



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Audit 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

Opinion

We have audited the 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, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the LBRDC as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 PFRSs, 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 LBRDC 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 ISSAIs 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 ISSAIs, 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the LBRDC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the LBRDC to cease to continue as a going concern.

- 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 required under Revenue Regulations 15-2010 in Note 36 and Revised Securities Regulation Code Rule 68 in Note 37 to the 2021 financial statements are presented for purposes of filing with the Bureau of Internal Revenue, and the Securities and Exchange Commission, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


ROCHIE J. FELICES
Supervising Auditor

May 23, 2022



EXECUTIVE SUMMARY

INTRODUCTION

LBP Resources and Development Corporation (LBRDC), formerly known as the LB (Land Bank) Realty Development Corporation, is a wholly-owned subsidiary of the Land Bank of the Philippines (LBP) and was created under 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. It was also 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.

The LBRDC is headed by a President and Chief Executive Officer, with the following number of employees:

	2021	2020
Regular employees	40	44
Project-based	20	6
Probationary employees	14	5
	74	55

SCOPE AND OBJECTIVES OF AUDIT

The audit covered the examination, on a test basis, of the accounts, transactions and operations of LBRDC for the period January 1 to December 31, 2021 in accordance with International Standards of Supreme Audit Institutions to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2021 and 2020. Also, we conducted the audit to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2021	2020	Increase
Assets	822,545,394	756,032,221	66,513,173
Liabilities	170,463,359	131,499,400	38,963,959
Equity	652,082,035	624,532,821	27,549,214

II. Comparative Results of Operations

	2021	2020	Increase/ (Decrease)
Revenue	811,524,293	586,418,257	225,106,036
Expenses	743,946,611	522,697,269	221,249,342
Net income before tax	67,577,682	63,720,988	3,856,694
Income tax expense	16,656,332	18,387,575	(1,731,243)
Profit	50,921,350	45,333,413	5,587,937

III. Comparative Budget and Actual Expenditures

Particulars	Budget		Utilization	
	2021	2020	2021	2020
Personnel services	42,890,275	35,012,947	43,701,874	17,325,759
Maintenance and other operating expenses	33,428,257	22,525,949	19,962,140	9,146,037
Direct costs	720,504,654	459,456,000	675,660,831	490,256,098
Capital expenditures	12,054,444	9,685,434	1,011,520	1,228,101
	808,877,630	526,680,330	740,336,365	517,955,995

INDEPENDENT AUDITOR'S OPINION

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of LBRDC for the years ended December 31, 2021 and 2020.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. The faithful representation of the balance of Construction Materials Inventory (CMI) account amounting to P9.191 million as at December 31, 2021 was not established due to: (a) unreconciled variance amounting to P274,308 between the Accounting Department and Administrative and General Services Department records; and (b) actual inventory valuation method adopted by LBRDC differed with the Management's representation in Note 6 to the Financial Statements and the prescribed measurement of inventories in the Finance Operations Manual.

We recommended and Management agreed to:

a) Reconcile the variance of the CMI account balance between the Inventory Management System maintained by AGSD and General Ledger maintained by AD and prepare the necessary adjusting entries to correct balances of affected accounts as at December 31, 2021;

- b) Revisit the Finance Operations Manual to include guidelines on the periodic reconciliation of the balance of inventories between AD and AGSD records; and
- c) Align the existing policies and guidelines on the valuation of CMI with the actual inventory valuation method being adopted consistent with the provisions of PAS 2.

2. The faithful representation of the balances of intragroup receivables and payables amounting to P349.085 million and P7.769 million, respectively, as at December 31, 2021 was not established due to the unreconciled variances of P107.708 million and P9,697.03, respectively, between LBRDC and LBP books.

We recommended and Management agreed to:

- a) Reconcile variances in the intragroup receivable and payable accounts amounting to P107.708 million and P9,697.03, respectively, as at December 31, 2021 with LBP-AAD; and
- b) Formulate policy on the periodic reconciliation of intragroup receivables and payables with LBP.

TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

Audit disallowance as at December 31, 2021 amounted to P1.535 million. There are no outstanding audit charges and suspensions as at year-end.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the six audit recommendations embodied in the prior years' Annual Audit Reports, two were fully implemented and four were partially implemented, which were reiterated in Part II of this Report.

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PART I

AUDITED FINANCIAL STATEMENTS



**REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Audit Sector
Cluster 1 – Banking and Credit**

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In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the LBRDC as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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As part of an audit in accordance with ISSAIs, 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the LBRDC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the LBRDC to cease to continue as a going concern.

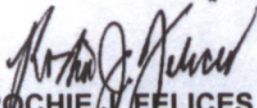
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 required under Revenue Regulations 15-2010 in Note 36 and Revised Securities Regulation Code Rule 68 in Note 37 to the 2021 financial statements are presented for purposes of filing with the Bureau of Internal Revenue, and the Securities and Exchange Commission, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


ROCHIE J. FELICES
Supervising Auditor

May 23, 2022





LBP Resources and Development Corporation

Formerly: LB (LandBank) Realty Development Corporation

A Subsidiary of the LandBank of the Philippines

VAT Reg. TIN 000-129-546

BS EN ISO 9001:2015



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, 2021 and 2020 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.

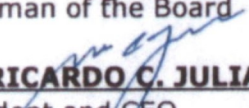
In preparing the financial statements, management is responsible for assessing the LBP (Land Bank of the Phil.) Resources and Development Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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
Chairman of the Board


Mr. RICARDO C. JULIANO, MNSA
President and CEO


Ms. OLIVE PRINCESS S. RAMAL
Acting Corporate Treasurer

Signed this 23rd day of May, 2022.



LBP RESOURCES AND DEVELOPMENT CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021 AND 2020
(In Philippine Peso)

	Note	2021	2020
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	130,236,375	187,050,293
Receivables, net	5	426,739,684	313,944,427
Inventories	6	11,497,949	11,819,436
Other Current Assets	11	32,625,616	42,978,043
Total Current Assets		601,099,624	555,792,199
Non-Current Assets			
Receivables, net	5	12,660,270	22,487,428
Financial Assets	7	92,423,580	60,296,449
Investment Property, net	8	97,171,475	98,291,459
Property, Plant and Equipment, net	9	12,979,842	14,262,382
Intangible Assets, net	10	3,379,188	2,872,963
Other Non-Current Assets	11	2,831,415	2,029,341
Total Non-Current Assets		221,445,770	200,240,022
Total Assets		822,545,394	756,032,221
LIABILITIES			
Current Liabilities			
Financial Liabilities	12	8,281,587	11,978,572
Inter-Agency Payables	13	29,698,770	31,483,430
Trust Liabilities	14	9,365,097	8,248,919
Deferred Credits/Unearned Income	15	50,047,202	36,821,305
Provisions	16	12,870,650	8,414,501
Other Payables	17	56,431,651	31,986,781
Total Current Liabilities		166,694,957	128,933,508
Non-Current Liabilities			
Financial Liabilities	12	3,768,402	2,565,892
Total Non-Current Liabilities		3,768,402	2,565,892
Total Liabilities		170,463,359	131,499,400
EQUITY			
Share Capital	18	133,212,000	133,212,000
Share Premium	19	5,162,840	5,162,840
Revaluation Surplus	20	61,200,000	61,200,000
Retained Earnings	21		
Appropriated		348,772,607	348,772,607
Unappropriated		103,734,588	76,185,374
Total Equity		652,082,035	624,532,821
Total Liabilities and Equity		822,545,394	756,032,221

The notes on pages 9 to 40 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, 2021 AND 2020
(In Philippine Peso)

	Note	2021	2020
Income			
Service and Business Income	22	808,566,008	579,875,578
Other Non-Operating Income	28	2,958,285	6,542,679
Total Income		811,524,293	586,418,257
Expenses			
Direct Costs	23	(675,660,831)	(490,256,098)
Personnel Services	24	(43,701,874)	(17,325,759)
Maintenance and Other Operating Expenses	25	(19,617,754)	(8,918,462)
Financial Expenses	26	(344,387)	(227,575)
Non-Cash Expenses	27	(4,621,765)	(5,969,375)
Total Expenses		(743,946,611)	(522,697,269)
Net Income Before Tax		67,577,682	63,720,988
Income Tax Expense	29	(16,656,332)	(18,387,575)
Net Income for the Year		50,921,350	45,333,413
Total Comprehensive Income		50,921,350	45,333,413

The notes on pages 9 to 40 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, 2021 AND 2020
(In Philippine Peso)

	Share Capital	Share Premium	Revaluation Surplus	Retained Earnings		TOTAL
	(Note 18)	(Note 19)	(Note 20)	Appropriated	Unappropriated (Note 21)	
BALANCE AT JANUARY 1, 2020	133,212,000	5,162,840	61,200,000	350,000,000	59,253,690	608,828,530
CHANGES IN EQUITY FOR 2020						
Add/(Deduct):						
Appropriation of Retained Earnings						
Net Income for the Year					45,333,413	45,333,413
Declaration of Cash Dividend					(28,783,156)	(28,783,156)
Declarations of Cash Dividend (additional remittance for 2017)					(845,966)	(845,966)
Reversal of Appropriated Retained Earnings				(1,227,393)	1,227,393	0
BALANCE AT DECEMBER 31, 2020	133,212,000	5,162,840	61,200,000	348,772,607	76,185,374	624,532,821
CHANGES IN EQUITY FOR 2021						
Add/(Deduct):						
Net Income for the year					50,921,350	50,921,350
Declarations of Cash Dividend					(23,372,136)	(23,372,136)
BALANCE AT DECEMBER 31, 2021	133,212,000	5,162,840	61,200,000	348,772,607	103,734,588	652,082,035

The notes on pages 9 to 40 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, 2021 AND 2020
(In Philippine Peso)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Income/Revenue		743,071,233	521,103,391
Collection of Receivables		23,798,446	46,169,976
Trust Receipts		1,545,787	442,550
Other Receipts		1,264,396	22,481,243
Total Cash Inflows		769,679,862	590,197,160
Cash Outflows			
Payment of Expenses		(554,129,362)	(385,814,479)
Purchase of Inventories		(13,926,173)	(23,935,822)
Grant of Cash Advances		(6,176,273)	(683,220)
Prepayments		(10,857,874)	(141,010)
Refund of Deposits		(2,510,921)	(97,627)
Payments of Accounts Payable		(23,361,929)	(18,761,076)
Remittance of Personnel Benefit Contributions and Mandatory Deductions		(144,692,483)	(98,265,527)
Other Disbursements		(56,827,455)	(51,869,091)
Total Cash Outflows		(812,482,470)	(579,567,852)
Net Cash (Used In)/Generated from Operating Activities		(42,802,608)	10,629,308
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Receipt of Interest Earned		1,036,137	2,333,514
Proceeds from Matured Investments		143,318,631	173,754,987
Total Cash Inflows		144,354,768	176,088,501
Cash Outflows			
Acquisition of Property, Plant and Equipment		(1,003,192)	(1,228,101)
Placements of Investments		(133,422,671)	(100,417,369)
Purchase of Intangible Assets		(568,079)	(1,054,885)
Total Cash Outflows		(134,993,942)	(102,700,355)
Net Cash Generated from Investing Activities		9,360,826	73,388,146
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Payment of Cash Dividends	21	(23,372,136)	(29,629,122)
Cash Used in Financing Activities		(23,372,136)	(29,629,122)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(56,813,918)	54,388,332
CASH AND CASH EQUIVALENTS, JANUARY 1		187,050,293	132,661,961
CASH AND CASH EQUIVALENTS, DECEMBER 31	4	130,236,375	187,050,293

The notes on pages 9 to 40 form part of these statements.

LBP RESOURCES AND DEVELOPMENT CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2021 and 2020
(All amounts in Philippine Peso, unless otherwise stated)

1. GENERAL INFORMATION

1.1 Corporate Information

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

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

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

1.2 Authorization to issue the 2021 Financial Statements

The financial statements of LBRDC, for the years ended December 31, 2021 and 2020 were approved and authorized for issue by the Board of Directors through its Resolution No. 22-03-16 dated March 22, 2022.

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

2.1 Statement of Compliance

The financial statements of the Corporation have been prepared in compliance with Philippines Financial Reporting Standards (PFRSs). PFRSs include Philippines Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippines Interpretations Committee.

2.2 Basis for Preparation of Financial Statements

The financial statements have been prepared on the historical cost unless otherwise stated. These financial statements are presented in Philippines Peso, the LBRDC's functional currency and all values are rounded to the nearest peso, unless otherwise stated.

The financial statements are prepared on accrual basis in accordance with PFRSs.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the comparative financial statements are consistent with those of the previous financial year.

3.1 Adopted Amended PFRS effective from January 1, 2021

- (a) COVID-19 Related Rent Concessions (Amendments to PFRS 16) beyond June 30, 2021

The LBRDC has no COVID-19 Related Rent Concession transaction/event for CY 2021. The application of this amendment had no significant impact on the LBRDC's financial statements.

- (b) Interest Rate Benchmark Reform – Phase 2 (Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16)

LBRDC recognizes the replacement or reform of an interest rate benchmark that is likely to change the basis for determining the contractual cash flows of a financial asset or financial liability. Financial instruments for which the transition to new benchmark rates was already adapted in 2021 and the Corporation was not initially affected by these quantitative disclosures. Nevertheless, qualitative disclosures on this matter are necessary to illustrate progress with the transition to new benchmark rates, to comment on changes in existing hedge relationships or to explain significant transition effects. The reform / amendment has no significant impact on the corporation's financial statements due to risk-free rate offered by the parent corporation/bank.

3.2 New and Amended PFRS Issued But Not Yet Effective

- (a) References to Conceptual Framework (Amendments to PFRS 3)

The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

(b) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to PAS 37)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments will not have an impact on the disclosures and amounts recognized on the Corporation's financial statements.

(c) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to PAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the company recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Management is currently assessing the impact of these amendments in its financial statements.

(d) Annual Improvements to PFRSs 2018-2020 Cycle

- PFRS 1, First-time Adoption of International Financial Reporting Standards

The amendment simplifies the application of PFRS 1 of a subsidiary as a first-time adopter. It permits a subsidiary that applies to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs. The application of these improvements had no significant impact on the LBRDC's financial statements.

- PFRS 9, Financial Instruments

The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The application of these improvements had no significant impact on the LBRDC's financial statements.

- PFRS 16, Leases

The amendment accompanying PFRS 16 removes from the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise. The

application of these improvements had no significant impact on the LBRDC's financial statements.

3.3 The following is a list of new and amended standards which are effective in future periods:

- 1) PFRS 17 Insurance Contracts – Deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023.
- 2) PAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current – The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current, effective for annual periods beginning on or after January 1, 2022 deferred to January 1, 2023.
- 3) Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12) - The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition effective for annual periods beginning on or after January 1, 2023.
- 4) Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2) – The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies, effective for annual periods beginning on or after January 1, 2023.
- 5) Definition of Accounting Estimates (Amendments to PAS 8) - The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in the financial statements that are subject to measurement uncertainty, effective for annual periods beginning on or after January 1, 2023.
- 6) Initial Application of PFRS 17 and PFRS 9 – Comparative Information (Amendment to PFRS 17) – The amendment permits entities that first apply PFRS 17 and PFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of PFRS 9 had been applied to the financial asset before. No effectivity date yet.

LBRDC is currently assessing the impact of these new accounting standards and amendments.

3.4 Financial Instruments

a. Financial assets

Classification and Measurement

At initial recognition, financial assets are classified and measured at amortized cost, FVOCI, and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the LBRDC's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the LBRDC has applied the practical expedient, the LBRDC initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The LBRDC's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four (4) categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss ("FVPL")

Financial assets at amortized cost (debt instruments)

This category is the most relevant to LBRDC. LBRDC measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The LBRDC's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, short-term investments, debt securities at amortized cost, advances to an associate and advance payments to a supplier.

Financial assets at FVOCI (debt instruments)

LBRDC measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income and impairment losses or reversals are recognized in the Statement of Comprehensive Income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, LBRDC can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation, and are not held for trading. The classification is determined on an instrument by instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of comprehensive income when the right of payment has been established, except when LBRDC benefits from such proceeds as a partial recovery of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

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 expires;
- b. the right to receive cash flows from the asset is retained, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement or
- c. the right to receive cash flows from the asset is transferred and either:
 - transferred substantially all the risks and rewards of the asset or
 - has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Impairment of financial assets

LBRDC assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective

evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

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

b. Financial liabilities

Initial recognition and Classification

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate.

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

Subsequent measurement

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

The LBRDC does not have financial assets and liabilities at FVPL.

Derecognition

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the

original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

3.5 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 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 defined above.

3.6 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.

Construction Materials shall be recognized as asset upon purchase. Actual usages or issuance to construction units through Withdrawal Slip shall be charged to cost to be booked as Contract in Progress but the specific project should be identified in each entry.

3.7 Investment Property

Investment property is initially 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. LBRDC has been adopting the cost model in recognizing its investment property.

Expenditures incurred after the fixed investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to expense in the period in which the costs are incurred.

After recognition, investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

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.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on derecognition of an investment property are recognized in the profit and loss in the year of derecognition.

3.8 Property, Plant and Equipment

An item is recognized as property and equipment if it meets the characteristics and recognition criteria as PPE.

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 from its originally assessed standard of performance, the cost of replacement are capitalized.

Depreciation of an asset begins when it is available for use when it is in location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation expense 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. Depreciation and amortization are 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 Statement of Comprehensive Income 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.

3.9 Intangible Assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed at the individual asset level as having either finite or indefinite useful lives.

Intangible assets with finite lives are amortized over the useful economic lives of five to 10 years using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At a minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting date.

Changes in the expected useful life or the expected consumption pattern of future economic benefit embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as change in accounting estimates. The amortization expense of intangible assets with finite lives is recognized in the statement of comprehensive income.

Intangible assets with indefinite useful lives are not amortized, but are assessed for impairment annually either individually or at the cash-generating unit level. The assessment of intangible assets with indefinite useful life is done annually at every reporting date to determine whether such indefinite useful life continues to exist. Otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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 statement of comprehensive income.

3.10 Provisions, Contingent Liabilities and Contingent Assets

a. Provisions

Provisions are recognized when (1) an entity has a present obligation (legal or constructive) as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation.

b. Contingent Liabilities and Assets

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

Contingent assets are not recognized unless the realization of the assets is virtually certain. These are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

3.11 Changes in Accounting Policies and Estimates

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

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

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

a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or

b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.12 Revenue Recognition

PFRS 15 - Revenue from construction contracts is recognized using percentage of completion method or overtime the time, measured principally on the basis of the estimated physical completion of the contract work, in accordance with on Construction Contracts.

Revenue from construction contracts is recognized over time if one of the following criteria are met:

- a. The customer simultaneously receives and consumes the benefit provided by the entity as the entity performs;
- b. The entity performance creates and enhances an asset that the customer controls as the asset is created or enhanced; or
- c. The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for the performance completed to date.

For a performance obligation satisfied over time, LBRDC selects an appropriate measure of progress to determine how much revenue to recognize as the performance obligation is satisfied, which are embodied in 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 statement of comprehensive income on straight-line basis over the lease term.

Revenue such as commission income from brokering services and management fees from administrative, property management, manpower services and other fees are recognized at a point in time. Revenue therefrom are recognized when control is passed at a certain time.

The circumstances/ events that may indicate the point in time in which control passes include but are not limited to:

- the entity has a present right to payment for the asset;
- the customer has legal title to the asset;
- the entity has transferred physical possession of the asset;

- the customer has the significant risks and rewards related to the ownership of the asset; and
- the customer has accepted the asset.

Interest income is recognized as it accrues.

3.13 Leases

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases.

Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 does not have an impact for leases where the Corporation is the lessor.

The standard includes two recognition exemptions for lessees – leases of “low-value” assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). The Corporation applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets wherein associated lease payments are recognized as an expense on a straight-line basis over the lease term.

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

LBRDC Board of Directors approved the adaption of PFRS 16 on July 16, 2019 as per Board Resolution No.19-07-08.

Contract of Lease made and entered into between Jose P. Laurel Memorial Foundation (lessor) and LBP Resources and Development Corporation (lessee) on March 17, 2017.

The lessee shall pay P195,592 monthly inclusive of 12 per cent VAT. The said monthly rental shall be subject to five per cent yearly escalations clause. The incremental used to compute for the present value of lease liability and Right of Use Assets is 1.581 per cent derived from treasury bill rates for June 30, 2021. The Right of Use Asset is depreciated through straight-line basis over the lease term.

The carrying amount of the Right of Use Asset amounts to P1,925,231.22 and the outstanding balance of Lease Liability amounts to P1,091,985.32.

4. CASH AND CASH EQUIVALENTS

	2021	2020
Cash on Hand	1,000,000	1,000,000
Cash in Bank – Local Currency	32,694,785	38,261,121
Time Deposits – Local Currency	96,541,590	147,789,172
Total	130,236,375	187,050,293

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 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:

	2021	2020
Philippine Peso (Current and Savings Deposit)	0.5 %	0.5 %
Interest of short-term investments	1.13% to 1.565%	0.80% to 1.40%

Investment in special depository accounts is with maturity periods of 76 to 280 days and rolled over depending on the cash requirements of LBRDC.

The Time Deposits - Local Currency pertains to Investment Management Agreement entered into by LBRDC 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

5. RECEIVABLES, NET

This account consists of:

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Receivables, net	410,258,978	0	410,258,978	289,887,114	6,407,178	296,294,292
Sales Contract Receivable	1,235,622	12,660,270	13,895,892	0	15,795,498	15,795,498
Lease Receivables	0	0	0	867,256	0	867,256
Other Receivables, net	15,245,084	0	15,245,084	23,190,057	284,752	23,474,809
Total	426,739,684	12,660,270	439,399,954	313,944,427	22,487,428	336,431,855

5.1 Receivables

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Receivables	411,355,647	0	411,355,647	289,887,114	8,372,648	298,259,762
Allowance for impairment-Accounts						

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Receivable	(1,096,669)	0	(1,096,669)	0	(1,965,470)	(1,965,470)
Net Value-Accounts Receivable	410,258,978	0	410,258,978	289,887,114	6,407,178	296,294,292

Receivable consists of the following:

- Contracts Receivable are amounts billed to LBP for construction/renovation contracts but not paid as of reporting date amounting to P12,078,919;
- Accounts Receivable – Trade arises from contract entered into by LBRDC with LBP and other clients on deployment of service contract workers, janitors/messengers and other services amounting to P398,040,629; and
- Interest Receivable amounting to P139,430.

5.2 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, 2021, the balance of sales contract receivable amounted to P13,895,892.

5.3 Lease Receivables

	2021	2020
Operating Lease Receivable	0	867,256
Allowance for Impairment-Operating Lease Receivable	0	0
Net Value - Operating Lease Receivable	0	867,256

5.4 Other Receivables includes Retention Receivables and all non-trade receivables (e.g. SSS, maternity/sickness benefits).

	Current	2021 Non- current	Total	Current	2020 Non- current	Total
Other Receivables	16,487,333	0	16,487,333	25,807,015	561,756	26,368,771
Allowance for Impairment-Other Receivables	(1,242,249)	0	(1,242,249)	(2,616,958)	(277,004)	(2,893,962)
Net Value-Other Receivables	15,245,084	0	15,245,084	23,190,057	284,752	23,474,809

The following is the Aging/Analysis of Receivables:

	Total	Not past due	Past Due > 60 days
Accounts Receivable	411,355,647	407,766,132	3,589,515
Sales Contract Receivable	13,895,892	13,895,892	0
Other Receivables	16,487,333	15,925,577	561,756
Total	441,738,872	437,587,601	4,151,271

6. INVENTORIES

This account consists of inventories held for consumption:

	2021	2020
Construction Materials	9,191,102	9,924,049
Janitorial Supplies	1,788,535	1,445,232
Stationery and Supplies	518,312	450,155
	11,497,949	11,819,436

Reconciliation of the carrying amount follows:

	2021	2020
Carrying Amount, January 1	11,819,436	10,904,760
Additions/Acquisitions during the year	15,261,238	23,762,909
Expensed during the year except write-down	(15,582,725)	(22,848,233)
Carrying Amount, December 31	11,497,949	11,819,436

LBRDC measures its inventories at purchase cost and applies 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.

7. FINANCIAL ASSETS AT AMORTISED COST

This account consists of investment in bonds, which are held to maturity.

	2021	2020
Retail Treasury Bonds	72,173,394	40,296,449
Petron Corporation Fixed Rate Bond	20,250,186	20,000,000
Total	92,423,580	60,296,449

Reconciliation of the balance of financial assets follows:

As at December 31, 2021

	Held to Maturity
Balance as at January 1, 2021	60,296,449
Additional Investments	46,674,408
Matured/Withdrawal of Investments	(15,000,000)
Interest Receivable	452,723
Balance as at December 31, 2021	92,423,580

As at December 31, 2020

	Held to Maturity
Balance as at January 1, 2020	119,296,449
Matured/Withdrawal of Investments	(59,591,344)
Interest Receivable	591,344
Balance as at December 31, 2020	60,296,449

8. INVESTMENT PROPERTY

This account consists of:

Accounts	2021			2020		
	Investment Property – Land	Investment Property – Buildings	Total	Investment Property – Land	Investment Property – Buildings	Total
Carrying Amount, January 1	66,000,000	32,291,459	98,291,459	66,000,000	33,411,444	99,411,444
Depreciation	0	(1,119,984)	(1,119,984)	0	(1,119,985)	(1,119,985)
Carrying Amount, December 31	66,000,000	31,171,475	97,171,475	66,000,000	32,291,459	98,291,459
Gross Cost	66,000,000	81,183,308	147,183,308	66,000,000	81,183,308	147,183,308
Accumulated Depreciation	0	(50,011,833)	(50,011,833)	0	(48,891,849)	(48,891,849)
Carrying Amount, December 31	66,000,000	31,171,475	97,171,475	66,000,000	32,291,459	98,291,459

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 Land and Building at General Luna Street and J. Hernandez Avenue, Barangay Abella, Naga City, Province of Camarines Sur was appraised on December 19, 2019 (date of report) with an appraised value of P152,000,000.00 and P37,262,000.00 respectively. The condominium unit at World Centre, No. 330 Sen, Gil Puyat Avenue cor. H. V. dela Costa Street, Salcedo Village, Barangay Bel-air, Makati City have an appraised value of P124,401,000.00.

The rental revenue amounted to P25,056,709 and P25,055,345 in 2021 and 2020, respectively.

9. PROPERTY, PLANT AND EQUIPMENT

This account is composed of the following:

As at December 31, 2021

	Building and Other Structures	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Leased Assets Improvements	Right of Use	TOTAL
Carrying Amount January 1	6,639,535	4,395,191	1,803,622	526,645	99,721	797,668	14,262,382
Additions	0	1,231,960	0	33,468	0	962,616	2,228,044
Deductions	0	0	0	0	(99,721)	0	(99,721)
Total	6,639,535	5,627,151	1,803,622	560,113	0	1,760,284	16,390,705
Depreciation	(328,488)	(788,495)	(411,268)	(122,328)	0	(1,760,284)	(3,410,863)
Carrying Amount December 31	6,311,047	4,838,656	1,392,354	437,785	0	0	12,979,842
Gross Cost	9,124,612	25,231,558	7,263,451	1,617,637	1,155,130	4,888,102	49,280,490
Accumulated Depreciation	(2,813,565)	(20,392,902)	(5,871,097)	(1,179,852)	(1,155,130)	(4,888,102)	(36,300,648)
Carrying Amount December 31	6,311,047	4,838,656	1,392,354	437,785	0	0	12,979,842

As at December 31, 2020

	Building and Other Structures	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Leased Assets Improvements	Right of Use	TOTAL
Carrying Amount January 1	6,968,025	4,473,437	2,214,890	383,273	567,462	335,347	14,942,434
Additions	0	785,243	0	344,192	0	1,579,057	2,708,492
Deductions	0	(67,525)	0	(59,909)	0	0	(127,434)
Total	6,968,025	5,191,155	2,214,890	667,556	567,462	1,914,404	17,523,492
Depreciation	(328,490)	(795,964)	(411,268)	(140,911)	(467,741)	(1,116,736)	(3,261,110)
Carrying Amount December 31	6,639,535	4,395,191	1,803,622	526,645	99,721	797,668	14,262,382
Gross Cost	9,124,612	23,999,598	7,263,451	1,584,169	1,254,851	3,925,486	47,152,167
Accumulated Depreciation	(2,485,077)	(19,604,407)	(5,459,829)	(1,057,524)	(1,155,130)	(3,127,818)	(32,889,785)
Carrying Amount December 31	6,639,535	4,395,191	1,803,622	526,645	99,721	797,668	14,262,382

10. INTANGIBLE ASSETS

This account consists of the following:

	2021	2020
Purchasing and accounting system/ ¹	1,621,152	1,621,152
Payroll system/ ² , net	184,354	127,880
Computer software/ ³ , net	79,745	79,745
Inventory Management System	970,983	970,983
Document Management System/ ⁴ , net	479,376	0
Engineering Software	43,578	73,203
	3,379,188	2,872,963

1/ Represents initial payment for Oracle License

2/ Represents amortized cost of payroll system acquired from Balmori - Version 7.8 Surepay. This was acquired in 2014 and 2015 for a total cost of P159,111.61 to be amortized for five years. Total amortization recognized as of December 31, 2021 amounted to P181,836.

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

4/ Represents the purchased of Digital Archiving from Microgenesis Software Inc. amounting to P526,785.71 net of input tax.

Reconciliation of the carrying amount follows:

	2021	2020
Carrying Amount, January 1	2,872,963	1,836,277
Additions	597,143	1,066,709
	3,470,106	2,902,986
Amortization	(90,918)	(30,023)
Carrying Amount, December 31	3,379,188	2,872,963
Gross Cost	4,822,022	4,224,879
Accumulated Amortization	(1,442,834)	(1,351,916)
Carrying Amount, December 31	3,379,188	2,872,963

11. OTHER ASSETS

This account consists of:

	Current	2021 Non- current	Total	Current	2020 Non- current	Total
Advances to Officers and Employees	90,064	0	90,064	133,780	0	133,780
Prepayments	26,998,408	0	26,998,408	24,348,665	0	24,348,665
Deposits	0	2,818,815	2,818,815	0	2,016,741	2,016,741
Contract in Progress	5,537,144	0	5,537,144	18,495,598	0	18,495,598
Other Investments	0	12,600	12,600	0	12,600	12,600
Total	32,625,616	2,831,415	35,457,031	42,978,043	2,029,341	45,007,384

The Contract in Progress is the control account used to record the accumulated costs related to the construction and renovation projects of LBRDC. The LBRDC 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.

12. FINANCIAL LIABILITIES

This account consists of:

	Current	2021 Non- current	Total	Current	2020 Non- current	Total
Accounts Payable-Trade	6,040,161	3,768,402	9,808,563	8,515,990	2,565,892	11,081,882
Retention Payable	2,241,426	0	2,241,426	2,632,971	0	2,632,971
Lease Liability	0	0	0	829,611	0	829,611
Total	8,281,587	3,768,402	12,049,989	11,978,572	2,565,892	14,544,464

a. Accounts Payables-Trade represents all trade payables arising from purchase of merchandise or services;

b. Retention Payable represents a certain percentage of the contractor's billing which is temporarily retained by LBRDC to answer for the defects that may later on be discovered on the projects. The release of said portion shall be within one year after the acceptance of the projects.

c. Lease Liability measured at the Present Value of Lease payments using rate implicit in the lease or if cannot be determined the implicit rate use incremental borrowing rate.

13. INTER-AGENCY PAYABLES

This account consists of:

	2021	2020
Due to LBP	7,394,453	17,104,131
Due to Government Corporation	10,653,266	1,619,093
Income Tax Payable	5,964,779	6,969,524
Due to BIR	144,338	2,107,358
Due to SSS	2,783,969	1,383,846
Due to PhilHealth	1,656,662	1,376,656
Due to Pag-IBIG	1,101,303	922,822
Total	29,698,770	31,483,430

14. TRUST LIABILITIES

This account consists of:

	2021	2020
Customers' Rental Deposits	7,368,259	7,276,981
Contractors' Deposits	1,853,820	828,920
Customers' Deposit	143,018	143,018
	9,365,097	8,248,919

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.

15. DEFERRED CREDITS/UNEARNED INCOME

This account consists of:

	2021	2020
Unearned Revenue/Income- Investment Property	93,239	62,749
Output Tax	49,953,963	36,758,556
	50,047,202	36,821,305

Deferred credits represent output tax, unearned rent income and deferred tax on accrued rent income as at December 31, 2021.

16. PROVISIONS

This account consists of:

	2021	2020
Retirement Gratuity	5,678,063	1,998,191
Leave Benefits Payable/ ¹	5,717,587	6,416,310
Health Benefits/ ²	1,475,000	0
	12,870,650	8,414,501

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

2/ LBRDC Board Resolution No. 21-04-10 dated April 20, 2021 approved the allocation of Health Contingency Fund to provide emergency financial assistance to all employees affected by the COVID-19 threat.

17. OTHER PAYABLES

This account consists of:

	2021	2020
Accounts Payable-Others	3,688,765	2,240,070
Accrued Expenses	52,742,886	29,746,711
	56,431,651	31,986,781

Accrued expenses include cost of audit fees, rental and administrative charges, employee benefits, direct materials and other administrative expenses.

18. SHARE CAPITAL

The Securities and Exchange Commission approved the increase in authorized capitalization of LBRDC on February 6, 2012. The total authorized capital is P500,000,000 at P10 par, issued and subscribed of P200,000,000 and paid up of P133,212,000. 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.

19. SHARE PREMIUM

The share premium represents the difference of the share issue price and par value of the share issued and outstanding.

20. REVALUATION SURPLUS

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

21. RETAINED EARNINGS

Appropriation of Retained Earnings

The appropriation from Retained Earnings amounting to P348,772,607, that was approved in Board Resolution No. 21-05-07, is composed of the following:

Particulars	Amount	Timeline
Provision for software/equipment	18,772,607	2019-2024
Provision for liability insurance of directors	10,000,000	2019-2022
Construction of LBRDC Naga Building	320,000,000	2020-2025
	348,772,607	

As of December 31, 2020, appropriation from Retained Earnings was reduced by P1,227,393 from P350,000,000 to P348,772,607 due to the acquisition of the following software:

	Amount
1. Timekeeper Interface Module Insure Pay Master Version 7.10.2N	122,236
2. ZW CAD PRO2021	134,175
3. Inventory Management System	970,982
	1,227,393

Dividend Declaration to the National Government

LBRDC Board Resolution No. 21-04-07 dated April 20, 2021 approved the declaration of cash dividends amounting to P22,723,639 which is equivalent to 50 per cent of Net Income After Tax and its remittance to the National Government on May 14, 2021 and an additional/deficiency in cash dividends of P648,497 approved on September 27, 2021.

22. SERVICE AND BUSINESS INCOME

This account consists of:

	2021	2020
Service Income		
Manpower Services Income	658,025,859	404,641,744
Construction Revenue	94,646,936	117,989,913
Property Management Fee	22,674,465	25,330,250
Fees and Commission Income	2,745,377	1,902,002
	778,092,637	549,863,909
Business Income		
Rent/Lease Income	25,056,709	22,055,345

	2021	2020
Interest Income	5,416,662	7,956,324
	30,473,371	30,011,669
Total	808,566,008	579,875,578

23. DIRECT COSTS

This account consists of:

	2021	2020
Service Costs		
Manpower Services Expense	577,862,536	356,198,653
Construction Costs	84,104,033	118,308,603
Property Management Expense	13,598,706	15,748,842
Fees and Commission Expense (Retainer's Fee)	95,556	0
Total	675,660,831	490,256,098

24. PERSONNEL SERVICES

This account consists of:

	2021	2020
Salaries and Wages		
Salaries and Wages-Regular	23,155,721	6,969,371
Salaries and Wages-Casual/Contractual	3,631,905	869,196
	26,787,626	7,838,567
Other Compensation		
Personnel Economic Relief Allowance (PERA)	1,034,110	310,708
Representation Allowance	649,750	233,975
Transportation Allowance	620,000	220,066
Productivity Incentive Allowance	224,500	63,184
Clothing/Uniform Allowance	232,701	54,500
Subsistence Allowance	186,000	10,000
	2,947,061	892,433
Honoraria		
Directors and Committees Members' Fees	1,252,939	663,060
Overtime and Night Pay	759,934	619,403
Year End Bonus	1,820,913	570,778
Mid-Year Bonus	1,578,456	529,637
Cash Gift	238,000	67,765
Longevity Pay	35,000	46,400
Other Bonuses and Allowances	2,034,500	3,712,950
	7,719,742	6,209,993
Personnel Benefit Contribution		
Employees Compensation Insurance Premium	1,489,726	312,608
PhilHealth Contribution	328,392	95,768
Pag-IBIG Contributions	81,600	20,320
	1,899,718	428,696

	2021	2020
Other Personnel Benefits		
Retirement Gratuity	4,261,754	448,286
Other Personnel Benefits	85,973	1,507,784
	4,347,727	1,956,070
	43,701,874	17,325,759

LBRDC and its employees contribute to the Social Security System (SSS) in accordance with the Republic Act No. 8282. The SSS administers the plan including payment of employees' pension benefits.

25. MAINTENANCE AND OTHER OPERATING EXPENSES

This account is composed of:

	2021	2020
Training and Scholarship Expenses		
Training Expenses	207,192	209,573
Supplies and Materials Expenses		
Office Supplies Expenses	514,040	371,338
Accountable Forms Expenses	86,311	26,746
Other Materials and Supplies Expense	304,362	150,946
Utility Expenses		
Water and Electricity Expenses	1,028,233	382,338
Gas/Heating Expenses	490,386	203,628
Communication Expenses		
Telephone Expenses	733,930	253,723
Confidential, Intelligence and Extraordinary Expenses		
Extraordinary and Miscellaneous Expenses	232,871	13,617
Professional Services		
Auditing Services	785,286	255,173
Other Professional Services	15,000	0
General Services		
Janitorial Services	321,388	224,385
Security Services	760,451	0
Repairs and Maintenance		
Repairs and Maintenance-Transportation Equipment	249,291	125,831
Repairs and Maintenance-Investment Property	357,427	89,130
Repairs and Maintenance-Machinery and Equipment	35,125	24,143
Repairs and Maintenance-Leased Assets	5,917	0
Improvement		
Repairs and Maintenance-Others	304,266	191,837
Repairs and Maintenance-Other Property, Plant & Equipment	42,137	0
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties and Licenses	6,674,010	3,718,473
Insurance/Reinsurance Expenses	806,746	807,718
Other Maintenance and Operating Expenses		
Rent/Lease Expenses	3,397,522	388,917
Transportation and Delivery Expenses	29,323	91,377

	2021	2020
Representation Expenses	1,136,777	64,195
Advertising, Promotional and Marketing Expenses	16,000	18,000
Membership Dues and Contributions to Organizations	22,881	15,000
Other Maintenance and Operating Expenses	1,060,882	1,292,374
Total	19,617,754	8,918,462

26. FINANCIAL EXPENSES

	2021	2020
Bank Charges	170,353	227,575
Interest Expense	174,034	0
TOTAL	344,387	227,575

27. NON-CASH EXPENSES

This account is composed of:

	2021	2020
Depreciation		
Depreciation-Investment Property	1,119,984	1,119,985
Depreciation-Buildings and Other Structures	328,488	141,511
Depreciation-Transportation Equipment	411,268	118,645
Depreciation-Machinery and Equipment	788,495	80,682
Depreciation-Furniture, Fixtures and Books	122,328	32,376
Depreciation-Right-of-use Asset	1,760,284	1,464,177
	4,530,847	2,957,376
Amortization		
Amortization- Leased Asset Improvement	0	191,159
Amortization- Intangible Assets	90,918	20,665
	90,918	211,824
Impairment Loss		
Impairment Loss- Receivables-Trade	0	1,883,554
Impairment Loss- Retention Receivable	0	916,621
	0	2,800,175
	4,621,765	5,969,375

28. OTHER NON-OPERATING INCOME, GAIN OR LOSSES

This income consists of the following:

	2021	2020
Other Gains	2,958,285	6,542,679
Total	2,958,285	6,542,679

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

29. 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 2021 and 2020, the provisions for income tax were computed as follows:

	2021	2020
Net income before tax	67,577,683	63,720,988
Income subject to final tax	(4,889,253)	(7,287,352)
Fines, penalties and other charges	25,500	0
Net Income subject to tax	62,713,930	56,433,636
Current tax expense		
(For CY 2021 - 25%)		
(For CY 2022 – 30%)	15,678,482	16,930,091
Income tax-final	977,850	1,457,484
	16,656,332	18,387,575

New Tax Regulation

Republic Act (RA) No. 11534, An Act Reforming the Corporate Income Tax and Incentives System, was passed into law on March 26, 2020.

Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act provides that an income tax rate of 25 per cent effective July 1, 2020 shall be imposed upon the taxable income derived during each taxable year from all sources within and without the Philippines by every corporation. Provided that corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million excluding land on which the particular business entity's office, plant and equipment are situated during the taxable year for which the tax is imposed, shall be taxed at 20 per cent.

The Minimum Corporate Income Tax (MCIT) is one per cent effective June 1, 2020 until June 30, 2023 as provided for in RA No. 11534.

30. EARNINGS PER SHARE

The basic earnings per share 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.

	2021	2020
Net income	50,921,350	45,333,413
Weighted average no. of outstanding common shares	13,321,200	13,321,200
Earnings per share	3.82	3.40

31. CONSTRUCTION CONTRACTS

The construction income for CY 2021 is P94,646,936 with accumulated cost of P84,104,003 and recognized net profit of P10,542,904. Also, the outstanding retention receivable as part of contract receivables and advances from clients as Due to LBP are P12,782,262 and P18,047,719, respectively.

32. 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 months being considered as one whole year. For the purpose of computing the retirement pay, "one –half month salary" shall include 15 days salary based on the latest basic salary rate, cash equivalent of five days service incentive leave, one-twelfth (1/12) of the 13th month pay and other benefit inclusions as may be agreed upon by LBRDC and the employee. The plan provides retirement, separation, disability and death benefits to its members. The fund is being administered and managed by Land Bank of the Philippines – Trust Banking Group. Contributions and costs are determined with the actuarial studies made for the plan. Annual cost is determined using the Accrued Benefit with the Actuarial Cost Method (Projected Unit Credit). The Company's latest actuarial valuation date is December 31, 2021.

LBRDC Board approved the retirement benefit plan on July 30, 2010 under 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, 2021, the vested benefit is P10,034,286.16 per Statement of Financial Position.

33. 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 on the following:

a. Office space at 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 on entering into these leases. Future minimum rental payable under non-cancelable operating lease which is due within one year as of December 31, 2021 is 730,298. These are lodged under the Rental expense account.

b. Copy Link, Inc for rental of copying machine with a contract of one year plus the additional rental for the archiving machine which ended on December 31, 2021 amounting to P2,507,869

c. Wellthy Solution, Inc. for the rental of water dispenser amounting to P29,400 as of December 31, 2021.

d. Jose P. Laurel Memorial Foundation for three years which commenced on August 2017. There are no restrictions placed upon the lessee on entering into this lease. Future minimum rentals payable under non-cancelable operating leases which is due within one year as at December 31, 2021 is P129,954. Rental Expense was booked to Right of Use Asset and Lease Liability.

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

34. RELATED PARTY TRANSACTIONS

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

	2021	2020
Investment in HYSA	96,541,589	147,789,172
LBP Branches and Plaza HQ	650,185,105	573,116,273
Investment in RTB	91,970,857	60,296,449
LBP Naga Branch Rental	2,348,118	2,279,726
LBRDC Head Office Space	693,783	693,783
TOTAL	841,739,452	784,175,403

34.1 The transfer of title for the World Centre Condominium property infused by LBP, 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.

34.2 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.

34.3 Key Management Personnel Compensation

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

	Aggregate Remuneration
Salaries and Wages	4,057,949
Other Compensation	3,809,725
	7,867,674

35. EVENTS AFTER THE REPORTING DATE

Cash Dividend Declaration

On March 22, 2022, the LBRDC Board of Directors under Board Resolution No. 22-04-07 approved the declaration of cash dividend amounting to P25,815,891 and its remittance to the National Government. The cash dividend amounting to P25,769,700 was remitted to the Bureau of Treasury on May 10, 2022.

36. SUPPLEMENTARY INFORMATION ON REVENUE REGULATION

A. REVENUE REGULATIONS (RR) No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued RR No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRSs and such other standards and/or conventions that may heretofore be adopted, in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year. In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

LBRDC is a VAT registered entity under Philippine tax laws per RR No. 16-2005. LBRDC is subject to Value Added Tax and other taxes (presented as Taxes and Licenses in the statement of comprehensive income) as well as corporate income tax. LBRDC was also designated by BIR as withholding tax agent under RR No. 17-2003 and RR No. 12-94, as amended.

In compliance, LBRDC pays the corresponding Value Added Tax on all items treated as gross receipt/sales and fringe benefit tax (FBT) on the benefits provided to its officers in accordance with the law and revenue regulation prescribing FBT. LBRDC withheld corresponding taxes on purchases of goods and services and compensation of employees.

- a. The LBRDC is VAT-registered with VAT output tax declaration of P85,125,829 for CY 2021
- b. The LBRDC has zero-rated/exempt sales pertaining to the sale of townhouses at Grand Garden Villas.
- c. The amount of VAT input taxes claimed are broken down as follows:

	Amount
Balance, beginning of the year	2,238,358
Current year's purchases	
i. Goods other than resale or manufacture capital goods	156,561
ii. Goods other than capital goods	4,811,606
iii. Services lodged under other accounts	3,836,308
Claims for tax credits/refund	(9,578,335)
Balance at end of year	1,464,498

d. Other taxes and licenses

	Amount
Local	
Mayor's permit	5,040,365
Real estate tax	1,165,616
Capital equipment tax	56,908
Professional tax receipt/PRC License (renewal)	1,200
Community Tax Certificate	10,500
Fire Certificate	28,255
Barangay Clearance	1,000
	6,303,844
National	
Tax on fringe benefits	116,004
Documentary Stamp Tax	3,912
Registration of company vehicle	21,059
Registration of PCAB License (renewal)	16,450
Registration – DOLE (renewal)	37,500
Renewal of VAT Registration	500
Renewal of PhilGEPS membership	5,000
	200,425
System License	
Oracle	169,741
	169,741

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

	Amount
Tax on compensation and benefits	8,379,077
Final withholding taxes (Withheld by clients, claimed as tax credits)	3,762,478
Expanded withholding taxes	1,448,956
Withholding percentage taxes	103,109
	13,693,620
Creditable withholding taxes	0
	13,693,620

B. RR NO. 2-2014

RR No. 2-2014 prescribes the new income tax forms to be used for income tax filing covering and starting the taxable year ended December 31, 2013

Pursuant to Section 244, in relation to Sections 6(H), 51(A)(1) and 51(A)(2) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are issued to prescribe the use of revised income tax forms with bar codes, and to reflect the changes in information required from said forms. This will also enable the said forms to be read by an optical character reader (OCR) for ease in scanning.

In the case of corporation using BIR Form No. 1702, the taxpayer is now required to include as part of its notes to the audited financial statements, which will be attached to the income tax return (ITR), the schedules and information on taxable and deductions to be taken.

1. Sales/Receipts/Fees

	Taxable Amount under Regular Rate
Sales of Services	803,676,756
	803,676,756

2. Cost of Sales/Services

	Amount under Regular Rate
Direct Charges – Salaries, Wages and Benefits	675,660,831
	675,660,831

3. Other Taxable Income Not Subjected to Final Tax

	Amount under Regular Rate
Interest Income	2,928,752
	2,928,752

4. Ordinary Allowable Itemized Deduction

Particulars	Amount
Amortization Expense	90,918
Charitable and Other Contributions	47,000
Depreciation	4,530,847
Interest	174,034
Rental	3,397,522
Salaries and Allowances	27,547,560
SSS, GSIS, Philhealth, HDMF and Other Contributions	1,899,718
Taxes and Licenses	6,674,010
Transportation and Travel	29,323
Janitorial and Messengerial Services	321,388
Professional Fees	15,000
Security Services	760,451
Employee Benefits	13,400,996
Training Expense	207,192

Particulars	Amount
Semi-expendable Expense	304,362
Office Supplies Expense	514,040
Others	7,492,320
TOTAL	67,406,681

37. OTHER SUPPLEMENTARY INFORMATION

In compliance with the Revised Securities Regulation Rule 68 issued by the Securities and Exchange Commission, the following are the financial soundness indicators of the LBRDC:

	2021	2020
Current ratio	3.61	4.31
Solvency ratio	0.33	0.37
Debt to Equity ratio	0.26	0.21
Asset to Equity ratio	0.80	1.21
Interest rate coverage ratio	416	3.82
Profitability Ratio:		
Profit Margin	17%	16.40%
Operating Profit Margin	16.44%	14.28%
Net Profit Margin	6.27%	7.72%
Return on Assets	6.19%	5.99%
Return on Equity	7.81%	7.26%

Current Ratio decreased to 3.60 from 4.31 in CY 2020 mainly due to the higher liabilities recorded in CY 2021 with an increase of 30 per cent compared in CY 2020 due to additional manpower clients resulted to higher accruals of output taxed and accruals on manpower expenses. The CY 2021 Solvency Ratio maintained the level versus in CY 2020 resulted to the gradual movement of the business transaction especially in construction activities.

Profitability Ratio improved the level of operations in CY 2021 as compared in CY 2020 due to opening of the opportunity to have an additional client procured LBRDC's services for their manpower requirements.

38. RECLASSIFICATION

The 2020 indirect expenses were allocated to the LBRDC's businesses through a pro rate distribution based on the peso value of the total revenue and time allocated by the officers and employees assigned to monitor/discharge the related services although in CY 2021, allocation of operating/indirect expenses were already disregarded per Board Resolution No. 21-06-13.