



REPUBLIC OF THE PHILIPPINES  
COMMISSION ON AUDIT  
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, 2018 and 2017, 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, 2018 and 2017, 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 Accounts Payable (AP)-Trade, AP-Others, Retention Payable and Accrued Expenses aggregating P3.205 million as at December 31, 2018 and P7.129 million as at December 31, 2017 were not provided with details, contrary to Philippine Accounting Standards (PAS) 1. Due to the absence of supporting details, we were not able to satisfy ourselves through the application of alternative audit procedures that the recorded payable accounts were free from material misstatements, which have significantly affected the faithful representation of the Financial Liabilities and Other Payables accounts with balances of P9.802 million and P20.810 million as at December 31, 2018, and P8.388 million and P17.195 million as at December 31, 2017.

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.

#### *Emphasis of Matter*

Without further qualifying our opinion, we draw attention to Note 3.1 to the financial statements which discuss that LBRDC did not adopt PFRS 9 in the measurement of its financial instruments. LBRDC consider the reasonable and supportable information available in order to determine the credit risk of the account. LBRDC computed its expected credit losses (ECL) using the Hold to Collect business model under PFRS 9 which resulted to an insignificant ECL, but such business model will still be presented to the LBRDC Board of Directors for approval. Our opinion is not modified in respect to these matters.

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

Management is responsible for the preparation and fair presentation of these 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 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 Foundation 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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 37 to the 2018 financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such 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 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

May 30, 2019



# 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 LBP (Land Bank of the Phil.) Resources and Development Corporation is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2018 and 2017 in accordance with the prescribed financial reporting framework indicated therein, 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 LBP (Land Bank of the Phil.) Resources and Development Corporation'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 LBP (Land Bank of the Phil.) Resources and Development Corporation or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the LBP (Land Bank of the Phil.) Resources and Development Corporation's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Commission on Audit has audited the financial statements of the LBP (Land Bank of the Phil.) Resources and Development Corporation in accordance with International Standards of Supreme Audit Institutions, and in their report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

**Atty. MANUEL C. PICZON**  
Interim Chairman of the Board

**Ms. SIMEONA S. GUEVARRA**  
President and CEO

**Mr. GIL M. SORITA**  
Corporate Treasurer

Signed this 20th day of May, 2019.

**LBP RESOURCES AND DEVELOPMENT CORPORATION**  
(A wholly-owned subsidiary of Land Bank of the Philippines)  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2018 AND 2017**  
(In Philippine Peso)

	Note	2018	2017 (Restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	86,610,659	75,531,004
Receivables, net	6	250,193,956	253,066,487
Inventories	7	11,621,332	12,935,065
Other Current Assets	13	12,837,695	10,457,356
<b>Total Current Assets</b>		<b>361,263,642</b>	<b>351,989,912</b>
<b>Non-Current Assets</b>			
Receivables, net	6	21,385,122	16,551,082
Financial Assets	8	172,870,941	152,816,927
Investment Property, net	9	100,531,428	101,651,412
Property, Plant and Equipment, net	10	15,503,812	17,890,568
Non-Current Assets Held for Sale	11	0	3,657,540
Intangible Assets, net	12	1,800,189	1,826,418
Deferred Tax Assets		505,149	505,149
Other Non-Current Assets	13	1,189,287	1,809,312
<b>Total Non-Current Assets</b>		<b>313,785,928</b>	<b>296,708,408</b>
<b>Total Assets</b>		<b>675,049,570</b>	<b>648,698,320</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	14	9,801,550	8,388,128
Inter-Agency Payables	15	19,126,871	17,746,978
Trust Liabilities	16	7,399,129	7,066,433
Deferred Credits/Unearned Income	17	23,148,906	21,150,211
Provisions	18	12,737,290	6,667,071
Other Payables	19	20,810,329	17,195,474
<b>Total Current Liabilities</b>		<b>93,024,075</b>	<b>78,214,295</b>
<b>Non-Current Liabilities</b>			
Deferred Credits/Unearned Income	17	75,179	75,179
<b>Total Non-Current Liabilities</b>		<b>75,179</b>	<b>75,179</b>
<b>Total Liabilities</b>		<b>93,099,254</b>	<b>78,289,474</b>
<b>EQUITY</b>			
Share Capital	20	133,212,000	133,212,000
Share Premium		5,162,840	5,162,840
Revaluation Surplus	21	61,200,000	61,200,000
Retained Earnings	22		
Appropriated		350,000,000	250,000,000
Unappropriated		32,375,476	120,834,006
<b>Total Equity</b>		<b>581,950,316</b>	<b>570,408,846</b>
<b>Total Liabilities and Equity</b>		<b>675,049,570</b>	<b>648,698,320</b>

The notes on pages 9 to 38 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, 2018 AND 2017**  
(In Philippine Peso)

	Note	2,018	2,017
<b>Income</b>			
Service and Business Income	23	458,338,435	394,386,114
Other Non-Operating Income	29	379,127	417,502
<b>Total Income</b>		<b>458,717,562</b>	<b>394,803,616</b>
<b>Expenses</b>			
Direct Costs	24	(348,508,323)	(277,907,379)
Personnel Services	25	(20,842,611)	(9,161,665)
Maintenance and Other Operating Expenses	26	(9,591,323)	(7,039,224)
Financial Expenses	27	(266,946)	(272,503)
Non-Cash Expenses	28	(3,411,131)	(1,678,028)
<b>Total Expenses</b>		<b>(382,620,334)</b>	<b>(296,058,799)</b>
<b>Net Income Before Tax</b>		<b>76,097,228</b>	<b>98,744,817</b>
<b>Income Tax Expense</b>	<b>30</b>	<b>(22,109,821)</b>	<b>(28,874,577)</b>
<b>Net Income After Tax/</b>			
<b>Total Comprehensive Income</b>		<b>53,987,407</b>	<b>69,870,240</b>

*The notes on pages 9 to 38 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, 2018 AND 2017**  
(In Philippine Peso)

	Share Capital	Share Premium	Revaluation Surplus (Note 21)	Retained Earnings		TOTAL
				Appropriated (Note 22)	Unappropriated	
				<b>BALANCE AT JANUARY 1, 2017</b>	133,212,000	
<b>CHANGES IN EQUITY FOR 2017</b>						
Add/(Deduct):						
Net Income for the Year					69,870,240	69,870,240
Declaration of Cash Dividend					(30,501,329)	(30,501,329)
Other Adjustments					57	57
<b>BALANCE AT DECEMBER 31, 2017</b>	133,212,000	5,162,840	61,200,000	250,000,000	120,834,006	570,408,846
<b>CHANGES IN EQUITY FOR 2018</b>						
Add/(Deduct):						
Appropriatin of Retained Earnings				100,000,000	(100,000,000)	0
Net Income for the Year					53,987,407	53,987,407
Declaration of Cash Dividend					(34,209,875)	(34,209,875)
Other Adjustments					(8,236,062)	(8,236,062)
<b>BALANCE AT DECEMBER 31, 2018</b>	133,212,000	5,162,840	61,200,000	350,000,000	32,375,476	581,950,316

The notes on pages 9 to 38 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, 2018 AND 2017**  
(In Philippine Peso)

	Note	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Collection of Income/Revenue		268,475,920	226,110,698
Collection of Receivables		197,433,912	177,583,951
Trust Receipts		5,179,835	1,611,403
Other Receipts		17,263,018	1,628,160
<b>Total Cash Inflows</b>		<b>488,352,685</b>	<b>406,934,212</b>
<b>Cash Outflows</b>			
Payment of Expenses		(237,304,141)	(142,441,125)
Purchase of Inventories		(41,463,472)	(37,179,062)
Grant of Cash Advances		(11,542,200)	(6,321,405)
Prepayments		(978,888)	(2,731,227)
Refund of Deposits		(52,176)	(1,325,534)
Payments of Accounts Payable		2,025,670	(5,818,414)
Remittance of Personnel Benefit Contributions and Mandatory Deductions		(67,696,323)	(72,943,688)
Other Disbursements		(69,048,072)	(93,656,402)
<b>Total Cash Outflows</b>		<b>(426,059,602)</b>	<b>(362,416,857)</b>
<b>Net Cash Generated from Operating Activities</b>		<b>62,293,083</b>	<b>44,517,355</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Receipt of Interest Earned		6,332,167	4,285,059
Proceeds from Matured Investments		0	737,436,039
<b>Total Cash Inflows</b>		<b>6,332,167</b>	<b>741,721,098</b>
<b>Cash Outflows</b>			
Acquisition of Property, Plant and Equipment		(185,625)	(3,129,158)
Placements of Investments		(23,150,095)	(795,423,897)
<b>Total Cash Outflows</b>		<b>(23,335,720)</b>	<b>(798,553,055)</b>
<b>Net Cash Provided By/(Used In) Investing Activities</b>		<b>(17,003,553)</b>	<b>(56,831,957)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Payment of Cash Dividends		(34,209,875)	(30,498,004)
<b>Cash Used In Financing Activities</b>		<b>(34,209,875)</b>	<b>(30,498,004)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>11,079,655</b>	<b>(42,812,606)</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>		<b>75,531,004</b>	<b>118,343,610</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>5</b>	<b>86,610,659</b>	<b>75,531,004</b>

The notes on pages 9 to 38 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, 2018 and 2017 were approved and authorized for issue by the Board of Directors on February 19, 2019, through its Resolution No. 19-02-07 dated February 20, 2019, and were signed by the Chairman of the Board on February 20, 2019, as shown in the Statement of Management Responsibility for Financial Statements.

**2. Basis of Preparation and Statement of Compliance**

Basis of Preparation

The financial statements are prepared on historical basis except for the derivative financial instruments and financial assets and liabilities which have been measured at fair value. The financial statements are presented in Philippines Peso, which is the Parent Company's functional currency and all values are rounded to the nearest peso unless otherwise stated.

The financial statements provide comparative information in respect of the previous period.

Statement of Compliance

The comparative financial statements have been prepared in compliance with Philippines Financial Reporting Standards (PFRSs), which include the availment of the relief granted by the Security and Exchange Commission under Memorandum Circular Nos. 14-2018 and 3-2019 as discussed in the section below on Adoption of New Amended Accounting Standards and

Interpretation. PFRS include Philippines Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippines Interpretations Committee. (PIC).

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

#### Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the comparative financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRSs which became effective January 1, 2018.

#### 3.1 Financial Instruments

The application of the provisions of PFRS 9 is deferred and effective for annual period beginning January 1, 2019, Meanwhile, LBRDC consider the reasonable and supportable information available in order to determine the credit risk of the account. The computation of Expected Credit Loss, using the Hold to Collect business model on investment amounting to P171,669,049 resulted to an insignificant ECL of amounting to P56,989 (undiscounted)/P56,887 (discounted). However, the business model for managing financial assets will still be presented to the LBRDC Board of Directors for approval.

#### Financial assets

##### i. Initial Recognition and measurement

At initial recognition, financial assets are classified as, and measured at fair value through profit or loss, held to maturity investments and receivables or available-for-sale financial assets as appropriate. The classification at initial recognition depends on the contractual cash flow characteristics of the financial assets and the business model for managing them. The initial measurement of financial assets, except for those classified as FVPL, includes the transaction cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognized on the trade date i.e. the date that LBRDC commits to purchase or sell the asset.

##### ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. This accounting policy relates to the statement of financial position captions "Contract and

“Account receivables” except for “Advances to contractors and suppliers” and “Advances to other companies”.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees that are integral parts of the effective interest rate. The amortization is included in the “Interest income from real estate sales” in the statement of income. The losses arising from impairment of such loans and receivables are recognized in the statement of income under “Other expense” account.

#### *Held-to-maturity*

Investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity are classified as held-to-maturity when LBRDC has the positive intention and ability to hold it to maturity.

After initial measurement, these investments are measured at amortized cost using the effective interest method less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in “Interest and investment income” in the statement income. Gains and losses are recognized in the statement of income under “Other Income” or “Other Charges” when the HTM are derecognized and impaired , as well as through the amortization process.

#### iii. Derecognition of Financial Assets

A financial asset (or where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- a. the right to receive cash flows from the asset have expired;
- b. the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement or
- c. transferred its right to receive cash flows from the asset and either:
  - transferred substantially all the risks and rewards of the asset or
  - has neither transferred nor retained the risks ad rewards of the 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 indications that the borrower or a group of borrower is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as 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 has expired, or is discharged or has cancelled. Where 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 the statement of income.

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.

3.2 Cash and Cash Equivalents

Cash includes cash on hand and in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from the date of placement and that are subject to insignificant risk of change in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as define 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.

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 comprise completed property and property under construction or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the company.

The company uses the cost model in measuring investment properties since this represents the historical value of the properties subsequent to initial recognition. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, normally charged against income in the period which the cost are incurred.

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.

### 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

iii. 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 provision 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:

- d. 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>2018</b>	<b>2017</b>
Cash on Hand	1,000,000	500,000
Cash in Bank – Local Currency	12,591,952	7,433,565
Time Deposits – Local Currency	73,018,707	67,597,439
<b>Total</b>	<b>86,610,659</b>	<b>75,531,004</b>

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements and earn interest at the respective short-term rates.

The annual interest rates of the cash equivalents are as follows:

	<b>2018</b>	<b>2017</b>
Philippine Peso (Current and Savings Deposit)	0.5 %	0.5%
Interest of short-term investments	1.08% to 5.25%	1.08% to 1.9%

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>Current</b>	<b>2018 Non-current</b>	<b>Total</b>	<b>Current</b>	<b>2017 Non-current</b>	<b>Total</b>
Receivables	220,316,766	2,122,556	222,439,322	222,618,100	46,754	222,664,854
Sales Contract Receivable	0	19,073,286	19,073,286	0	16,315,048	16,315,048
Lease Receivables	1,896,626	0	1,896,626	1,525,613	0	1,525,613
Other Receivables	27,980,564	189,280	28,169,844	28,922,774	189,280	29,112,054
<b>Total</b>	<b>250,193,956</b>	<b>21,385,122</b>	<b>271, 579,078</b>	<b>253,066,487</b>	<b>16,551,082</b>	<b>269,617,569</b>

### 7.1 Receivables

	<b>Current</b>	<b>2018 Non-current</b>	<b>Total</b>	<b>Current</b>	<b>2017 Non-current</b>	<b>Total</b>
Receivables	220,316,766	4,801,278	225,118,044	222,618,100	1,959,975	224,578,075
Allowance for impairment-Accounts Receivable		(2,678,722)	(2,678,722)		(1,913,221)	(1,913,221)
<b>Net Value-</b>						

<b>Accounts Receivable</b>	<b>220,316,766</b>	<b>2,122,556</b>	<b>222,439,322</b>	<b>222,618,100</b>	<b>46,754</b>	<b>222,664,854</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 Sales Contract Receivable represents the outstanding balance of receivable from sale of 12 housing units at Grand Garden Villas, Dasmariñas Cavite, with the following terms and conditions:

Contract Price:	Three-bedroom units – P1,700,000, P1,800,000 and P1,900,000
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 P21,000,000 and the total interests to be collected from the buyers for the duration of the payment period amounted to P12,152,585.

As at December 31, 2018, the balance of sales contract receivable amounted to P19,073,286.

## 7.2 Lease Receivables

	<b>2018</b>	<b>2017</b>
Operating Lease Receivable	1,896,626	1,525,613
Allowance for Impairment-Operating Lease Receivable	0	0
<b>Net Value - Operating Lease Receivable</b>	<b>1,896,626</b>	<b>1,525,613</b>

## 7.3 Other Receivables

	<b>Current</b>	<b>2018 Non-current</b>	<b>Total</b>	<b>Current</b>	<b>2017 Non-current</b>	<b>Total</b>
Other Receivables	27,980,564	594,985	28,575,549	28,922,774	594,985	29,517,759
Allowance for Impairment-Other Receivables		(405,705)	(405,705)		(405,705)	(405,705)
<b>Net Value-Other Receivables</b>	<b>27,980,564</b>	<b>189,280</b>	<b>28,169,844</b>	<b>28,922,774</b>	<b>189,280</b>	<b>29,112,054</b>

The following is the Aging/Analysis of Receivables:

	<b>Total</b>	<b>Not past due</b>	<b>Past Due &gt; 60 days</b>
Accounts Receivable	225,118,044	220,316,766	4,801,278
Sales Contract Receivable	19,073,286	19,073,286	0
Lease Receivable	1,896,626	1,896,626	0
Other Receivables	28,575,549	27,980,564	594,985
<b>Total</b>	<b>274,663,505</b>	<b>269,267,242</b>	<b>5,396,263</b>

## 8. INVENTORIES

This account consists of inventories held for consumption:

	<b>2018</b>	<b>2017</b>
Construction Materials	9,841,430	11,936,191
Janitorial Supplies	983,792	399,388
Stationery and Supplies	796,110	599,486
Semi-expendable Property	0	0
	<b>11,621,332</b>	<b>12,935,065</b>

Reconciliation of the carrying amount follows:

	<b>2018</b>	<b>2017</b>
Carrying Amount, January 1	12,935,065	9,143,428
Additions/Acquisitions during the year	59,948,560	37,623,935
Expensed during the year except write-down	(61,262,293)	(33,832,298)
<b>Carrying Amount, December 31</b>		<b>12,935,065</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:

	<b>2018</b>	<b>2017</b>
Retail Treasury Bonds	119,296,449	99,296,449
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
Interest Receivables-RTB	976,573	780,813
Interest Receivables-MERALCO Bond	43,750	46,181
Interest Receivables-SMB	181,569	320,884
<b>Total</b>	<b>172,870,941</b>	<b>152,816,927</b>



Reconciliation of the balance of financial assets follows:

*As at December 31, 2018*

	<b>Held to Maturity</b>	<b>Others</b>	<b>Total</b>
<b>Balance as at January 1, 2018</b>	<b>151,656,449</b>	<b>12,600</b>	<b>151,669,049</b>
Additional investments	20,000,000	0	20,000,000
Interest Receivable-end	1,201,892	0	1,201,892
<b>Balance as at December 31, 2018</b>	<b>172,858,341</b>	<b>12,600</b>	<b>172,870,941</b>

*As at December 31, 2017*

	<b>Held to Maturity</b>	<b>Others</b>	<b>Total</b>
<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
Interest Receivable-end	1,147,878	0	1,147,878
<b>Balance as at December 31, 2017</b>	<b>152,804,327</b>	<b>12,600</b>	<b>152,816,927</b>

## 10. INVESTMENT PROPERTY

This account consists of:

Accounts	Amount,	2018		Total	2017		Total
		Investment Property – Land	Investment Property – Buildings		Investment Property – Land	Investment Property – Buildings	
Carrying Amount, January 1	66,000,000	35,651,412	101,651,412	66,000,000	36,771,396	102,771,396	
Depreciation	0	1,119,984	1,119,984	0	1,119,984	1,119,984	
Carrying Amount, December 31	66,000,000	34,531,428	100,531,428	66,000,000	35,651,412	101,651,412	
Gross Cost	66,000,000	81,183,308	147,183,308	66,000,000	81,183,308	147,183,308	
Accumulated Depreciation	0	46,651,880	46,651,880	0	45,531,896	45,531,896	
Carrying Amount, December 31	66,000,000	34,531,428	100,531,428	66,000,000	35,651,412	101,651,412	

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 P21,581,406 and P19,239,866 while the direct operating expenses amounted to P3,114,500 and P2,673,995 in 2018 and 2017, respectively.

## 11. PROPERTY, PLANT AND EQUIPMENT

This account is composed of the following:

*As at December 31, 2018*

	<b>Building and Other Structures</b>	<b>Machinery and Equipment</b>	<b>Transportation Equipment</b>	<b>Furniture, Fixture and Books</b>	<b>Leased Asset Improvement</b>	<b>Total</b>
Carrying Amount,						

<b>Jan. 1</b>	<b>7,624,999</b>	<b>4,315,091</b>	<b>3,470,684</b>	<b>503,469</b>	<b>1,976,325</b>	<b>17,890,568</b>
Additions	0	859,951	0	0	7,639	867,590
Deductions	0	(19,928)	(135,025)	0	(729,113)	(884,066)
<b>Total</b>	<b>7,624,999</b>	<b>5,155,114</b>	<b>3,335,659</b>	<b>503,469</b>	<b>1,254,851</b>	<b>17,874,092</b>
Depreciation	(328,488)	(1,249,500)	(675,330)	(116,962)	0	2,370,280
<b>Carrying Amount, Dec. 31</b>	<b>7,296,511</b>	<b>3,905,614</b>	<b>2,660,329</b>	<b>386,507</b>	<b>1,254,851</b>	<b>15,503,812</b>
<b>Gross Cost</b>	<b>9,124,612</b>	<b>21,995,096</b>	<b>7,263,451</b>	<b>1,183,809</b>	<b>1,254,851</b>	
Accumulated Depreciation	(1,828,101)	(18,089,482)	(4,603,122)	(797,302)		(25,318,007)
<b>Carrying Amount, Dec.31</b>	<b>7,296,511</b>	<b>3,905,614</b>	<b>2,660,329</b>	<b>386,507</b>	<b>1,254,851</b>	<b>15,503,812</b>

*As at December 31, 2017*

	<b>Building and Other Structures</b>	<b>Machinery and Equipment</b>	<b>Transportation Equipment</b>	<b>Furniture, Fixture and Books</b>	<b>Leased Asset Improvement</b>	<b>Total</b>
<b>Carrying Amount, Jan. 1</b>	<b>7,953,487</b>	<b>5,284,966</b>	<b>4,099,529</b>	<b>420,801</b>	<b>0</b>	<b>17,758,783</b>
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</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>
Accumulated 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>

## 12. NON-CURRENT ASSETS HELD FOR SALE

There is no non-current asset held for sale as of December 31, 2018. All of the 12 units townhouses in Grand Garden Villas located at Dasmariñas, Cavite, that were held for sale, are already sold: nine (9) units in 2016, one (1) in 2017 and two (2) in 2018, respectively, to the buyers who are qualified LBRDC employees.

## 13. INTANGIBLE ASSETS

This account consists of the following:

	<b>2018</b>	<b>2017</b>
Purchasing and accounting system/ <sup>1</sup>	1,679,334	1,679,334
Payroll system/ <sup>2</sup>	41,091	67,320
Computer software/ <sup>3</sup>	79,764	79,764
	<b>1,800,189</b>	<b>1,826,418</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, 2018 amounted to P118,021.09

<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:

	<b>2018</b>	<b>2017</b>
<b>Carrying Amount, January 1</b>	<b>1,826,418</b>	<b>1,853,195</b>
Additions	0	0
	<b>1,826,418</b>	<b>1,853,195</b>
Amortization	(26,229)	(26,777)
<b>Carrying Amount, December 31</b>	<b>1,800,129</b>	<b>1,826,418</b>
<b>Gross Cost</b>	<b>3,092,991</b>	<b>3,092,991</b>
Accumulated Amortization	(1,292,802)	(1,266,573)
<b>Carrying Amount, December 31</b>	<b>1,800,189</b>	<b>1,826,418</b>

#### 14. OTHER ASSETS

This account consists of:

	<b>2018</b>		<b>2017</b>			
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Advances to Officers and Employees	522,651		522,651	435,813	0	435,813
Prepayments	13,584,491	0	13,584,491	10,438,577	0	10,438,577
Deposits	0	1,189,288	1,189,288	0	1,809,312	1,809,312
Contract in Progress	(1,269,446)		(1,269,446)	(417,034)	0	(417,034)
<b>Total</b>	<b>12,837,696</b>	<b>1,189,288</b>	<b>14,026,984</b>	<b>10,457,356</b>	<b>1,809,312</b>	<b>12,266,668</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:

	<b>2018</b>	<b>2017</b>
Accounts Payable-Trade	7,881,773	6,603,656
Retention Payable	1,919,777	1,784,472
	<b>9,801,550</b>	<b>8,388,128</b>

#### 16. INTER-AGENCY PAYABLES

This account consists of:

	<b>2018</b>	<b>2017</b>
Due to BIR	1,912,027	2,348,176

	<b>2018</b>	<b>2017</b>
Due to Pag-IBIG	673,615	1,010,831
Due to PhilHealth	325,025	244,111
Due to Parent Corporation	7,595,197	5,129,425
Due to SSS	1,149,061	1,202,076
Income Tax Payable	7,471,946	7,812,359
Output Tax	23,086,157	21,054,462
<b>Total</b>	<b>42,213,028</b>	<b>38,801,440</b>

## 17. TRUST LIABILITIES

This account consists of:

	<b>2018</b>	<b>2017</b>
Customers' Rental Deposits	6,685,188	6,412,300
Contractors' Deposits	570,924	511,116
Customers' Deposit	143,017	143,017
	<b>7,399,129</b>	<b>7,066,433</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:

	<b>2018</b>			<b>2017</b>		
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Unearned Revenue/Income- Investment Property	62,749	0	62,749	95,749	0	95,749
Other Deferred Credits	0	75,179	75,179	0	75,179	75,179
Output Tax	23,086,157		23,086,157	21,054,462		21,054,462
<b>Total</b>	<b>23,148,906</b>	<b>75,179</b>	<b>23,225,085</b>	<b>21,150,211</b>	<b>75,179</b>	<b>21,225,390</b>

Deferred credits represent unearned rent income and deferred tax on accrued rent income as at December 31, 2018.

## 19. PROVISIONS

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

## 20. OTHER PAYABLES

This account consists of:

	2018	2017
Accounts Payable-Others	871,174	3,862,440
Accrued Expenses	19,939,155	13,333,034
	<b>20,810,329</b>	<b>17,195,474</b>

Accrued expenses include cost of audit fees, rental and administrative charges, employee benefits, direct materials and other administrative expenses. In CY 2017 and 2018, 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 total authorized capital is P500,000,000.00 at P10 par, issued and subscribed of P200,000,000.00 and paid up of P133,212,000.00. 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 P350,000,000, that was approved in Board Resolution No. 19-02-06, is composed of the following:

Particulars	Amount	Timeline
Provision for software/equipment	20,000,000	2019-2020
Provision for liability insurance of directors	10,000,000	2019-2020

Construction of LBRDC Naga Building	320,000,000	2020-2023
	350,000,000	

*Re-statement of Retained Earnings*

Balance of Retained Earnings per AFS CY 2017		P120,834,006
Add: prior years errors		
Reversal of PIP accruals for CY 2017 and prior years		6,094,508
		-----
Total		P126,928,514
Less:		
SSL 2 retro pay for CY 2017	P 8,769,284	
Closing of CIP for completed projects	5,561,287	
Dividend remittance	34,209,875	48,540,446
		-----
Adjusted Retained Earnings – CY 2017		P 78,388,068
		=====

*Dividend Declaration to the National Government*

On May 14, 2019, the LBRDC Board of Directors approved the declaration of cash dividends amounting to P28,057,944 and its remittance to the National Government under Board Resolution No.19-05-04.

**24. SERVICE AND BUSINESS INCOME**

This account consists of:

	2018	2017
Service Income		
Fees and Commission Income	6,146,716	4,285,667
Construction Revenue	198,910,007	171,738,988
Manpower Services Income	199,175,072	168,760,782
Property Management Fee	19,028,310	17,980,483
ACU Maintenance Service Income	1,246,100	2,602,072
	424,506,205	365,367,992
Business Income		
Rent/Lease Income	21,581,406	19,239,866
Sales Revenue	3,800,000	1,700,000
Interest Income	8,450,823	8,078,256
	33,832,230	29,018,122
<b>Total</b>	<b>458,338,435</b>	<b>394,386,114</b>

**25. DIRECT COSTS**

This account consists of:

	2018	2017
Service Costs		
Construction Costs	168,948,551	128,194,669
Manpower Services Expense	162,807,825	135,222,246
Property Management Expense	12,451,089	11,577,991

ACU Maintenance Service Expense	643,409	1,078,311
	344,850,874	276,073,217
Business Costs		
Cost of Sales	3,657,449	1,834,162
<b>Total</b>	<b>348,508,323</b>	<b>277,907,379</b>

## 26. PERSONNEL SERVICES

This account consists of:

	2018	2017
Salaries and Wages		
Salaries and Wages-Regular	12,563,990	3,480,443
Salaries and Wages-Casual/Contractual	242,818	286,016
	12,806,808	3,766,459
Other Compensation		
Other Bonuses and Allowances	6,334,796	4,299,568
Year End Bonus	600,782	285,742
Representation Allowance	279,500	188,100
Transportation Allowance	177,500	148,150
Productivity Incentive Allowance	80,000	81,000
Cash Gift	80,000	75,400
Clothing/Uniform Allowance	96,000	72,000
Honoraria	2,000	0
	7,683,578	5,149,960
Personnel Benefit Contributions		
Employees Compensation Insurance Premiums	133,607	161,934
PhilHealth Contributions	193,797	62,438
Pag-IBIG Contributions	24,821	20,874
	352,225	245,246
<b>Total</b>	<b>20,842,611</b>	<b>9,161,665</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:

	2018	2017
Training and Scholarship Expenses		
Training Expenses	457,067	156,281
Supplies and Materials Expenses		
Office Supplies Expenses	590,355	523,654
Accountable Forms Expenses	36,206	19,298
Utility Expenses		
Water and Electricity Expenses	404,903	171,292
Gas/Heating Expenses	106,621	54,331
Communication Expenses		
Telephone Expenses	182,532	104,375
Confidential, Intelligence and Extraordinary Expenses		
Extraordinary and Miscellaneous Expenses	216,171	97,792
Professional Services		
Auditing Services	233,499	214,217
Other Professional Services	12,500	207
General Services		
Janitorial Services	143,438	28,528
Repairs and Maintenance		
Other Property, Plant and Equipment	340,492	325,219
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties and Licenses	2,930,283	2,295,505
Insurance Expenses	750,171	756,991
Other Maintenance and Operating Expenses		
Rent/Lease Expenses	1,475,291	1,020,844
Directors and Committee Members' Fees	545,557	552,135
Representation Expenses	161,711	129,506
Transportation and Delivery Expenses	256,910	53,619
Membership Dues and Contributions to Organizations	36,111	35,565
Advertising, Promotional and Marketing Expenses	11,151	5,340
Subscription Expenses	0	1,748
Donations	0	648
Printing and Publication Expenses	30	518
Fees and Commission Expenses	0	0
Other Maintenance and Operating Expenses	700,324	491,611
<b>Total</b>	<b>9,591,323</b>	<b>7,039,224</b>

## 28. FINANCIAL EXPENSES

This account pertains to bank charges.

## 29. NON-CASH EXPENSES

This account is composed of:

	2018	2017
--	------	------



Depreciation		
Depreciation-Investment Property	1,119,984	1,119,984
Depreciation-Buildings and Other Structures	164,244	82,218
Depreciation-Machinery and Equipment	398,300	185,206
Depreciation-Transportation Equipment	159,317	140,376
Depreciation-Furniture, Fixtures and Books	58,480	139,688
	<b>1,900,325</b>	<b>1,667,471</b>
Amortization		
Amortization - Intangibles	701,612	10,556
Amortization - Leasehold Improvements	26,229	
Impairment Loss		
Impairment Loss- Loans and Receivables	782,965	0
	<b>3,411,131</b>	<b>1,678,028</b>

Portion of the depreciation and amortization for the year were allocated to LBRDC's businesses as direct costs amounting to P1,589,939.

### 30. NON-OPERATING INCOME, GAIN OR LOSSES

#### 30.1 Non-Operating Income/Gain

	2018	2017
Gain on Sale of Property, Plant and Equipment	264,500	0
Other Gains	114,627	417,502
<b>Total</b>	<b>379,127</b>	<b>417,502</b>

Other gains derived from selling of bidding documents, disposal of scrap waste materials from warehouse and other miscellaneous income.

### 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 2018 and 2017, the provisions for income tax were computed as follows:

	2018	2017
Net income before tax	76,097,228	98,744,817
Income subject to final tax	(7,801,308)	(7,517,704)
Fines, penalties and other charges	202,612	9,672
<b>Net income subject to tax</b>	<b>68,498,532</b>	<b>91,236,786</b>
Current tax expense (30%)	20,549,559	27,371,035
Income tax- final	1,560,262	1,503,541
	<b>22,109,821</b>	<b>28,874,576</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.

	<b>2018</b>	<b>2017</b>
Net income	53,987,407	69,870,241
Weighted average no. of common shares	13,321,200	13,321,200
	<b>4.05</b>	<b>5.25</b>

### **33. CONSTRUCTION CONTRACTS**

The construction income in CY 2018 is P198.910 million with accumulated cost of P174.640 million and recognized net profit of P24,270 million. Also, the outstanding retention receivables as part of contract receivables and advances from clients as part of due to parent corporation are P23.056 million and P7.595 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, 2018, the vested benefit is P17 million.

### **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, 2018 and 2017 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, 2018 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>2018</b>	<b>2017</b>
Investment in HYSA	73,018,707	67,597,439
LBP Branches and Plaza HQ	219,449,481	241,126,610
Investment in RTB	171,656,449	151,656,449
LBP Naga Branch Rental	2,077,124	1,860,435
LBRDC Head Office Space	780,259	780,259
	<b>466,982,020</b>	<b>463,021,192</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	1,110,950
Other Compensation	1,078,677

---

---

**2,189,627**

---

### **37. EVENTS AFTER THE REPORTING DATE**

#### *Cash Dividend Declaration*

On May 3, 2019, the LBRDC Board of Directors approved the declaration of cash dividends amounting to P28,058,444 and it was remitted to the National Government under Board Resolution No. \_\_\_\_\_ on May 15, 2019.

### **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 P53,441,622 for CY 2018.

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	1,172,549
Current year's purchases:	
i. Goods other than resale or manufacture capital goods	22,677
ii. Goods other than capital goods	10,469,429
iii. Services lodged under other accounts	3,328,942
Claims for tax credits/refund	(13,871,774)
<b>Balance at end of year</b>	<b>1,121,823</b>

- c. Other taxes and licenses

	<b>Amount</b>
<i>Local</i>	
Mayor's permit	3,121,469
Real estate tax	165,266
Capital equipment tax	56,908
Professional tax receipt/PRC License (renewal)	3,000
Community Tax Certificate	10,500
Fire Certificate	17,488
Barangay clearance	50
Real property tax clearance	180
Sticker for Government Trucks	620
	<b>3,375,481</b>
<i>National</i>	
Tax on fringe benefits	129,231
Tax Clearance	400
Documentary Stamp Tax	90
Registration of company vehicle	18,184

	<b>Amount</b>
Registration of PCAB License (renewal)	6,142
Registration – DOLE (renewal)	25,000
Renewal of VAT Registration	500
Renewal of PhilGEPS membership	5,000
NLRC Clearance	500
	<u>185,047</u>
<i>System License</i>	
Oracle	134,732
	<u>134,732</u>
	<b><u>3,695,260</u></b>

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

	<b>Amount</b>
Tax on compensation and benefits	4,743,551
Final withholding taxes (Withheld by clients, claimed as tax credits)	5,474,066
Expanded withholding taxes	1,708,987
Withholding percentage taxes	601,059
	<u>7,784,112</u>
Creditable withholding taxes	35,473,475
	<b><u>48,001,138</u></b>

### **39. RECLASSIFICATION**

The balances of the certain accounts in the 2018 statement of comprehensive income have changed to conform to the 2018 presentation of balances. The 2018 and 2017 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.