

# 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.

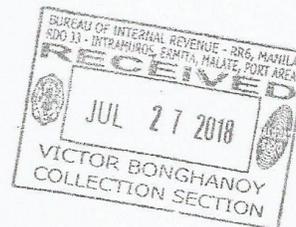
#### **Report on Other Regulatory Requirements**

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
<b>ASSETS</b>			
<b>Current Assets</b>			
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
<b>Total Current Assets</b>		<b>352,618,309</b>	<b>379,753,072</b>
<b>Non-Current Assets</b>			
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
<b>Total Non-Current Assets</b>		<b>296,080,011</b>	<b>243,012,982</b>
<b>Total Assets</b>		<b>648,698,320</b>	<b>622,766,054</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
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
<b>Total Current Liabilities</b>		<b>78,214,295</b>	<b>91,650,997</b>
<b>Non-Current Liabilities</b>			
Deferred Credits/Unearned Income	18	75,179	75,179
<b>Total Non-Current Liabilities</b>		<b>75,179</b>	<b>75,179</b>
<b>Total Liabilities</b>		<b>78,289,474</b>	<b>91,726,176</b>
<b>EQUITY</b>			
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
<b>Total Equity</b>		<b>570,408,846</b>	<b>531,039,878</b>
<b>Total Liabilities and Equity</b>		<b>648,698,320</b>	<b>622,766,054</b>

*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
<b>Income</b>			
Service and Business Income	24	394,386,114	397,627,467
Other Non-Operating Income	30	417,502	111,335
<b>Total Income</b>		<b>394,803,616</b>	<b>397,738,802</b>
<b>Expenses</b>			
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)
<b>Total Expenses</b>		<b>(296,058,799)</b>	<b>(311,442,241)</b>
<b>Net Income Before Tax</b>		<b>98,744,817</b>	<b>86,296,561</b>
<b>Income Tax Expense</b>	<b>31</b>	<b>(28,874,576)</b>	<b>(25,293,903)</b>
<b>Net Income After Tax/</b>			
<b>Total Comprehensive Income</b>		<b>69,870,241</b>	<b>61,002,658</b>

*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
<b>BALANCE AT JANUARY 1, 2016</b>	<b>133,212,000</b>	<b>5,162,840</b>	<b>61,200,000</b>	<b>299,549,980</b>	<b>499,124,820</b>
<b>CHANGES IN EQUITY FOR 2016</b>					
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
<b>BALANCE AT DECEMBER 31, 2016</b>	<b>133,212,000</b>	<b>5,162,840</b>	<b>61,200,000</b>	<b>331,465,038</b>	<b>531,039,878</b>
<b>CHANGES IN EQUITY FOR 2017</b>					
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
<b>BALANCE AT DECEMBER 31, 2017</b>	<b>133,212,000</b>	<b>5,162,840</b>	<b>61,200,000</b>	<b>370,834,006</b>	<b>570,408,846</b>

*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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
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
<b>Total Cash Inflows</b>		<b>406,934,212</b>	<b>395,650,335</b>
<b>Cash Outflows</b>			
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)
<b>Total Cash Outflows</b>		<b>(362,416,857)</b>	<b>(341,443,382)</b>
<b>Net Cash Provided by Operating Activities</b>		<b>44,517,355</b>	<b>54,206,953</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Inflows</b>			
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
<b>Total Cash Inflows</b>		<b>741,721,098</b>	<b>773,684,228</b>
<b>Cash Outflows</b>			
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)
<b>Total Cash Outflows</b>		<b>(798,553,055)</b>	<b>(758,836,329)</b>
<b>Net Cash Provided By/(Used In) Investing Activities</b>		<b>(56,831,957)</b>	<b>14,847,899</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Payment of Cash Dividends		(30,498,004)	(29,435,600)
<b>Cash Used In Financing Activities</b>		<b>(30,498,004)</b>	<b>(29,435,600)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(42,812,606)</b>	<b>39,619,252</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>		<b>118,343,610</b>	<b>78,724,358</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>6</b>	<b>75,531,004</b>	<b>118,343,610</b>

*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 24<sup>th</sup> 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**

	<b>2017</b>	<b>2016</b>
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
<b>Total</b>	<b>75,531,004</b>	<b>118,343,610</b>

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:

	<b>2017</b>		<b>Total</b>	<b>2016</b>		<b>Total</b>
	<b>Current</b>	<b>Non-current</b>		<b>Current</b>	<b>Non-current</b>	
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
<b>Total</b>	<b>254,450,399</b>	<b>16,315,048</b>	<b>270,765,447</b>	<b>241,629,214</b>	<b>15,237,377</b>	<b>256,866,591</b>

### 7.1 Receivables

	<b>2017</b>		<b>Total</b>	<b>2016</b>		<b>Total</b>
	<b>Current</b>	<b>Non-current</b>		<b>Current</b>	<b>Non-current</b>	
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)
<b>Net Value-Accounts Receivable</b>	<b>222,664,854</b>	<b>0</b>	<b>222,664,854</b>	<b>200,206,104</b>	<b>0</b>	<b>200,206,104</b>

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
<b>Net Value - Operating Lease Receivable</b>	<b>1,525,613</b>	<b>2,422,170</b>

#### 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)
<b>Net Value-Other Receivables</b>	<b>29,112,054</b>	<b>0</b>	<b>29,112,054</b>	<b>38,313,315</b>	<b>0</b>	<b>38,313,315</b>

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
<b>Total</b>	<b>273,084,373</b>	<b>270,529,413</b>	<b>2,554,960</b>

## 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
	<b>12,935,065</b>	<b>9,143,428</b>

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)
<b>Carrying Amount, December 31</b>	<b>12,935,065</b>	<b>9,143,428</b>

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
<b>Total</b>	<b>151,669,049</b>	<b>92,669,049</b>

Reconciliation of the balance of financial assets follows:

*As at December 31, 2017*

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

*As at December 31, 2016*

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

## 10. INVESTMENT PROPERTY

This account consists of:

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

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
<b>Carrying Amount, Jan. 1</b>	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
<b>Total</b>	<b>7,953,487</b>	<b>6,169,272</b>	<b>4,099,529</b>	<b>689,328</b>	<b>1,976,325</b>	<b>20,887,941</b>
Depreciation	(328,488)	(1,854,182)	(628,845)	(185,858)	0	(2,997,374)
<b>Carrying Amount, Dec. 31</b>	<b>7,624,999</b>	<b>4,315,090</b>	<b>3,470,684</b>	<b>503,470</b>	<b>1,976,325</b>	<b>17,890,568</b>
<b>Gross Cost Accumulated</b>	<b>9,124,612</b>	<b>21,155,072</b>	<b>8,040,906</b>	<b>1,183,809</b>	<b>1,976,325</b>	<b>41,480,724</b>
Depreciation	(1,499,613)	(16,839,982)	(4,570,222)	(680,339)	0	(23,590,156)
<b>Carrying Amount, Dec.31</b>	<b>7,624,999</b>	<b>4,315,090</b>	<b>3,470,684</b>	<b>503,470</b>	<b>1,976,325</b>	<b>17,890,568</b>

*As at December 31, 2016*

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

## 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/ <sup>1</sup>	1,679,334	1,679,334
Payroll system/ <sup>2</sup>	67,320	94,097
Computer software/ <sup>3</sup>	79,764	79,764
	<b>1,826,418</b>	<b>1,853,195</b>

<sup>1/</sup> Represents initial payment for Oracle License

<sup>2/</sup> 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

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

#### 14. OTHER ASSETS

This account consists of:

	2017			2016		
	Current	Non-current	Total	Current	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
<b>Total</b>	<b>9,701,841</b>	<b>2,564,827</b>	<b>12,266,668</b>	<b>10,636,820</b>	<b>6,844,829</b>	<b>17,481,649</b>

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
	<b>8,388,128</b>	<b>7,952,461</b>

## 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
<b>Total</b>	<b>38,801,440</b>	<b>42,216,224</b>

## 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
	<b>7,066,433</b>	<b>6,182,716</b>

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
<b>Total</b>	<b>95,749</b>	<b>75,179</b>	<b>170,928</b>	<b>0</b>	<b>75,179</b>	<b>75,179</b>

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
	<b>17,195,474</b>	<b>28,987,316</b>

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:

<b>Particulars</b>	<b>Amount</b>	<b>Timeline</b>
Purchase of lot	100,000,000	2017-2018
Construction of one floor building with provision of 2 <sup>nd</sup> 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
	<b>250,000,000</b>	

### *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:

	<b>2017</b>	<b>2016</b>
<b>Service Income</b>		
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
	<b>365,367,992</b>	<b>356,557,034</b>
<b>Business Income</b>		
Rent/Lease Income	19,239,866	19,278,543

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

## 25. DIRECT COSTS

This account consists of:

	<b>2017</b>	<b>2016</b>
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
<b>Total</b>	<b>277,907,379</b>	<b>295,635,519</b>

## 26. PERSONNEL SERVICES

This account consists of:

	<b>2017</b>	<b>2016</b>
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
<b>Total</b>	<b>9,161,665</b>	<b>5,564,347</b>

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
<b>Total</b>	<b>7,039,224</b>	<b>8,281,177</b>

## 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
	<b>1,678,028</b>	<b>1,805,455</b>

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
<b>Total</b>	<b>417,502</b>	<b>111,335</b>

## 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
<b>Net income subject to tax</b>	<b>91,236,786</b>	<b>80,320,723</b>
Current tax expense (30%)	27,371,035	24,096,217
Income tax- final	1,503,541	1,197,686
	<b>28,874,576</b>	<b>25,293,903</b>

## 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 13<sup>th</sup> 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:

	<b>2017</b>	<b>2016</b>
Investment in HYS A	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
	<b>463,021,192</b>	<b>483,018,997</b>

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:

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

## 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:

	<b>Amount</b>
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)
<b>Balance at end of year</b>	<b>11,172,549</b>

c. Other taxes and licenses

	<b>Amount</b>
<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
	<b>3,188,869</b>
<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
	<b>119,502</b>
	<b>3,308,371</b>

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

	<b>Amount</b>
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
	<b>6,757,576</b>
Creditable withholding taxes	29,236,300
	<b>39,849,572</b>

### 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.