



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, 2015 and 2014, 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 Public Sector 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. RUSTICA P. LOCSIN
Chief Financial Officer

Signed this 19th day of April, 2016

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, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

COMMISSION ON AUDIT


CORA D. MARQUEZ
Supervising Auditor

May 12, 2016



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 statements of financial position as at December 31, 2015 and 2014 and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years 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 audits. We conducted our audits 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.

LBP RESOURCES AND DEVELOPMENT CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014
(In Philippine Peso)

	Note	2015	2014
ASSETS			
Non-current Assets			
Property and equipment	3	17,398,433	19,889,748
Investment property	4	103,891,380	107,086,522
Investments	5	104,004,502	104,004,502
Available for sale financial assets	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	2,658,722	2,972,587
		248,924,405	254,924,727
Current Assets			
Inventories	10	13,080,626	13,771,907
Receivables	11	236,498,501	187,307,600
Prepaid expenses	12	6,546,014	20,517,205
Cash and cash equivalents	13	78,724,358	67,745,230
		334,849,499	289,341,942
TOTAL ASSETS		583,773,904	544,266,669
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			
Appropriated		150,000,000	150,000,000
Unappropriated	15	149,549,979	106,948,095
		299,549,979	256,948,095
		499,124,819	456,522,935
LIABILITIES			
Non-current Liabilities			
Deferred tax liability	16	75,179	75,179
		75,179	75,179
Current Liabilities			
Accounts payable	17	40,019,631	46,703,608
Other current liabilities	18	44,554,275	40,964,947
		84,573,906	87,668,555
		84,649,085	87,743,734
TOTAL LIABILITIES AND EQUITY		583,773,904	544,266,669

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)
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2015 and 2014
(In Philippine Peso)

	Note	2015	2014
REVENUE			
Construction		202,409,726	223,645,948
Manpower service income		134,209,751	106,151,897
Rental		18,490,170	17,079,744
Property management		14,601,124	12,183,587
Interest		6,088,958	6,420,413
Commission		824,577	958,327
Other income		115,750	174,709
		376,740,056	366,614,625
EXPENSES			
Construction cost		130,474,787	185,577,302
Manpower services		112,149,141	84,466,710
Compensation and fringe benefits	19	21,570,587	20,774,517
Property management		8,920,869	8,176,313
Liquidated damages		25,444	15,271
Other operating expenses	20	20,351,675	22,094,142
		293,492,503	321,104,255
NET INCOME BEFORE INCOME TAX			
		83,247,553	45,510,370
Provision for income tax	21	24,376,254	12,971,539
NET INCOME FOR THE YEAR			
		58,871,299	32,538,831
OTHER COMPREHENSIVE INCOME			
		0	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
		58,871,299	32,538,831

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)
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2015 and 2014
(In Philippine Peso)

	Capital Stock (Note 14)	Revaluation Increment in Property	Retained Earnings (Note 15)		Total
			Appropriated	Unappropriated	
Balance,					
December 31, 2013	138,374,840	61,200,000	150,000,000	85,778,177	435,353,017
Cash dividend declared				(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
Cash dividend declared				(16,269,415)	(16,269,415)
Net income for the year				58,871,299	58,871,299
Balance,					
December 31, 2015	138,374,840	61,200,000	150,000,000	149,549,979	499,124,819

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)

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014

(In Philippine Peso)

	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers		290,388,346	241,602,994
Rental income received		18,095,634	17,298,083
Cash payments to suppliers		(119,998,318)	(179,530,234)
Cash payments for other expenses		(165,992,143)	(103,543,302)
Net cash generated from/(used in) operating activities		22,493,519	(24,172,459)
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption/maturity/placement of investments		0	12,000,000
Interest received		6,136,183	6,508,939
Acquisition of property and equipment		(1,381,159)	(3,727,498)
Net cash provided by investing activities		4,755,024	14,781,441
CASH FLOWS FROM FINANCING ACTIVITY			
Payment of cash dividends	15	(16,269,415)	(11,368,913)
Net cash used in financing activity		(16,269,415)	(11,368,913)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		10,979,128	(20,759,931)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		67,745,230	88,505,161
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	78,724,358	67,745,230

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, it was established 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 Reporting 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 reporting 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 – Income Taxes, 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, 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: Presentation, sets out the required 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 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.

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 statement of **comprehensive income** 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 statement of **comprehensive income 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, 2015	9,124,612	467,341	2,401,475	4,810,519	13,053,904	2,345	2,323,363	772,676	32,956,235
Additions	0	445,595	137,670	0	67,718	0	719,769	10,407	1,381,159
December 31, 2015	9,124,612	912,936	2,539,145	4,810,519	13,121,622	2,345	3,043,132	783,083	34,337,394
Accumulated depreciation									
January 1, 2015	514,149	272,066	2,041,532	3,621,908	5,365,033	2,341	1,072,556	176,902	13,066,487
Depreciation	328,468	55,008	124,637	206,150	2,426,298	0	572,858	159,035	3,872,474
December 31, 2015	842,617	327,074	2,166,169	3,828,058	7,791,331	2,341	1,645,414	335,937	16,938,961
Net book value, 12/31/2015	8,281,975	585,862	372,976	982,461	5,330,291	4	1,397,718	447,146	17,398,433
Net book value, 12/31/2014	8,619,463	195,275	359,943	1,188,611	7,688,871	4	1,250,807	595,774	19,889,748

4. INVESTMENT PROPERTY

This account consists of the following:

	2015				2014			
	Land	Building ¹	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	0	0	0	0	0	0	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,		37,390,158	2,706,628	40,096,786		35,521,819	1,635,770	37,157,589
Depreciation		2,075,158	1,119,964	3,195,142		1,868,339	1,070,858	2,939,197
Balance, December 31		39,465,316	3,826,612	43,291,928		37,390,158	2,706,628	40,096,786
Net Book Value, December 31	66,000,000	4,385,035	33,506,345	103,891,380	66,000,000	6,460,193	34,626,329	107,086,522

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 20 years as at December 31, 2015. As of December 31, 2015, title to the Condominium Property has not yet been transferred in the name of LBRDC due to the pending request with the BIR of the Tax Exemption Certificate on payment of Capital Gains Tax.

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 P18,490,170 and P17,079,744 in 2015 and 2014, respectively. Direct operating expenses arising from the investment property amounted to P5,470,786 and P5,195,605 in CY 2015 and CY 2014, respectively.

5. HELD TO MATURITY INVESTMENTS

This account consists of the following:

	2015	2014
Held to Maturity - Retail Treasury Bonds	92,360,000	92,360,000
Held to Maturity - FXTN	11,644,502	11,644,502
	104,004,502	104,004,502

6. AVAILABLE FOR SALE FINANCIAL ASSETS

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 Dasmariñas, Cavite, which was constructed in CY 2012. This property is carried at cost amounting to P20,453,613. Six units of townhouses were already contracted to be purchased by six qualified LERDC employees, the turn-over of which will be on the first quarter of 2016.

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:

	2015	2014
Refundable deposits	1,507,328	1,344,739
Input tax	918,544	1,425,490
Intangible assets	232,850	202,358
	2,658,722	2,972,587

The intangible assets consist of the following:

Computer software	79,764
Payroll system	153,086
	232,850

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). The contract in progress for unfinished projects is computed using the cost to complete multiplied by the percentage of completion. As of December 31, 2015, the balances of inventory items are as follows:

	2015	2014
Construction materials ^{1/}	10,671,752	11,454,479
Contract in progress	1,394,925	1,035,706
Janitorial supplies	564,177	925,356
Stationery and supplies	449,772	356,366
	13,080,626	13,771,907

^{1/} The Construction Materials Inventory is exclusive of purchases amounting to P1,251,334.20 due to the LBRDC policy that purchases will be booked only upon receipt of Sales Invoice and other supporting documents by the LBRDC Accounting Unit.

11. RECEIVABLES

This account is composed of the following:

	2015	2014
Contract receivable ^{1/}	136,855,818	103,143,542
Retention receivable	33,550,035	29,268,845
Accounts receivable-trade ^{2/}	54,067,940	50,296,021
Advances to clients	8,197,867	1,526,205
Accrued interest receivable	737,835	785,061

	2015	2014
Accrued rent receivable	1,162,278	436,817
Advances to contractors	735,019	1,075,938
Advances to officers and employees	0	200,964
Accounts receivable – others ¹⁷	1,191,709	574,207
	236,498,501	187,307,600

¹⁷ Net of allowance for doubtful accounts amounting to P2,651,072.

12. PREPAID EXPENSES

This account consists of the following:

	2015	2014
Prepaid income tax	3,208,123	16,661,687
Creditable withholding VAT	2,042,128	2,446,590
Prepaid expenses–various	1,278,263	1,270,079
Prepaid insurance	0	121,349
Prepaid percentage tax	17,500	17,500
	6,546,014	20,517,205

13. CASH AND CASH EQUIVALENTS

	2015	2014
Cash in bank – Current Account	3,564,727	4,948,840
Cash in bank – Trust Account	46,142	45,586
Cash in bank – Savings Account (BIR-EPS)	10,061	0
Revolving fund	500,000	500,000
Investment in High Yield Savings Account	74,603,428	62,250,804
	78,724,358	67,745,230

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.

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).

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 the 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 Earnings - Unappropriated is derived as follows:

	2015	2014
Balance at beginning of year	106,948,095	85,778,177
Declared cash dividend for CY 2014 and 2013	(16,269,415)	(11,368,913)
	90,678,680	74,409,264
Net income	58,871,299	32,538,831
	149,549,979	106,948,095

The Retained Earnings - Appropriated amounting to P150,000,000 that was approved in Board Resolution No. 12-12-12 is composed 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 January 19, 2016, the LBRDC Board of Directors approved the declaration of cash dividends amounting to P29,404,212 and its remittance to the National Government under Board Resolution No. 16-01-14.

16. DEFERRED TAX LIABILITY

This account represents deferred tax on accrual of rent income amounting to P75,179 as at year-end.

17. ACCOUNTS PAYABLE

This account consists of the following:

	2015	2014
Advances from clients	3,417,883	11,393,859
Accounts payable-trade	6,108,759	7,668,310
Customers' rental deposit	5,325,909	4,994,984
Due to government entities	9,075,660	10,125,834
Retention payable	5,418,923	4,739,573
Contractor's deposit	524,358	707,178
Accounts payable-others	3,905,533	1,695,004
Customers' deposit	210,913	210,913
Miscellaneous liability	6,031,693	5,167,953
	40,019,631	46,703,608

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

	2015	2014
Output tax	19,995,304	16,241,819
Accrued expenses	24,558,971	24,723,128
	44,554,275	40,964,947

19. COMPENSATION AND FRINGE BENEFITS

This is composed of the following:

	2015	2014
Salaries, wages and allowances	10,424,767	10,544,223
Employee benefits	7,365,574	6,662,068
Project incentive pay	2,000,000	2,000,000
SSS, PhilHealth and EC premiums	653,736	672,544
Board per diem	647,600	471,400
Ex-Com/Audit Com per diem	310,100	227,300
Directors and corporate officers reimbursement	107,710	98,582
Pag-IBIG fund contribution	49,100	82,400
Officers' honoraria	12,000	16,000
	21,570,587	20,774,517

20. OTHER OPERATING EXPENSES

This account consists of the following:

	2015	2014
Depreciation	7,067,616	6,636,878
Taxes and licenses	3,587,067	3,789,195
Raffle expense	1,130,000	1,070,000
Business development expense	1,047,176	1,035,754
Insurance	1,019,695	880,853
Rental	911,258	847,231
Repairs and maintenance	876,643	680,313
Stationery and supplies	722,181	760,453
Audit fee	687,487	600,000
Representation and entertainment	636,469	635,035
Light and water	468,495	524,447
Security and janitorial	463,798	445,591
Telephone and postage	322,176	394,039
Travel and transportation	318,349	306,524
Interest and bank charges	289,428	367,087
Membership dues and fees	160,700	97,200
Seminar and training	116,824	151,347
Advertising	68,887	61,780
Gas and oil	44,222	62,907
Professional fee	42,881	24,000
Bad debts expense	16,440	2,579,538
Fines, penalties and other charges	6,508	5,588
Amortization expense	6,026	0
Subscription and publication	4,493	2,846
Printing and mimeographing	1,922	11,022
Donations and contributions	0	20,000
Miscellaneous expense	334,934	104,514
	20,351,675	22,094,142

21. PROVISION FOR INCOME TAX

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 CYs 2015 and 2014, the provision for income tax was computed as follows:

	2015	2014
Net income before tax	83,247,553	45,510,370
Income subject to final tax	(6,088,958)	(6,222,760)
Interest income on installment payment	0	(197,653)
Net income subject to tax	77,158,595	39,089,957
Current tax expense (30%)	23,147,579	11,726,987
Income tax- final	1,228,675	1,244,552
Income tax expense	24,376,254	12,971,539

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.

	2015	2014
Net income	58,871,299	32,538,831
Weighted average no. of common shares	13,321,200	13,321,200
	4.42	2.44

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. As of December 31, 2015, the vested benefit is P5,098,789. To date, total deposited retirement fund to LBP Trust Department is P8,478,629.

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, 2015 and 2014 are P741,246 and P702,075, 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:

	2015	2014
Within one year	18,382,294	18,692,147
After one year but not more than five years	84,848,791	69,727,470
More than five years	163,859,599	197,154,131
	267,090,684	285,573,748

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 cases are as follows:

Particulars	Remarks
Edward Ferreira vs. Gilda E. Pico, et al (LBRDC Board of Directors) – OMB C-A-08-0395-H and OMB C-A-08-03956-H (2 cases, administrative and criminal)	The case was dismissed by the Ombudsman in Joint Resolution dated August 29, 2012 but Mr. Ferreira already claimed the final/terminal pay.
Daniño 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:

	2015	2014
Investment in HYSAB/SDA	74,603,428	62,250,804
LBP Branches and Plaza HQ	151,791,689	171,041,524
Investment in RTB and FXTN	104,004,502	104,004,502
LBP onsite and offsite ATMs	12,990,389	810,347
LBP Naga Branch office rental (monthly rental)	1,464,891	283,400
LBRDC Head Office space (monthly rental)	61,771	58,506
	344,916,670	338,449,083

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 P2,661,180 and P2,594,147 in 2015 and 2014, 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 P38,980,273 for CY 2015.

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	16,793,591
Current year's purchases:	
i. Goods other than resale or manufacture capital goods	43,624
ii. Goods other than capital goods	8,589,292
iii. Services lodged under other accounts	2,601,360
Balance at end of year	28,027,867

c. Other Taxes and Licenses

	Amount
Local	
Mayor's permit	2,133,346
Real estate tax	1,158,574
Capital equipment tax	165,266
Community tax	10,500
Professional tax receipt	3,000
Barangay clearance	750
	3,471,436
National	
Tax on fringe benefits	56,471
Renewal of Certificate of Registration	25,000
Registration of company vehicle	26,386
Renewal of Philgeps clearance	3,000
License from Philippine Contractor Accreditation Board	3,075
Renewal of VAT Registration	500
Renewal of real estate broker license	1,200
	115,632
	3,587,068

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

	Amount
Tax on compensation and benefits	1,957,341
Final withholding taxes	4,532,761
Expanded withholding taxes	1,213,355
Withholding percentage taxes	135,676
	5,881,792
Creditable withholding taxes	15,037,509
	22,876,642

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 January 19, 2016, the LBRDC Board of Directors approved the declaration of cash dividends amounting to P29,404,212.88 and its remittance to the National Government under Board Resolution No. 16-01-14.

30. AUTHORIZATION FOR ISSUE OF THE 2015 FINANCIAL STATEMENTS

The financial statements of LBRDC for the years ended December 31, 2015 and 2014 were authorized for issue by the Board of Directors on February 19, 2016 under Board Resolution No. 16-03-06.