LBP Resources and Development Corporation (LBRDC) was established on May 8, 1975 and operates under the authority of the Securities and Exchange Commission.

The mandates/functions of LBRDC are to build, reconstruct, repair, remodel and renovate, enlarge, alter and improve private houses and dwellings, commercial buildings and government owned and controlled corporations and establishments (particularly the facilities of LBP, its subsidiaries and affiliates, branches, training centers, field offices, other auxiliary infrastructures, etc.) in support of its role under the Comprehensive Agrarian Reform Program. Also, to engage in, operate and carry on, the business of providing and rendering general manpower services, such as but not limited to management and technical services, janitorial services, maintenance services, clerical messengerial, security services and other allied services.

The LBRDC's registered address is at the 24th Floor LBP Plaza, 1598 M.H. Del Pilar cor. Dr. J. Quintos Sts., Malate Manila.

1.2 Issuance of financial statements

The financial statements of LBRDC, formerly LB (Land Bank) Realty Development Corporation, for the years ended December 31, 2017 and 2016 were approved and authorized for issue by the Board of Directors on March 27, 2018, through its Resolution No. 18-03-17 dated March 27, 2018, and were signed by the Chairman of the Board on June 2018, as shown in the Statement of Management Responsibility for Financial Statements.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The consolidated financial statements are presented in peso (P), its functional currency.

Amounts are rounded off to the nearest Peso, unless otherwise stated.

The preparation of financial statements in compliance with PFRS requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been consistently applied throughout the year presented.

The financial statements are prepared on an accrual basis in accordance with the PFRS.

3.1 Financial Instruments

Financial assets

i. Initial recognition and measurement

Financial assets within the scope of PAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. LBRDC determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that LBRDC commits to purchase or sell the asset.

LBRDC's financial assets include: cash and cash equivalents; trade and other trade receivables; loans and other loans receivables; quoted and unquoted financial instruments; and derivative financial instruments.

ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the profit or loss.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when LBRDC has the positive intention and ability to hold it to maturity.

After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised

cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in profit or loss.

iii. Derecognition

LBRDC derecognizes a financial asset or, where applicable, a part of a financial asset or part of LBRDC of similar financial assets when:

1. the contractual rights to the cash flows from the financial asset expired or waived; and

2. LBRDC has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in PAS 39 -Financial Instruments: Recognition and Measurement; and either the entity has:

- transferred substantially all the risks and rewards of ownership of the financial asset; or
- neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the asset

iv. Impairment of financial assets

LBRDC assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty;
- Default or delinquency in interest or principal payments;
- The probability that debtors will enter bankruptcy or other financial reorganization; and
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

b. Financial liabilities

i. Initial recognition and measurement

Financial liabilities within the scope of PAS 39 are classified as financial liabilities at fair value through profit or loss, or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs. LBRDC's financial liabilities include trade and other payables.

ii. Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

3.2 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

3.3 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory are received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories, except construction materials, are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of LBRDC.

3.4 Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment property

are measured using the cost model and are depreciated over their estimated useful life of 30 years.

Investment property are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit or service potential is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use.

LBRDC uses the cost model for the measurement of investment property after initial recognition.

3.5 Property, Plant and Equipment

a. Recognition

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- i. tangible items;
- ii. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- iii. are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- i. it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- ii. the cost or fair value of the item can be measured reliably; and
- iii. the cost is at least P 15,000.

b. Measurement at recognition

An item recognized as property, plant, and equipment is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction, its cost is its fair value as at recognition date.

Cost includes the following:

- i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- ii. expenditure that is directly attributable to the acquisition of the items; and
- iii. initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

c. Measurement after recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the LBRDC recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in profit or loss as incurred.

d. Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

i. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

ii. Depreciation method

The straight line method of depreciation is adopted.

iii. Estimated useful life

LBRDC uses the life span of PPE prescribed by COA in determining the specific estimated useful life for each asset based on its experience.

iv. Residual value

LBRDC uses a residual value equivalent to at least five per cent of the cost of the PPE.

e. Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

f. Derecognition

LBRDC derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognized

3.6 Leases

a. LBRDC as a lessee

i. Operating lease

Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership of the leased item to LBRDC. Operating lease payments are recognized as an operating expense in profit or loss on a straight-line basis over the lease term.

b. LBRDC as a lessor

i. Operating lease

Leases in which LBRDC does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term. Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policies for PPE are applied to similar assets leased by the entity.

3.7 Intangible Assets

a. Recognition and measurement

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost. If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment permitted in PAS 23, Borrowing Costs.

c. Intangible assets acquired through non-exchange transactions

The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date these are acquired.

d. Internally generated intangible assets

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

e. Recognition of an expense

Expenditure on an intangible item is recognized as expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an intangible asset.

f. Subsequent measurement

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life are amortized over their useful lives.

The straight line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.

Intangible assets with indefinite useful lives or an intangible asset not yet available for use are assessed for impairment annually and whenever there is an indication that the assets may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in profit or loss as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Amortization of the asset begins when development is complete and the asset is available for use.

It is amortized over the period of expected future benefit.

During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

3.8 Provisions, Contingent Liabilities and Contingent Assets

a. Provisions

Provisions are recognized when the has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where LBRDC expects some or all of a prov1s1on to- be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are reviewed at each reporting date, and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

b. Contingent liabilities

LBRDC does not recognize a contingent liability, but discloses details of any contingencies in the notes to financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

c. Contingent assets

LBRDC does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not y within the control of LBRDC in the notes to financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be

measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

3.9 Changes in Accounting Policies and Estimates

LBRDC recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

LBRDC recognizes the effects of changes in accounting estimates prospectively through profit or loss.

LBRDC corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.10 Revenue from Non-exchange Transactions

- a. Recognition and measurement of assets from non-exchange transactions

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognized as an asset if the following criteria are met:

- i. It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- ii. The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

- b. Recognition of revenue from non-exchange transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As LBRDC satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

- c. Measurement of revenue from non-exchange transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

d. Measurement of liabilities on initial recognition from non-exchange transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

e. Fees and fines not related to taxes

LBRDC recognizes revenue from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

f. Transfers from other government entities

Revenue from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to LBRDC and can be measured reliably.

3.11 Revenue from Exchange Transactions

a. Measurement of revenue

Revenue is measured at the fair value of the consideration received or receivable.

b. Rendering of services

LBRDC recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

c. Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to LBRDC.

d. Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

f. Rental income

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and included in revenue.

3.12 Impairment of Non-Financial Assets

a. Impairment of cash-generating assets

At each reporting date, the LBRDC assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, LBRDC estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or the cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, LBRDC estimates the asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

b. Impairment of non-cash-generating assets

LBRDC assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the LBRDC estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. LBRDC classifies assets as cash-generating assets when those assets are held with the primary objective generating a commercial return. Therefore, non-cash-generating assets would be those assets from which the LBRDC does not intend (as its primary objective) to realize a commercial return.

3.13 Related Parties

LBRDC regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the LBRDC, or vice versa.

3.14 Employee Benefits

The employees of LBRDC are members of the Social Security System (SSS), which provides life and retirement insurance coverage.

LBRDC recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

3.15 Measurement Uncertainty

The preparation of financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the period.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. CHANGES IN ACCOUNTING POLICIES

There are no changes in LBRDC's accounting policies.

5. PRIOR PERIOD ADJUSTMENTS

LBRDC has not determined any error which requires adjustment of prior period reports.

6. CASH AND CASH EQUIVALENTS

	2017	2016
Cash on Hand	500,000	500,000
Cash in Bank – Local Currency	7,433,565	24,764,804
Time Deposits – Local Currency	67,597,439	93,078,806
Total	75,531,004	118,343,610

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

Investment in special depository accounts is with maturity periods of 30 to 33 days and rolled over depending on the cash requirements of LBRDC.

LBRDC entered into an Investment Management Agreement with Land Bank of the Philippines through its Trust Banking Group as the Investment Manager. The LBRDC avails the services of the latter relative to the management and investment of its investible funds/assets. The funds are invested in High Yield Saving Account (HYSA).

7. RECEIVABLES

This account consists of:

	Current	2017 Non- current	Total	Current	2016 Non- current	Total
Receivables	222,664,854	0	222,664,854	200,206,104	0	200,206,104
Interests						
Receivable	1,147,878	0	1,147,878	687,625	0	687,625
Sales Contract						
Receivable	0	16,315,048	16,315,048	0	15,237,377	15,237,377
Lease						
Receivables	1,525,613	0	1,525,613	2,422,170	0	2,422,170
Other						
Receivables	29,112,054	0	29,112,054	38,313,315	0	38,313,315
Total	254,450,399	16,315,048	270,765,447	241,629,214	15,237,377	256,866,591

7.1 Receivables

	Current	2017 Non- current	Total	Current	2016 Non- current	Total
Receivables	224,578,075	0	224,578,075	202,451,471	0	202,451,471
Allowance for						
impairment-						
Accounts						
Receivable	(1,913,221)	0	(1,913,221)	(2,245,367)	0	(2,245,367)
Net Value-						
Accounts						
Receivable	222,664,854	0	222,664,854	200,206,104	0	200,206,104

Receivable consists of the following:

- Contracts Receivable are amounts billed to LBP for construction/renovation contracts but not paid as of reporting date; and
- Accounts Receivable – Trade arises from contract entered into by LBRDC with LBP and other clients on deployment of janitors/messengers and other services

7.2 Interests Receivable represents accrual of interest income from LBRDC's investments.

7.3 Sales Contract Receivable represents the outstanding balance of receivable from sale of 10 housing units at Grand Garden Villas, Dasmariñas Cavite, with the following terms and conditions:

Contract Price:	Three-bedroom units – P1,700,000 and P1,800,000
Payment Options:	Cash, thru Pag-ibig Loan or thru In-house Financing
Terms and Conditions:	
Period	Retirement age minus current age of the employees but not more than 30 years
Payment	Deduction from salaries and other benefits
Interest	Four per cent per annum

The total principal amount of the sold units amounted to P17,200,000 and the total interests to be collected from the buyers for the duration of the payment period amounted to P10,347,165.

As at December 31, 2017, the balance of sales contract receivable amounted to P16,315,048.

7.4 Lease Receivables

	2017	2016
Operating Lease Receivable	1,525,613	2,422,170
Allowance for Impairment-Operating Lease Receivable	0	0
Net Value - Operating Lease Receivable	1,525,613	2,422,170

7.5 Other Receivables

	Current	2017 Non- current	Total	Current	2016 Non- current	Total
Other Receivables	29,517,759	0	29,517,759	38,719,020	0	38,719,020
Allowance for Impairment-Other Receivables	(405,705)	0	(405,705)	(405,705)	0	(405,705)
Net Value-Other Receivables	29,112,054	0	29,112,054	38,313,315	0	38,313,315

The following is the Aging/Analysis of Receivables:

	Total	Not past due	Past Due > 60 days
Accounts Receivable	224,578,075	222,618,100	1,959,975
Interests Receivable	1,147,878	1,147,878	0
Sales Contract Receivable	16,315,048	16,315,048	0
Lease Receivable	1,525,613	1,525,613	0
Other Receivables	29,517,759	28,922,774	594,985
Total	273,084,373	270,529,413	2,554,960

8. INVENTORIES

This account consists of inventories held for consumption:

	2017	2016
Construction Materials	11,936,191	7,839,518
Janitorial Supplies	399,388	672,795
Stationery and Supplies	599,486	314,427
Semi-expendable Property	0	316,688
	12,935,065	9,143,428

Reconciliation of the carrying amount follows:

	2017	2016
Carrying Amount, January 1	9,143,428	12,180,495
Additions/Acquisitions during the year	37,623,935	41,961,264
Expensed during the year except write-down	(33,832,298)	(44,998,331)
Carrying Amount, December 31	12,935,065	9,143,428

LBRDC measures its inventories at purchase cost and records applying a first-in, first-out method. Inventories consist of office supplies, both accountable and non-accountable forms, janitorial supplies used in LBRDC's janitorial services to LBP, and construction materials used in LBRDC's construction and renovation services to LBP.

9. FINANCIAL ASSETS

This account consists of investments in bonds which are held to maturity and investment in stocks with PLDT acquired in connection with the subscription to the PLDT lines for the Antipolo Warehouse, as follows:

	2017	2016
Retail Treasury Bonds	99,296,449	40,296,449
MERALCO Bonds	25,000,000	25,000,000
San Miguel Brewery Fixed Rate Bond	27,360,000	27,360,000
PLDT Stocks	12,600	12,600
Total	151,669,049	92,669,049

Reconciliation of the balance of financial assets follows:

As at December 31, 2017

	Held to Maturity	Others	Total
Balance as at January 1, 2017	92,656,449	12,600	92,669,049
Additional investments	59,000,000	0	59,000,000
Balance as at December 31, 2017	151,656,449	12,600	151,669,049

As at December 31, 2016

	Held to Maturity	Others	Total
Balance as at January 1, 2016	104,004,502	12,600	104,017,102
Additional investments	25,296,449	0	25,296,449
Investments sold/collected	(36,644,502)	0	(36,644,502)
Balance as at December 31, 2016	92,656,449	12,600	92,669,049

10. INVESTMENT PROPERTY

This account consists of:

Accounts	2017			2016		
	Investment Property – Land	Investment Property – Buildings	Total	Investment Property – Land	Investment Property – Buildings	Total
Carrying Amount, January 1	66,000,000	36,771,396	102,771,396	66,000,000	37,891,380	103,891,380
Depreciation	0	1,119,984	1,119,984	0	1,119,984	1,119,984
Carrying Amount, December 31	66,000,000	35,651,412	101,651,412	66,000,000	36,771,396	102,771,396
Gross Cost	66,000,000	81,183,308	147,183,308	66,000,000	81,183,308	147,183,308
Accumulated Depreciation	0	45,531,896	45,531,896	0	44,411,912	44,411,912
Carrying Amount, December 31	66,000,000	35,651,412	101,651,412	66,000,000	36,771,396	102,771,396

LBRDC uses the following criteria to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations (inventory):

- If the property is not used in the normal operations of the company; and
- If the property is held for capital appreciation and/or to earn rental income

The rental revenue amounted to P19,239,866 and P19,278,543 while the direct operating expenses amounted to P2,673,995 and P4,143,165 in 2017 and 2016, respectively.

11. PROPERTY, PLANT AND EQUIPMENT

This account is composed of the following:

As at December 31, 2017

	Building and Other Structures	Machinery and Equipment	Transportation Equipment	Furniture, Fixture and Books	Leased Asset Improvement	Total
Carrying Amount, Jan. 1	7,953,487	5,284,966	4,099,529	420,801	0	17,758,783
Additions	0	884,306	0	268,527	1,976,325	3,129,158
Total	7,953,487	6,169,272	4,099,529	689,328	1,976,325	20,887,941
Depreciation	(328,488)	(1,854,182)	(628,845)	(185,858)	0	(2,997,374)
Carrying Amount, Dec. 31	7,624,999	4,315,090	3,470,684	503,470	1,976,325	17,890,568
Gross Cost Accumulated	9,124,612	21,155,072	8,040,906	1,183,809	1,976,325	41,480,724
Depreciation	(1,499,613)	(16,839,982)	(4,570,222)	(680,339)	0	(23,590,156)
Carrying Amount, Dec.31	7,624,999	4,315,090	3,470,684	503,470	1,976,325	17,890,568

As at December 31, 2016

	Building and Other Structures	Machinery and Equipment	Transportation Equipment	Furniture, Fixture and Books	Total
Carrying Amount, Jan. 1	8,281,975	7,548,131	982,461	585,866	17,398,433
Additions	0	1,100,473	3,230,387	0	4,330,860
Adjustments	0	(316,689)	0	0	(316,689)
Total	8,281,975	8,331,915	4,212,848	585,866	21,412,604
Depreciation	(328,488)	(3,104,208)	(113,319)	(165,065)	(3,711,080)
Adjustments	0	57,259	0	0	57,259
Carrying Amount, Dec. 31	7,953,487	5,284,966	4,099,529	420,801	17,758,763
Gross Cost Accumulated	9,124,612	20,270,766	8,040,906	915,281	38,351,565
Depreciation	(1,171,125)	(14,985,800)	(3,941,377)	(494,480)	(20,592,782)
Carrying Amount, Dec. 31	7,953,487	5,284,966	4,099,529	420,801	17,758,763

12. NON-CURRENT ASSETS HELD FOR SALE

This pertains to the costs of the two remaining units of the 12 units townhouses in Grand Garden Villas located at Dasmariñas, Cavite, that are held for sale. The one and nine units of townhouses were sold and turned-over in 2017 and 2016, respectively, to the buyers who are qualified LBRDC employees.

13. INTANGIBLE ASSETS

This account consists of the following:

	2017	2016
Purchasing and accounting system/ ¹	1,679,334	1,679,334
Payroll system/ ²	67,320	94,097
Computer software/ ³	79,764	79,764
	1,826,418	1,853,195

^{1/} Represents initial payment for Oracle License

^{2/} Represents amortized cost of payroll system acquired from Balmori - Version 7.8 Surepay. This was acquired in 2014 and 2015 for a total cost of P159,111.61 to be amortized for five years. Total amortization recognized as of December 31, 2017 amounted to P91,791.73

^{3/} Represents salvage value of software acquired from Beacon Frontline Solutions, Inc. in CY 2005 in the amount of P1,254,545. It has been amortized for five years starting January 2007.

Reconciliation of the carrying amount follows:

	2017	2016
Carrying Amount, January 1	1,853,195	232,850
Additions	0	1,679,334
	1,853,195	1,912,184
Amortization	(26,777)	(58,989)
Carrying Amount, December 31	1,826,418	1,853,195
Gross Cost	3,092,991	3,092,991
Accumulated Amortization	(1,266,573)	(1,239,796)
Carrying Amount, December 31	1,826,418	1,853,195

14. OTHER ASSETS

This account consists of:

	Current	2017 Non- current	Total	Current	2016 Non- current	Total
Advances to Officers and Employees	435,813	0	435,813	93,640	0	93,640
Prepayments	9,266,028	1,172,549	10,438,577	10,543,180	1,089,672	11,632,852
Deposits	0	1,809,312	1,809,312	0	1,383,151	1,383,151
Contract in Progress	0	(417,034)	(417,034)	0	4,372,006	4,372,006
Total	9,701,841	2,564,827	12,266,668	10,636,820	6,844,829	17,481,649

The Contract in Progress is the control account used to record the accumulated costs related to the construction and renovation projects of LBRDC. The Corporation uses the percentage of completion method in recognizing income and cost based on the contract amount and it is also the policy of LBRDC to close its project at 95 per cent completion wherein abnormal balances of CIP, if any, will be closed to the Construction Cost account.

15. FINANCIAL LIABILITIES

This account consists of:

	2017	2016
Accounts Payable-Trade	6,603,656	6,018,971
Retention Payable	1,784,472	1,933,490
	8,388,128	7,952,461

16. INTER-AGENCY PAYABLES

This account consists of:

	2017	2016
Due to BIR	2,348,176	2,245,185
Due to Pag-IBIG	1,010,831	1,173,007
Due to PhilHealth	244,111	0
Due to Parent Corporation	5,129,425	7,737,057
Due to SSS	1,202,076	1,102,564
Income Tax Payable	7,812,359	7,090,190
Output Tax	21,054,462	22,868,221
Total	38,801,440	42,216,224

17. TRUST LIABILITIES

This account consists of:

	2017	2016
Customers' Rental Deposits	6,412,300	5,539,323
Contractors' Deposits	511,116	500,376
Customers' Deposit	143,017	143,017
	7,066,433	6,182,716

Customers' rental deposits represents amount deposited by the lessee for the units/properties being rented where the unpaid bills or repair to the property will be charged, the balance of which will be returned to the lessee.

Contractors' deposit represents deposit for the project's plans and specifications, bidder's bond and performance bond.

Customers' deposit represents deposit on real estate for sale developed by LBRDC.

18. DEFERRED CREDITS/UNEARNED INCOME

This account consists of:

	2017			2016		
	Current	Non-current	Total	Current	Non-current	Total
Unearned Revenue/Income- Investment Property	95,749	0	95,749	0	0	0
Other Deferred Credits	0	75,179	75,179	0	75,179	75,179
Total	95,749	75,179	170,928	0	75,179	75,179

Deferred credits represent unearned rent income and deferred tax on accrued rent income as at December 31, 2017.

19. PROVISIONS

This provision pertains to accrual of retirement and leave credits of the regular employees.

20. OTHER PAYABLES

This account consists of:

	2017	2016
Accounts Payable-Others	3,862,440	3,623,746
Accrued Expenses	13,333,034	25,363,570
	17,195,474	28,987,316

Accrued expenses include cost of audit fees, rental and administrative charges, employee benefits, direct materials and other administrative expenses. In CY 2016, the balance includes construction costs incurred as at year-end.

21. SHARE CAPITAL

The SEC approved the increase in authorized capitalization of LBRDC on February 6, 2012. The increase in the equity of LBP in the amount of P33,212,000 (3,321,200 shares at P10 par value/share) was recognized and the Certificate of shares of stock was issued to LBP on February 16, 2012. In accordance with the Deed of Exchange executed by and between LBRDC and LBP on January 5, 2010, the consideration for the increase in equity consisting of a condominium unit and five parking slots at World Center, Makati City, with a value of P33,212,000 was recognized as Investment property.

In previous years, LBRDC issued stock dividends to the National Government totaling P7,498,857 shares or P74,988,570.

22. REVALUATION SURPLUS

The P61,200,000 revaluation surplus pertains to the increase in fair value of the land owned located in Naga City.

23. RETAINED EARNINGS

Appropriation of Retained Earnings

The appropriation from Retained Earnings amounting to P250,000,000, that was approved in Board Resolution No. 16-06-14, is composed of the following:

Particulars	Amount	Timeline
Purchase of lot	100,000,000	2017-2018
Construction of one floor building with provision of 2 nd floor (P40,000 x 1,000 sq. m.)	70,000,000	2017-2018
Provision for the acquisition of various equipment and system furniture	25,000,000	2017-2018
Provision for retirement	25,000,000	2017-2018
Provision for software/equipment	20,000,000	2017-2018
Provision for liability insurance of directors	10,000,000	2017-2018
	250,000,000	

Dividend Declaration to the National Government

On January 11, 2017, the LBRDC Board of Directors approved the declaration of cash dividends amounting to P30,501,329 and its remittance to the National Government under Board Resolution No.17-01-09.

On January 19, 2016, the LBRDC Board of Directors approved the declaration of cash dividends amounting to P29,435,600 and its remittance to the National Government under Board Resolution No. 16-01-14.

24. SERVICE AND BUSINESS INCOME

This account consists of:

	2017	2016
Service Income		
Fees and Commission Income	4,285,667	906,291
Construction Revenue	171,738,988	194,172,793
Manpower Services Income	168,760,782	140,576,733
Property Management Fee	17,980,483	15,619,029
ACU Maintenance Service Income	2,602,072	5,282,188
	365,367,992	356,557,034
Business Income		
Rent/Lease Income	19,239,866	19,278,543

	2017	2016
Sales Revenue	1,700,000	15,500,000
Interest Income	8,078,256	6,291,890
	29,018,122	41,070,433
Total	394,386,114	397,627,467

25. DIRECT COSTS

This account consists of:

	2017	2016
Service Costs		
Construction Costs	128,194,669	147,681,542
Manpower Services Expense	135,222,246	119,638,514
Property Management Expense	11,577,991	10,003,388
ACU Maintenance Service Expense	1,078,311	2,591,449
	276,073,217	279,914,893
Business Costs		
Cost of Sales	1,834,162	15,720,626
Total	277,907,379	295,635,519

26. PERSONNEL SERVICES

This account consists of:

	2017	2016
Salaries and Wages		
Salaries and Wages-Regular	3,480,443	1,915,204
Salaries and Wages-Casual/Contractual	286,016	0
	3,766,459	1,915,204
Other Compensation		
Other Bonuses and Allowances	4,299,568	3,542,572
Year End Bonus	285,742	0
Representation Allowance	188,100	0
Transportation Allowance	148,150	0
Productivity Incentive Allowance	81,000	0
Cash Gift	75,400	0
Clothing/Uniform Allowance	72,000	0
Honoraria	0	7,200
	5,149,960	3,549,772
Personnel Benefit Contributions		
Employees Compensation Insurance Premiums	161,934	92,397
PhilHealth Contributions	62,438	0
Pag-IBIG Contributions	20,874	6,974
	245,246	99,371
Total	9,161,665	5,564,347

LBRDC and its employees contribute to the Social Security System (SSS) in accordance with the R.A. 8282. The SSS administers the plan including payment of pension benefits to employees to whom the act applies.

27. MAINTENANCE AND OTHER OPERATING EXPENSES

This account is composed of:

	2017	2016
Training and Scholarship Expenses		
Training Expenses	156,281	158,394
Supplies and Materials Expenses		
Office Supplies Expenses	523,654	362,593
Accountable Forms Expenses	19,298	0
Utility Expenses		
Water and Electricity Expenses	171,292	199,912
Gas/Heating Expenses	54,331	25,170
Communication Expenses		
Telephone Expenses	104,375	157,341
Confidential, Intelligence and Extraordinary Expenses		
Extraordinary and Miscellaneous Expenses	97,792	80,468
Professional Services		
Auditing Services	214,217	180,000
Other Professional Services	207	6,818
General Services		
Janitorial Services	28,528	184,367
Repairs and Maintenance		
Other Property, Plant and Equipment	325,219	725,088
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties and Licenses	2,295,505	2,787,928
Insurance Expenses	756,991	704,453
Other Maintenance and Operating Expenses		
Rent/Lease Expenses	1,020,844	1,129,470
Directors and Committee Members' Fees	552,135	426,645
Representation Expenses	129,506	229,069
Transportation and Delivery Expenses	53,619	104,160
Membership Dues and Contributions to Organizations	35,565	41,681
Advertising, Promotional and Marketing Expenses	5,340	26,595
Subscription Expenses	1,748	1,537
Donations	648	135,000
Printing and Publication Expenses	518	662
Fees and Commission Expenses	0	135,903
Other Maintenance and Operating Expenses	491,611	477,923
Total	7,039,224	8,281,177

28. FINANCIAL EXPENSES

This account pertains to bank charges.

29. NON-CASH EXPENSES

This account is composed of:

	2017	2016
Depreciation		
Depreciation-Investment Property	1,119,984	1,119,984
Depreciation-Buildings and Other Structures	82,218	56,865
Depreciation-Machinery and Equipment	185,206	431,338
Depreciation-Transportation Equipment	140,376	113,319
Depreciation-Furniture, Fixtures and Books	139,688	28,574
	1,667,471	1,750,080
Amortization		
Amortization- Intangible Assets	10,556	55,375
	1,678,028	1,805,455

Portion of the depreciation and amortization for the year were allocated to LBRDC's businesses as direct costs amounting to P2,466,107.

30. NON-OPERATING INCOME, GAIN OR LOSSES

30.1 Non-Operating Income/Gain

	2017	2016
Gain on Sale of Property, Plant and Equipment	0	29,999
Other Gains	417,502	81,336
Total	417,502	111,335

31. INCOME TAX EXPENSE

Tax liabilities for the current period are measured at the amount expected to be paid to tax authority. Income tax expense comprises of current and final tax. The tax rates and tax law used to compute the amount are those that are enacted or substantively enacted at reporting date. For CY 2017 and 2016, the provisions for income tax were computed as follows:

	2017	2016
Net income before tax	98,744,817	86,296,561
Income subject to final tax	(7,517,704)	(5,988,429)
Fines, penalties and other charges	9,672	12,591
Net income subject to tax	91,236,786	80,320,723
Current tax expense (30%)	27,371,035	24,096,217
Income tax- final	1,503,541	1,197,686
	28,874,576	25,293,903

32. EARNINGS PER SHARE

The basic earnings per share (EPS) is computed by dividing the net income for the year attributable to common stockholders by the weighted average number of common

shares issued and outstanding during the year adjusted for any subsequent stock dividends declared.

	2017	2016
Net income	69,870,241	61,002,658
Weighted average no. of common shares	13,321,200	13,321,200
	5.25	4.58

33. CONSTRUCTION CONTRACTS

The construction income in CY 2017 is P171.739 million with accumulated cost of P128.195 million and recognized net profit of P43.544 million. Also, the outstanding retention receivables and advances from clients are P24.392 million and P5.129 million, respectively.

34. RETIREMENT BENEFITS

LBRDC has funded non-contributory defined retirements benefit plan in accordance with the Retirement Pay Law (Republic Act No. 7641) covering all of its qualified regular employees. The benefit is equal to one-half month salary for every year of service, a fraction of at least six (6) months being considered as one whole year. For the purpose of computing the retirement pay, "one –half month salary" shall include fifteen(15) days salary based on the latest basic salary rate, cash equivalent of five (5) days service incentive leave, one-twelfth (1/12) of the 13th month pay and other benefit inclusions as may be agreed upon by LBRDC and the employee. The plan provides retirement, separation, disability and death benefits to its members. The fund is being administered and managed by Land Bank of the Philippines – Trust Banking Group. Contributions and costs are determined with the actuarial studies made for the plan. Annual cost is determined using the Accrued Benefit with the Actuarial Cost Method (Projected Unit Credit). The Company's latest actuarial valuation date is January 1, 2012.

LBRDC Board approved the retirement benefit plan on July 30, 2010 in Board Resolution No. 10-068. The retirement benefit plan includes vesting rights for voluntary separation of employees who have at least five years of continuous service. As of December 31, 2017, the vested benefit is P14,431,822.

35. COMMITMENTS AND CONTINGENCIES

The Corporation has the following operating lease commitments:

LBRDC as lessee

LBRDC has entered into commercial leases on the office spaces occupied and systems furniture in the following:

- a. LBP Plaza for five years and systems furniture which expired in May 2013 with renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Future minimum rental payable under non-cancelable operating lease which is due within one year as at December 31, 2017 and 2016 is P780,258. These are lodged under the Rental expense account.
- b. Jose P. Laurel Memorial Foundation for three years which commenced on August 2017. There are no restrictions placed upon the lessee by entering into this lease. Future minimum rentals payable under non-cancelable operating leases which is due within one year as at December 31, 2017 is P1,980,000.

LBRDC as lessor

LBRDC has entered into commercial property leases on its investment property portfolio consisting of land and building. These non-cancelable leases have remaining terms of one to fifteen years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

36. RELATED PARTY TRANSACTIONS

The financial statements include transactions entered into with related parties for the relevant financial year:

	2017	2016
Investment in HYSA	67,597,439	93,078,806
LBP Branches and Plaza HQ	241,126,610	294,838,919
Investment in RTB	151,656,449	92,656,449
LBP Naga Branch Rental	1,860,435	1,792,802
LBRDC Head Office Space	780,259	652,021
	463,021,192	483,018,997

36.1 The transfer of title for the World Centre Condominium property infused by LBP, the Parent Bank as additional equity, has not yet materialized due to LBRDC's request for the certification/confirmation of a tax-free exchange of the property. The Management is still waiting for the reply of the Assistant Commissioner for Legal Services, Bureau of Internal Revenue, for the issuance of the certificate that will be presented to the Registry of Deeds for the registration of the title under the name of LBRDC.

36.2 Key Management Personnel

The key management personnel of the LBRDC are the President and CEO, the members of the governing body, and the members of the senior management group.

The governing body consists of members appointed by the President of the Philippines. The senior management group consists of the President and CEO and the Heads of its departments.

36.3 Key Management Personnel Compensation

The aggregate remuneration of members of the governing body and the number of members determined on a fulltime equivalent basis receiving remuneration within this category, are:

	Aggregate Remuneration
Salaries and Wages	1,022,400
Other Compensation	1,769,589
	2,791,989

37. EVENTS AFTER THE REPORTING DATE

Cash Dividend Declaration

On April 17, 2018, the LBRDC Board of Directors approved the declaration of cash dividends amounting to P34,205,038.37 and its remittance to the National Government under Board Resolution No.18-04-12. However, based on the dividend assessment by the DOF, the amount remitted was P34,209,924.50 per OR No. 2547884 dated May 15, 2018.

38. SUPPLEMENTARY INFORMATION ON REVENUE REGULATION

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

- a. The LBRDC is VAT-registered with VAT output tax declaration of P P45,031,575 for CY 2017.

The LBRDC has zero-rated/exempt sales pertaining to the sale of townhouses at Grand Garden Villas.

- b. The amount of VAT input taxes claimed are broken down as follows:

	Amount
Balance, beginning of the year	1,089,672
Current year's purchases:	
i. Goods other than resale or manufacture capital goods	80,732
ii. Goods other than capital goods	8,321,909
iii. Services lodged under other accounts	3,229,360
Claims for tax credits/refund	(11,549,124)
Balance at end of year	11,172,549

c. Other taxes and licenses

	Amount
<i>Local</i>	
Mayor's permit	2,957,754
Real estate tax	165,638
Capital equipment tax	56,908
Professional tax receipt	2,205
Zoning Clearance	2,890
Fire Certificate	2,974
Barangay clearance	500
	3,188,869
<i>National</i>	
Tax on fringe benefits	56,471
Documentary stamp tax	29,088
Registration of company vehicle	15,584
Registration of PCAB License (renewal)	17,364
Renewal of VAT Registration	500
Renewal of real estate broker license	495
	119,502
	3,308,371

d. The amount of withholding taxes paid/accrued for the year amounted to:

	Amount
Tax on compensation and benefits	3,855,696
Final withholding taxes (Withheld by clients, claimed as tax credits)	4,767,310
Expanded withholding taxes	1,535,070
Withholding percentage taxes	455,196
	6,757,576
Creditable withholding taxes	29,236,300
	39,849,572

39. RECLASSIFICATION

The balances of the certain accounts in the 2016 statement of comprehensive income have changed to conform to the 2017 presentation of balances. The 2017 and 2016 indirect expenses were allocated to the LBRDC's businesses through a pro rata distribution based on the peso value of the total revenue and the time allotted by the officers and employees assigned to monitor/discharge the related services.

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