



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/ANNUAL INCOME TAX RETURN

The management of **LBP RESOURCES AND DEVELOPMENT CORPORATION** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2014 and 2013, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 or Trustees reviews and approves the financial statements and submit the same to the stockholders or members.

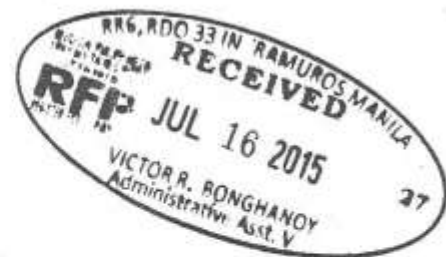
Commission on Audit, the independent auditor, has examined the financial statements of the LBP Resources and Development Corporation in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.


Ms. GILDA E. PICO
Chairperson, LBRDC Board


Ms. SIMEONA S. GUEVARRA
President and CEO


Ms. DAISY U. ENDRACA
Corporate Treasurer

Signed this 2nd day of July, 2015





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

We have audited the accompanying financial statements of **LBP Resources and Development Corporation**, a wholly-owned subsidiary of Land Bank of the Philippines, which comprise the statement of financial position as at December 31, 2014 and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

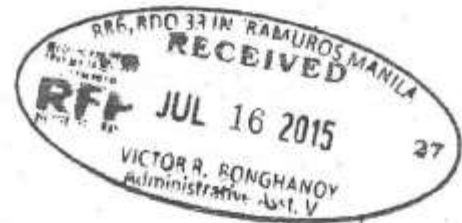
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **LBP Resources and Development Corporation** as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

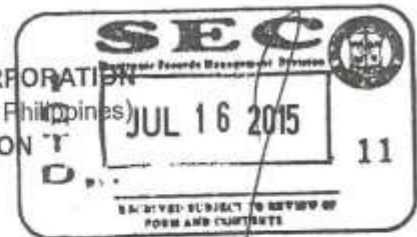
COMMISSION ON AUDIT

Cora D. Marquez
CORA D. MARQUEZ
Supervising Auditor

June 22, 2015



LBP RESOURCES AND DEVELOPMENT CORPORATION
 (A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENT OF FINANCIAL POSITION
 December 31, 2014
 (In Philippine Peso)



	Note	2014	2013 (As restated)
ASSETS			
Non-current Assets			
Property and equipment	3	19,889,748	19,859,931
Investment property	4	107,086,522	110,025,719
Held-to-maturity	5	104,004,502	116,004,502
Available for sale	6	12,600	12,600
Non-current assets held for sale	7	20,453,619	20,453,619
Deferred tax asset	8	505,149	505,149
Other assets	9	2,972,587	2,305,677
		254,924,727	269,167,197
Current Assets			
Inventories	10	13,771,907	14,931,128
Receivables	11	187,307,600	102,735,620
Prepaid expenses	12	20,517,205	17,669,803
Cash and cash equivalents	13	67,745,230	88,505,161
		289,341,942	223,841,712
TOTAL ASSETS		544,266,669	493,008,909
EQUITY AND LIABILITIES			
EQUITY			
Capital stock (50 million shares authorized at P10 par value per share, 13,321,200 shares issued)	14	133,212,000	133,212,000
Capital in excess of par value		5,162,840	5,162,840
		138,374,840	138,374,840
Revaluation increment in property		61,200,000	61,200,000
		199,574,840	199,574,840
Retained Earnings		150,000,000	150,000,000
Appropriated		106,948,095	85,778,177
Unappropriated	15	256,948,095	235,778,177
		456,522,935	435,353,017
LIABILITIES			
Non-current Liabilities			
Deferred tax liability	16	75,179	75,179
Current Liabilities			
Accounts payable	17	46,703,608	48,066,640
Other current liabilities	18	37,039,726	9,514,073
		87,668,655	57,580,713
		87,743,734	57,655,892
TOTAL LIABILITIES AND EQUITY		544,266,669	493,008,909

The Notes on pages 8 to 25 form part of these financial statements.

LBP RESOURCES AND DEVELOPMENT CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2014
(In Philippine Peso)

	Note	2014	2013
REVENUE			
Construction		223,645,948	134,317,969
Manpower service income		106,151,897	28,591,430
Rental	4	17,079,744	18,399,259
Property management		12,183,587	8,879,656
Interest		6,420,413	7,968,223
Commission		958,327	2,062,384
Other income		174,709	148,593
		366,614,625	200,367,514
EXPENSES			
Construction cost		185,577,302	107,722,990
Compensation and fringe benefits	19	20,774,517	18,500,062
Manpower services		84,466,710	19,326,049
Property management		8,176,313	5,817,982
Liquidated damages		15,271	311,520
Other operating expenses	20	22,094,142	17,344,839
		321,104,255	169,023,442
NET INCOME BEFORE INCOME TAX		45,510,370	31,344,072
Provision for income tax	21	12,971,539	8,606,247
NET INCOME FOR THE YEAR		32,538,831	22,737,825
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		32,538,831	22,737,825

The Notes on pages 8 to 25 form part of these financial statements.



LBP RESOURCES AND DEVELOPMENT CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2014
(In Philippine Peso)

	Capital Stock (Note 14)	Revaluation Increment in Property	Retained Earnings (Note 15)		Total
			Appropriated	Unappropriated	
Balance,					
December 31, 2012	138,374,840	61,200,000	105,000,000	117,498,071	422,072,911
Declaration of cash dividend				(9,457,719)	(9,457,719)
Additional appropriation			45,000,000	(45,000,000)	0
Net income for the year				22,737,825	22,737,825
Balance,					
December 31, 2013	138,374,840	61,200,000	150,000,000	85,778,177	435,353,017
Declaration of cash dividend				(11,368,913)	(11,368,913)
Net income for the year				32,538,831	32,538,831
Balance,					
December 31, 2014	138,374,840	61,200,000	150,000,000	106,948,095	456,522,935

The Notes on pages 8 to 25 form part of these financial statements.

LBP RESOURCES AND DEVELOPMENT CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2014
(In Philippine Peso)

	Note	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers		241,602,994	159,290,063
Rental income received		17,298,083	18,193,394
Cash payments to suppliers		(179,530,234)	(107,705,521)
Cash payments to other expenses		(103,543,302)	(57,716,115)
Net cash generated from/(used in) operating activities		(24,172,459)	12,061,821
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption/maturity/placement of investments		12,000,000	(26,727,534)
Interest received		6,508,939	8,039,136
Acquisition of property and equipment		(3,727,498)	(11,178,436)
Net cash provided by/(used in) investing activities		14,781,441	(29,866,834)
CASH FLOWS FROM FINANCING ACTIVITY			
Payment of cash dividends	15	(11,368,913)	(9,457,719)
Net cash used in financing activity		(11,368,913)	(9,457,719)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(20,759,931)	(27,262,732)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		88,505,161	115,767,893
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	67,745,230	88,505,161

The Notes on pages 8 to 25 form part of these financial 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. CORPORATE INFORMATION

1.1 Incorporation and Operations

LBP Resources and Development Corporation (LBRDC), formerly LB (Land Bank) Realty Development Corporation, is a wholly-owned subsidiary of Land Bank of the Philippines (LBP) and was created through Securities and Exchange Commission Registration No. 61385 dated May 8, 1975.

The LBRDC was created 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of financial statements preparation

The financial statements are prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

2.2 Adoption of the Philippine Financial Reporting Standards (PFRS)/Philippine Accounting Standards (PAS)

The accounting policies adopted are consistent with those of the previous financial year except that the LBRDC has adopted those new/revised standards mandatory for the financial years beginning on or after January 1, 2005. The LBRDC has adopted the following standards during the year:

PAS 1 – Presentation of Financial Statements, provides a framework within an entity, assesses how to present fairly the transactions and other events, provides the base criteria for classifying assets and liabilities as current or non-current; prohibits the presentation of income from operating activities and extraordinary items as separate line items in statements of income; and specifies the disclosure of estimation, uncertainty and judgments that management has made in the process of applying the Corporation's accounting policies.

PAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, removes the concept of fundamental error and allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. It defines material omissions or misstatements and describes how to apply the concepts of materiality when applying accounting policies and correcting errors.

PAS 10 – Events after Balance Sheet Date, prescribes the accounting policies and disclosures related to adjusting and non-adjusting subsequent events. Additional disclosures required by the standards were included in the financial statements, principally the date of authorization for release of the financial statements.

PAS 11 – Construction Contracts, prescribes the accounting treatment of revenue and costs associated with construction contracts. Contract revenue and costs are recognized as revenue and expenses by reference to the stage of completion of the contract activity at the balance sheet date. An expected loss is recognized as an expense immediately when it is probable that such a loss will occur. Under the percentage of completion method, contract revenue is recognized as revenue in the accounting periods in which the work is performed. Contract costs are recognized as expense in the accounting periods in which the work to which they relate is performed. The stage of completion of a contract is determined by inspection or survey of work performed by technical personnel.

PAS 12 – Deferred income tax is provided using balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available under the deferred income tax assets to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

PAS 17 – Leases provides the classification of leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Finance leases are capitalized in the inception of the lease at the fair value of the leased property or if lower, at the present value of minimum lease payments. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

PAS 19 - Employee Benefits: This standard requires an entity to recognize a liability when an employee has provided service in exchange for employee benefits to be paid in the future; an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

PAS 24 – Related Party Disclosures, provides additional guidance and clarification in the scope of the standard, the definitions and disclosures for related parties. It also requires disclosures of the total compensation of key management personnel and benefit types.

PAS 32 – Financial Instruments: Disclosure and Presentation sets out the required disclosures and presentation of financial instruments to enhance financial statements user's understanding of the significance of financial instruments to an entity's overall financial position, performance and cash flows. Financial instruments should be classified as equity or debt instruments based on the substance of transaction. PAS 32 includes disclosures about the accounting policy adopted, methods used to apply those policies, the nature of financial instruments held for each class of financial asset, financial liability and equity instruments including significant terms and conditions that may affect the amount, timing and certainty of future cash flows. Fair value information is also required for each class of financial assets and liabilities.

PAS 37 – Provisions, Contingent Liabilities and Contingent Assets ensures that appropriate recognition and measurement bases are applied to provisions, contingent liabilities and contingent assets and significant information is disclosed resulting from executory contracts, except where the contract is onerous.

PAS 39 – Financial Instruments; Recognition and Measurement, classifies the financial assets at fair value through profit or loss; held to maturity investments; loans and receivables; and available-for-sale financial assets. These categories apply to measurement and profit or loss recognition. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. When a financial asset or financial liability is recognized initially, an entity shall measure it at its fair value plus, in case of financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. After initial recognition, an entity shall measure all financial liabilities at amortized cost using the effective interest method, except for the financial liabilities at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition.

PAS 40 – Investment Property pertains to investment in land and building acquired for capital appreciation are intended to be held for a number of years to generate income and capital gain. These investment properties are classified as non-current investments. Investment properties are measured initially at cost, including transaction costs. Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

PFRS 1 – Initial Recognition of Investment Property, states that: "An entity may elect to use a previous GAAP revaluation of an investment property, plant and equipment at, or before, the date of transition to PFRS as deemed cost at the date of revaluation broadly comparable to fair value; or cost or depreciated cost under PFRS, adjusted to reflect for example changes in general or specific price index."

2.3 Use of estimates

Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based on Management's evaluation of

relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

2.4 Property and equipment

These are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment has been put into operation, such as repairs and maintenance are normally charged to operations in the period in which the cost are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits its originally assessed standard of performance, the cost of replacement are capitalized.

Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the assets as follows: construction, transportation and other equipment – five years.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset was derecognized.

The asset's residual values, useful lives and methods are reviewed periodically to ensure that the period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

2.5 Investment property

Investment property is measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the cost of day to day servicing of an investment property. The LBRDC has been adopting the cost model in recognizing its investment property. However, this was inadvertently stated at "fair value" in prior years.

Depreciation is computed using the straight-line method over the estimated useful lives of the asset. The estimated useful life of investment property for building is 30 years.

2.6 Intangible asset

Intangible asset is measured on initial recognition at cost and amortized over the useful economic life beginning on the period the intangible asset was available for use.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful life of five years.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

2.7 Investments

Investment in bonds and foreign exchange transactions are classified as held-to-maturity when the Corporation has positive intention and ability to hold the investment to maturity. The cost is computed as the initial amount plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and maturity value. The computation includes all fees paid that are an integral part of the effective interest rate, transaction costs and other premiums and discounts.

2.8 Receivables

Trade receivables are recognized and carried at original contract price or invoice amount less any unrealized gain as applicable, and allowance for any collectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable.

2.9 Cash Equivalents

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.

2.10 Pensions and other post-employment benefits

The LBRDC offers defined benefit plans mandated by law (Labor Code of the Philippines) that is 50 per cent of the monthly salary at the time of retirement multiplied by the number of years in service.

2.11 Leases

The LBRDC as a lessee – operating lease payments are taken up as expense in the income statement on a straight-line basis over the lease term.

The LBRDC as a lessor – retains substantially all the risks and benefits of ownership of the asset classified as operating lease. Rental income is recognized in the income statement on a straight-line basis over the lease term.

2.12 Subsequent events

Post year-end events that provide additional information about the LBRDC at balance sheet date are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

2.13 Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

2.14 Revenue and cost recognition

Revenue from construction contracts is recognized using percentage of completion method, measured principally on the basis of estimated physical completion of the contract work, in accordance with PAS 11 on Construction Contracts.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed the total contract revenue. Changes in contract performance, contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes were determined.

Income from sales of substantially completed projects where collection of sales price is reasonably assured is accounted using the accrual method while sales from projects where collection of sales price is not reasonably assured is recognized using the installment method. Realized income on installment sales is computed based on collections multiplied by the gross profit rates of individual sales contract.

Income from investment property is recognized in the income statement on straight-line basis over the lease term.

Management fees from administrative, property management, manpower services and other fees are recognized when earned.

Commission income from brokering services is recognized when earned less commission expenses due to referrers.

Interest income is recognized as it accrues.

2.15 Income tax

Deferred income tax is provided using balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available under the deferred income tax assets to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

3. PROPERTY AND EQUIPMENT

This account consists of the following:

	Building	Office Furniture & Fixtures	Office Equipment	Transportation Equipment	Utilities and Equipment	Library Materials	Construction Equipment	IT Equipment	Total
Cost									
January 1, 2014	9,124,612	416,912	2,377,747	4,810,519	10,610,391	2,345	1,506,469	379,742	29,228,738
Additions	0	50,429	23,728	0	2,443,513	0	816,894	392,934	3,727,499
December 31, 2014	9,124,612	467,341	2,401,475	4,810,519	13,053,904	2,345	2,323,363	772,676	32,956,237
Accumulated depreciation									
January 1, 2014	212,182	223,083	1,877,067	3,117,146	3,110,807	2,341	770,955	55,225	9,368,808
Depreciation	301,967	48,983	164,465	504,762	2,254,226	0	301,601	121,677	3,697,680
December 31, 2014	514,149	272,066	2,041,532	3,621,908	5,365,033	2,341	1,072,556	176,902	13,066,488
Net book value, 12/31/2014	8,610,463	195,275	359,943	1,188,611	7,688,871	4	1,250,807	595,774	19,889,748
Net book value, 12/31/2013, As restated	8,912,430	193,829	500,680	1,693,373	7,499,584	4	735,514	324,517	19,859,931

The building costing P9,124,612 with accumulated depreciation of P514,149 and P212,182 as of December 31, 2014 and 2013, respectively, was previously reported as Investment Property. This is located in Antipolo and is being used to house the LBRDC's construction materials inventories.

4. INVESTMENT PROPERTY

This account consists of the following:

	2014				2013			
	Land	Building ^v	Condo-minium Property	Total	Land	Building	Condo-minium Property	Total
Cost								
Balance, January 1	66,000,000	43,850,351	37,332,957	147,183,308	66,000,000	43,850,351	37,332,957	147,183,308
Additions								0
Balance, December 31	66,000,000	43,850,351	37,332,957	147,183,308	66,000,000	43,850,351	37,332,957	147,183,308
Accumulated Depreciation								
Balance, January 1,		35,521,819	1,635,770	37,157,589		33,860,297	650,271	34,510,568
Depreciation		1,868,339	1,070,858	2,939,197		1,661,522	985,499	2,647,021
Balance, December 31		37,390,158	2,706,628	40,096,786		35,521,819	1,635,770	37,157,589
Net Book Value, December 31	66,000,000	6,460,193	34,626,329	107,086,522	66,000,000	8,328,532	35,697,187	110,025,719

^vAs restated

The aggregate fair value of the LBRDC's investment property amounted to P116,103,000 as appraised on January 14, 2009. The equity of LBP through Deed of Exchange was booked amounting to P33,212,000 plus the renovation cost that was transferred from the Investment in Real Estate to Condominium Property amounting to P4,120,957. Depreciation expense for the Condominium Property (World Centre) was based on the 30 years estimated useful life. The Condominium Title was originally registered in 1995 therefore the remaining useful life is more than 27 years as at December 31, 2014.

The fair value of the investment property was determined by independent professionally qualified appraisers, LBP-Credit Investigation and Appraisal Department. Fair value represents the amount in terms of money at which the properties would change hands between a willing buyer and a willing seller in the open market, both having a reasonable knowledge of all relevant facts, neither being under compulsion to buy or sell and with equity to both, contemplating the use of the property for the continuation of the operation as part of the business concern. The value of land and building was arrived at using the Market Value Approach. In this approach, the value of the land is based on sales and listings of comparable properties registered within the vicinity.

The investment property is recognized in the books under the cost model. Prior to PFRS 1, the land was revalued based on the appraisal made in 1996 that was carried over at the opening reporting date as deemed cost.

Rental income from investment property amounted to P17,079,744 and P18,399,259 in 2014 and 2013, respectively. Direct operating expenses arising from the investment property amounted to P5,195,605 and P4,735,207 in CY 2014 and CY 2013, respectively.

5. HELD-TO-MATURITY

This account consists of the following:

	2014	2013
Held to Maturity - Retail Treasury Bonds	92,360,000	104,360,000
Held to Maturity – FXTN	11,644,502	11,644,502
	104,004,502	116,004,502

This account was previously lodged under the Investments account in the Statement of Financial Position.

6. AVAILABLE FOR SALE

The investment in stocks amounting to P12,600 represents PLDT shares acquired thru the acquisition of the PLDT lines in Antipolo warehouse.

This account was previously lodged under the Investments account in the Statement of Financial Position.

7. NON CURRENT ASSETS HELD FOR SALE

This account pertains to 12 units of townhouses that are held for sale located at Damarñas, Cavite, which was constructed in CY 2012. This property is carried at cost amounting to P20,453,619.

This account was previously lodged under the Investments account in the Statement of Financial Position.

8. DEFERRED TAX ASSET

Represents deferred tax on leave credits from 2005 to 2009 of the regular employees amounting to P505,149.

9. OTHER ASSETS

This account is composed of the following:

	2014	2013
Refundable deposits	1,344,739	1,341,739
Input tax	1,425,490	884,174
Intangible assets	202,358	79,764
	2,972,587	2,305,677

The intangible assets consist of the following:

Computer software	79,764
Payroll system	122,594
	202,358

10. INVENTORIES

Inventories, consisting of construction materials, janitorial and stationery and supplies are valued at purchase cost and based on first-in and first-out method (for the withdrawal and returns). To the extent that the services or the contract is in progress the measurement consists primarily of the purchase cost, labor and other overhead charges (permits, insurances and other miscellaneous).

	2014	2013
Construction materials	11,454,479	10,586,944
Contract in progress	1,035,706	3,804,096
Janitorial supplies	925,356	205,055
Stationery and supplies	356,366	335,033
	13,771,907	14,931,128

The Construction income for CY 2014 is P223.646 million with accumulated cost of P185.592 million and recognized net profit of P38.54 million. Also, the outstanding Retention receivables and Advances from clients are P29.269 million and P11.394 million, respectively.

11. RECEIVABLES

This account is composed of the following:

	2014	2013
Contract receivable 1/	103,143,542	58,869,696
Retention receivable	29,268,845	21,224,037
Accounts receivable-trade 1/	50,296,021	18,542,783
Advances to clients	1,526,205	1,490,857
Accrued interest receivable	785,061	873,587
Accrued rent receivable	436,817	655,157
Advances to contractors	1,075,938	197,661
Advances to officers and employees	200,964	72,882
Accounts receivable – others 1/	574,207	808,960
	187,307,600	102,735,620

1/ Net of allowance for doubtful accounts amounting to P2,634,632.10.

12. PREPAID EXPENSES

This account consists of the following:

	2014	2013
Prepaid income tax	16,661,687	16,303,106
Creditable withholding VAT	2,446,590	964,707
Prepaid expenses–various	1,270,079	305,112
Prepaid insurance	121,349	79,378
Prepaid percentage tax	17,500	17,500
	20,517,205	17,669,803

13. CASH AND CASH EQUIVALENTS

	2014	2013
Cash in bank – current account	4,948,840	4,967,459
Cash in bank – trust account	45,586	147,433
Revolving fund	500,000	300,000
Investment in high yield savings account	62,250,804	83,090,269
	67,745,230	88,505,161

Cash in Bank earns interest at the respective bank deposit rates.

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

Revolving Fund was created to cover the emergency cash requirements by the field units to facilitate the immediate accomplishment of the construction/renovation projects and in its housekeeping and ACU Maintenance. It was increased to P500,000 in CY 2014 due to increasing prices of construction materials and growing number of projects. It also immediately responds to the needs/expenses to be incurred including payroll of the part time workers.

LBRDC entered into an Investment Management Agreement with Land Bank of the Philippines through its Trust Banking Group as the Investment Manager. The company 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).

14. CAPITAL STOCK

The SEC approved the increase in authorized capitalization of LBRDC from P100,000,000 to P500,000,000 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.

15. RETAINED EARNINGS

The Retained Earning - Unappropriated is derived as follows:

	2014	2013
Balance at beginning of year	85,778,177	117,498,071
Declaration/remittance of cash dividend for CY 2013	(11,368,913)	(9,457,719)
Additional appropriation for the realigned projects/ plans	0	(45,000,000)
	74,409,264	63,040,352
Net income	32,538,831	22,737,825
	106,948,095	85,778,177

While the Retained Earnings – Appropriated, as realigned to P150,000,000 in CY 2013 from the previous appropriations of P105,000,000, consists of the following:

Name of Projects	Amount	Timeline
Purchase of lot	80,000,000	2015
Construction of one floor building with provision of 2 nd floor (P40,000.00 x 1,000 sq.m.)	40,000,000	2015
Various equipment and system furniture	10,000,000	2015
Provision for retirement	10,000,000	2015
Provision for software/equipment	10,000,000	2015
	150,000,000	

On April 21, 2015, the LBRDC Board of Directors approved the declaration of cash dividends amounting to P16,269,415.08 and its remittance to the National Government under Board Resolution No. 15-04-11.

16. DEFERRED TAX LIABILITY

This account represents deferred tax on accrual of rent income amounting to P75,179 in CY 2013.

17. ACCOUNTS PAYABLE

This account consists of the following:

	2014	2013
Advances from clients	11,393,859	26,840,307
Accounts payable-trade	7,668,310	6,595,085
Customers' rental deposit	4,994,984	4,994,984
Due to government entities	10,125,834	3,167,501
Retention payable	4,739,573	1,641,305
Contractor's deposit	707,178	459,708
Accounts payable-others	1,695,004	339,117
Customers' deposit	210,913	144,313
Miscellaneous liability	5,167,953	3,884,320
	46,703,608	48,066,640

Advances from clients are the 15 percent mobilization fee based on RA 9184 and are normally settled through recoupment from the collection.

Accounts Payables (Trade and Others) and Retention Payable are the unsecured, non-interest bearing which are due to suppliers on 30-90 day terms.

Due to government entities are liabilities to various government agencies and other customer's/contractors deposit are the advances from other clients (non-LBP).

Miscellaneous Liability represents the accruals of retirements and leave credits of the regular employees.

18. OTHER CURRENT LIABILITIES

This account is composed of the following:

	2014	2013
Output tax	16,241,819	5,711,523
Accrued expenses	24,723,128	3,802,550
	40,964,947	9,514,073

19. COMPENSATION AND FRINGE BENEFITS

This is composed of the following:

	2014	2013
Salaries, wages and allowances	10,544,223	9,829,096
Employee benefits	6,662,068	5,288,210
Project incentive pay	2,000,000	1,800,000
SSS, PhilHealth and EC premiums	672,544	597,406
Board per diem	471,400	558,600
Ex-Com/Audit Com per diem	227,300	234,000
Directors and corporate officers reimbursement	98,582	117,200
Pag-IBIG fund contribution	82,400	59,550
Officers' honoraria	16,000	16,000
	20,774,517	18,500,062

20. OTHER OPERATING EXPENSES

This account consists of the following:

	2014	2013
Depreciation	6,636,878	5,540,849
Taxes and licenses	3,789,195	3,311,638
Bad debts expense	2,579,538	0
Raffle expense	1,070,000	990,000
Business development expense	1,035,754	462,010
Insurance	880,853	879,236
Rental	847,231	841,344
Stationery and supplies	760,453	585,178
Repairs and maintenance	680,313	429,005
Representation and entertainment	635,035	724,774
Audit fee	600,000	588,000
Light and water	524,447	541,192
Security and janitorial	445,591	565,681
Telephone and postage	394,039	313,311
Interest and bank charges	367,087	360,739
Travel and transportation	306,524	368,531
Seminar and training	151,347	204,186
Membership dues and fees	97,200	109,720
Gas and oil	62,907	202,331
Advertising	61,780	53,878
Professional fee	24,000	21,800
Donations and contributions	20,000	141,607
Printing and mimeographing	11,022	1,241
Fines, penalties and other charges	5,588	1,012
Subscription and publication	2,846	9,788
Miscellaneous expense	104,514	97,788
	22,094,142	17,344,839

21. PROVISION FOR INCOME TAX

This account consists of the following:

	2014	2013
Net income before tax	45,510,369	31,344,072
Income subject to final tax	(6,222,760)	(7,967,460)
Interest income on installment payment	(197,653)	(762)
Net income subject to tax	39,089,956	23,375,850
Current tax expense (P39,089,956.35 x 30%)	11,726,987	7,012,755
Income tax- final	1,244,552	1,593,492
Income tax expense	12,971,539	8,606,247

22. EARNINGS PER SHARE

The basic earnings per share (EPS) is computed by dividing 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.

	2014	2013
Net income	32,538,831	22,737,825
Weighted average no. of common shares	13,321,200	13,321,200
	2.44	1.71

23. STOCK DIVIDENDS DECLARED

Year	No. of Shares	Amount
2007	1,223,743	12,237,430
2005	3,000,000	30,000,000
2004	525,114	5,251,140
2002	1,750,000	17,500,000
2001	1,000,000	10,000,000

24. 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 latest actuarial valuation date is January 1, 2012.

LBRDC Board approved the retirement benefit plan on July 30, 2010 per 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. The initial fund or seed money of the Retirement Fund as at December 31, 2013 is computed at P4,750,524. An additional P500,000 was approved per Board Resolution No. 13-01-06 dated January 16, 2013. To date only P5.428 million was initially deposited to LBP Trust Department for investment in government securities and regular monthly contribution of LBRDC equivalent to five per cent of the total basic salaries of regular eligible employee.

The retirement benefits cost is recognized in Statement of Comprehensive Income under "Employee Benefits" account amounting to P1,222,743 for CY 2014.

25. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – LBRDC as lessee

LBRDC has entered into commercial leases on the office space occupied in LBP Plaza for five years and systems furniture which expired last May 2013 with renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancelable operating leases which is due within one year as at December 31, 2014 and 2013 are P702,075 and P772,325, respectively.

Operating lease commitments – 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 1-15 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancelable operating leases are as follows:

	2014	2013
Within one year	18,692,147	20,758,572
After one year but not more than five years	69,727,470	91,774,636
More than five years	197,154,131	219,258,453
	285,573,748	331,791,661

26. OUTSTANDING LEGAL CASES

A group of workers had filed complaint with the National Labor Regulatory Commission and National Capital Judicial Region Branch L (50) on constructive dismissal. Liability has already been provided in the books. The pending legal case is:

Particulars	Remarks
Danilo and Roberto Valdez vs. LBRDC Civil Case No. 04-11082	Filed with National Capital Judicial Region Branch L (50); Case under mediation.

27. RELATED PARTY DISCLOSURE

a. The financial statements of LBRDC include transactions, which have been entered into with related parties for the relevant financial year, as follows:

	2014	2013
Investment in HYS/BSA-SDA	62,250,803	83,090,269
LBP Branches and Plaza HQ	171,041,524	133,864,120
Investment in RTB	104,004,502	116,004,502
LBP onsite and offsite ATMs	810,347	810,347
LBP Naga Branch office rental (monthly rental)	283,400	333,200
LBRDC Head Office space (monthly rental)	58,506	58,506
	338,449,082	334,160,944

b. The transfer of title for the World Centre Condominium property was not yet made due to LBRDC's request for the certification/confirmation of a tax-free exchange of the property. The Management is still awaiting 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.

c. Compensation of key management personnel of LBRDC for salaries, wages and benefits amounted to P2,594,147 and P2,673,721 in 2014 and 2013, respectively.

28. COMPLIANCE WITH TAX LAWS

In compliance with the requirements set forth by Revenue Regulations 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 P33,167,329 for CY 2014.

The LBRDC has no zero-rated/exempt sales.

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

	Amount
Balance, beginning of the year	884,174
Current year's purchases:	
i. Goods other than resale or manufacture capital goods	359,985
ii. Goods other than capital goods	10,648,099
iii. Services lodged under other accounts	4,901,333
Balance at end of year	16,793,591

c. Other Taxes and Licenses

	Amount
Local	
Mayor's permit	2,108,166
Real estate tax	1,377,635
Capital equipment tax	165,266
Community tax	10,500
Professional tax receipt	1,800
Barangay clearance	1,350
	3,664,717
National	
Tax on fringe benefits	56,471
Clearance (BIR, LRA, Philgeps, Sandiganbayan, SEC)	19,656
Registration of company vehicle	9,836
License from Philippine Contractor Accreditation Board	8,075
Renewal of VAT Registration	500
Renewal of real estate broker license	29,940
	124,478
	3,789,195

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

	Amount
Final withholding taxes (Withheld by clients, claimed as tax credits)	12,678,349
Tax on compensation and benefits	2,224,775
Creditable withholding taxes	1,859,435
Final withholding taxes – 5%	6,405,868
Withholding percentage taxes	58,592
	23,227,019

29. EVENTS AFTER THE REPORTING DATE

Pursuant to Sections 3 and 7 of Republic Act No. 7656, GOCC's and Government Institution (GFIs) shall declare and remit at least 50 per cent of their annual net earnings as cash, stock or property dividends to the National Government and shall be remitted to the Bureau of Treasury on or before April 30. Hence, on April 21, 2015, the LBRDC Board of Directors approved the declaration of cash dividends amounting to P16,269,415.08 and its remittance to the National Government under Board Resolution No. 15-04-11.

30. AUTHORIZATION FOR ISSUE OF THE 2014 FINANCIAL STATEMENTS

The financial statements of LBRDC for the year ended December 31, 2014 were approved by the Audit Committee and authorized for issue by the Board of Directors on March 17, 2015.