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:

	2019	2018
Regular employees	42	41
Project-based	819	849
Probationary employees	4	0
	865	890

SCOPE AND OBJECTIVES OF AUDIT

The audit covered the examination, on a test basis, of the accounts, transactions and operations of the LBRDC for the period January 1 to December 31, 2019 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, 2019 and 2018. 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

	2019	2018	Increase/ (Decrease
Assets	697,833,495	675,049,570	22,783,925
Liabilities	84,515,085	93,099,254	(8,584,169)
Equity	613,318,410	581,950,316	31,368,094

II. Comparative Results of Operations

	2019	2018	Increase/ (Decrease)
Revenue	405,961,640	458,717,562	(52,755,922)
Expenses	405,961,640	382,620,334	(57,188,495)
Net income before tax	80,529,801	76,097,228	4,432,573
Income tax expense	22,963,490	22,109,821	853,669
Profit	57,566,311	53,987,407	3,578,904

III. Comparative Budget and Actual Expenditures

	Budget		Utilization	
Particulars	**2019**	**2018**	**2019**	**2018**
Personnel services	29,992,973	40,288,160	15,256,112	20,385,611
Maintenance and other operating expenses	15,962,753	26,526,225	9,775,213	13,459,454
Direct costs	370,425,149	344,955,859	300,400,513	348,508,323
Capital expenditures	15,000,000	20,000,000	1,042,838	867,590
	431,380,875	**431,770,244**	**326,474,676**	**383,220,978**

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, 2019 and 2018.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. The faithful representation of the balance of Contract in Progress (CIP) account amounting to P8.461 million as at December 31, 2019 was not established due to the: (a) discrepancy between the balance per revised schedule of CIP and it subsidiary ledgers; (b) discrepancy between the balance per revised schedule of CIP and the previous schedule of CIP submitted; and (c) total Construction Costs exceeded the total actual cost for five projects by P2.577 million.

We recommended that Management:

a.) Determine the correct balance of CIP for the projects listed in its revised Schedule of CIP and effect the necessary adjustments;

b.) Reconcile the noted variances between the revised Schedule of CIP and the previously submitted Schedule of CIP; and

c) Effect the necessary adjustments to record the excess Construction Cost over the running actual cost or CIP.

TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

Audit disallowance as at December 31, 2019 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

Of the ten audit recommendations embodied in the prior years' Annual Audit Reports, two were fully implemented, five were partially implemented, and three were not implemented, one of which is reiterated in Part II of this Report.

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
LBP Resources and Development Corporation
898 M. H. Del Pilar corner Quintos St.
Malate, Manila

Report on the Audit of the Financial Statements

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, 2019 and 2018, 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, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with applicable Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit 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 ethical requirements that are relevant to our audit of the financial statements in the Philippine Public Sector, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

In our report dated May 30, 2019, we have expressed a qualified opinion on the CY 2018 financial statements of the LBRDC because the Accounts Payable (AP-Trade), AP-Others, Retention Payable and Accrued Expenses aggregating P3.205 million as at December 31, 2018 were not provided with details as to specific supplier/payees, hence we were not able to apply alternative procedures to satisfy ourselves as to the validity of the recorded balances which have significantly affected the faithful representation of the Financial Liabilities and Other Payable accounts. In 2019, the LBRDC has submitted the details of the specific suppliers with long outstanding claims amounting to P2.006 million and already reversed the AP- Trade to Retained Earnings – Unappropriated. Accordingly, our present opinion on the CY 2018 financial statements as presented herein is different from that expressed in our previous report.

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

Management is responsible for the preparation and fair presentation of 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 ISSAI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LBRDC's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 or conditions that may cast significant doubt on the LBRD'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 LBRD's 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 in Note 34 and Note 35 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue, and complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange, and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

ROCHIE J. FELICES
Supervising Auditor

August 27, 2020

LBP RESOURCES AND DEVELOPMENT CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019 AND 2018
(In Philippine Peso)

	Note	2019	2018
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	132,661,961	86,610,659
Receivables, net	5	264,243,639	250,193,956
Inventories	6	10,904,760	11,621,332
Other Current Assets	10	26,703,585	12,837,695
Total Current Assets		**434,513,945**	**361,263,642**
Non-Current Assets			
Receivables, net	5	18,949,017	21,385,122
Financial Assets	7	119,296,449	172,858,341
Investment Property, net	8	99,411,444	100,531,428
Property, Plant and Equipment, net	9	14,942,434	15,503,812
Intangible Assets, net	10	1,836,277	1,800,189
Deferred Tax Asset		0	505,149
Other Non-Current Assets	11	1,231,823	1,201,887
Total Non-Current Assets		**255,667,444**	**313,785,928**
Total Assets		**690,181,389**	**675,049,570**
LIABILITIES			
Current Liabilities			
Financial Liabilities	12	8,260,411	9,801,550
Inter-Agency Payables	13	12,372,316	19,126,871
Trust Liabilities	14	7,840,864	7,399,129
Deferred Credits/Unearned Income	15	27,097,553	23,148,906
Provisions	16	11,390,540	12,737,290
Other Payables	17	14,391,175	20,810,329
Total Current Liabilities		**81,352,859**	**93,024,075**
Non-Current Liabilities			
Deferred Credits/Unearned Income	17	0	75,179
Total Non-Current Liabilities		**0**	**75,179**
Total Liabilities		**81,352,859**	**93,099,254**
EQUITY			
Share Capital	18	133,212,000	133,212,000
Share Premium		5,162,840	5,162,840
Revaluation Surplus	19	61,200,000	61,200,000
Retained Eamings	20		
Appropriated		350,000,000	350,000,000
Unappropriated		59,253,690	32,375,476
Total Equity		**608,828,530**	**581,950,316**
Total Liabilities and Equity		**690,181,389**	**675,049,570**

The notes on pages 9 to 38 form part of these statements.

LBP RESOURCES AND DEVELOPMENT CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Philippine Peso)

	Note	2019	2018
Income			
Service and Business Income	21	405,701,868	458,338,435
Other Non-Operating Income	27	2,266,002	379,127
Total Income		**407,967,870**	**458,717,562**
Expenses			
Direct Costs	22	(298,311,870)	(348,508,323)
Personnel Services	23	(17,329,297)	(20,842,611)
Maintenance and Other Operating Expenses	24	(8,701,507)	(9,591,323)
Financial Expenses	25	(522,244)	(266,946)
Non-Cash Expenses	26	(6,121,590)	(3,411,131)
Total Expenses		**(330,986,508)**	**(382,620,334)**
Net Income Before Tax		**76,981,362**	**76,097,228**
Income Tax Expense	28	**(21,898,958)**	**(22,109,821)**
Net Income for the Year		**55,082,404**	**53,987,407**
Total Comprehensive Income		**55,082,404**	**53,987,407**

The notes on pages 9 to 38 form part of these statements.

LBP RESOURCES AND DEVELOPMENT CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Philippine Peso)

	Share Capital	Share Premium	Revaluation Surplus	Retained Earnings		TOTAL
				Appropriated	Unappropriated	
			(Note 19)	(Note 22)		
BALANCE AT JANUARY 1, 2018	133,212,000	5,162,840	61,200,000	250,000,000	120,834,006.00	570,408,846
CHANGES IN EQUITY FOR 2018						
Add/(Deduct):						
Appropriation of Retained Earnings				100,000,000	(100,000,000)	0
Net Income for the Year					53,987,407	53,987,407
Declaration of Cash Dividend					(34,209,875)	(34,209,875)
Other Adjustments					(8,236,062)	(8,236,062)
BALANCE AT DECEMBER 31, 2018	133,212,000	5,162,840	61,200,000	350,000,000	32,375,476	581,950,316
CHANGES IN EQUITY FOR 2019						
Add/(Deduct):						
Net Income for the Year					55,082,404	55,082,404
Declaration of Cash Dividend					(28,057,944)	(28,057,944)
Other Adjustments					(146,246)	(146,246)
BALANCE AT DECEMBER 31, 2019	133,212,000	5,162,840	61,200,000	350,000,000	59,253,690	608,828,530

The notes on pages 9 to 38 form part of these statements.

LBP RESOURCES AND DEVELOPMENT CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Philippine Peso)

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Income/Revenue		357,978,178	268,475,920
Collection of Receivables		132,973,108	197,433,912
Trust Receipts		1,902,845	5,179,835
Other Receipts		12,979,607	17,263,018
Total Cash Inflows		**505,833,738**	**488,352,685**
Cash Outflows			
Payment of Expenses		(224,124,694)	(237,304,141)
Purchase of Inventories		(5,179,366)	(41,463,472)
Grant of Cash Advances		(17,044,137)	(11,542,200)
Prepayments		(239,617)	(978,888)
Refund of Deposits		0	(52,176)
Payments of Accounts Payable		(4,019,848)	2,025,670
Remittance of Personnel Benefit Contributions and Mandatory Deductions		(63,594,803)	(67,696,323)
Other Disbursements		(74,927,004)	(69,048,072)
Total Cash Outflows		**(389,129,469)**	**(426,059,602)**
Net Cash Generated from Operating Activities		**116,704,269**	**62,293,083**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Receipt of Interest Earned		15,220,284	6,332,167
Proceeds from Matured Investments		217,126,143	0
Total Cash Inflows		**232,346,427**	**6,332,167**
Cash Outflows			
Acquisition of Property, Plant and Equipment		(1,644,466)	(185,625)
Placements of Investments		(273,138,990)	(23,150,095)
Purchase of Intangible Assets		(157,994)	
Total Cash Outflows		**(274,941,450)**	**(23,335,720)**
Net Cash Used in Investing Activities		**(42,595,023)**	**(17,003,553)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Payment of Cash Dividends		(28,057,944)	(34,209,875)
Cash Used in Financing Activities		**(28,057,944)**	**(34,209,875)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**46,051,302**	**11,079,655**
CASH AND CASH EQUIVALENTS, JANUARY 1		**86,610,659**	**75,531,004**
CASH AND CASH EQUIVALENTS, DECEMBER 31	**4**	**132,661,961**	**86,610,659**

The notes on pages 9 to 38 form part of these statements.

LBP RESOURCES AND DEVELOPMENT CORPORATION

(A wholly-owned subsidiary of Land Bank of the Philippines)

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

1.1 Corporate Information

LBP Resources and Development Corporation (LBRDC), formerly LB (Land Bank) Realty Development Corporation, is a wholly-owned subsidiary of LandBank of the Philippines (LBP) and was created through Securities and Exchange Commission (S.E.C.) 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.

LBRDC's registered address is at the 24th Floor LBP Plaza, 1598 M.H. del Pilar corner Dr. Quintos Streets, Malate, Manila.

1.2 Authorization to Issue the 2019 Financial Statements

The financial statements of LBRDC, formerly LB (LandBank) Realty Development Corporation, for the years ended December 31, 2019 and 2018 were approved and authorized for issue by the Board of Directors on June 28, 2020, through its Resolution No.20-06-07 dated June 24, 2020. The Financial Statements were signed by the Chairman of the Board on June 01, 2020 as shown in the Statement of Management Responsibility for Financial Statements.

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

The comparative financial statements have been prepared in compliance with Philippines Financial Reporting Standards (PRFSs). PFRS include Philippines Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippines Interpretations Committee (PIC).

The financial statements are prepared on historical basis unless otherwise stated. The financial statements are presented in Philippines Peso, which is the Parent Company's functional currency and all values are rounded to the nearest peso unless otherwise stated. The financial statements provide comparative information in respect of the previous period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CHANGES AND IMPROVEMENTS

3.1 Basis of financial statements

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

3.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except that LBRDC has adopted those new/revised standards mandatory for the financial years beginning on or after January 1, 2019. LBRDC has adopted the following standards during the year:

PFRS 9 – Financial Instruments

PFRS 9 replaces PAS 39, Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The application of the Provisions of PFRS with regard to the Hold and Collect business model on investment is presented and approved by the LBRDC Board on December 16, 2019 as per Board Resolution No. 19-12-08.

LBRDC has applied PFRS 9 using the modified retrospective approach, with the initial application date of January 1, 2019.

Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost or Fair Value through Other Comprehensive Income (FVOCI). The classification is based on two criteria: LBRDC's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding.

PAS 1 – In Paragraph 125. An entity shall disclose information about the assumption it makes about the future and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

a. Their nature, and
b. Their carrying amount as at the end of the reporting period.

Based on LBP Treasury Risk' Management Department (LBP-TRMD) computations, the investment was assessed as stage 1 or stage 2 or 12-month ECL or lifetime / maturity, using the external credit rating of the following credit rating company namely Moody's, Fitch and Standard and Poor, since PETRON has no existing external credit rating, benchmarking was used to determine the Expected Credit Loss using the BAA1 under Moody's Corporate Cumulative Forward Looking Probability of Default Table. The amount of P19,017.35 is the present value or discounted value of the estimated credit loss for the PETRON Corporate C Bonds with a Face Amount of P20,000.000.00. Probability of Default and Loss Given Default is then estimated using the following hierarchy:

1. Internal Credit Rating
2. External Credit Rating
3. External Credit for Benchmark/Comparable Companies

LBRDC's investment described as follows:

- There is no significant increase in the probability of default since its initial recognition up to its maturity.
- Since the type of investment, Petron Corporation C Bonds, is in the form of government securities, the credit loss for this type of investment is deemed minimal.
- In addition, the company's nature of operations is not directly related to banking and/or financial institutions. In fact, LBRDC is not a Bangko Sentral ng Pilipinas Supervised Financial Institution (BSFI).

	PFRS 9 Measurement Category
PAS 39 Measurement Category	*Financial Assets at Amortized Cost*
Financial Assets – Held	*119,309,048*

to Maturity

<u>PFRS 15</u> – Revenue from Contracts with Customers

PFRS 15 requires entities to exercise judgment, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling the contract. In addition, the standard requires relevant disclosures.

LBRDC adopted PFRS 15 using the retrospective method of adoption with the date of the initial application of January 1, 2019. Under this method, the standard can be applied either to all contracts at the date of the application or only to contracts that are not completed at this date. LBRDC elected to apply the standards to all contracts as at January 1, 2019.

PFRS 15 – In Paragraph 97. Cost that related directly to a contract (or a specific anticipated contract) includes any of the following:

- Direct labor (for example, salaries and wages of employees who provided the promised services directly to the customers);
- Direct materials (for example, supplies used in providing the promised services to a customer)
- Allocation of costs that relate directly to the contract or to contract activities (for example, costs of contract management and supervision, insurance and depreciation of tools, equipment and right-to-use assets in fulling the contract)
- Costs that are explicitly chargeable to the customer under the contract; and
- Other costs that are incurred because an entity entered into the contract (for example, payments to subcontractors)

In Paragraph 98. An entity shall recognize the following costs as expenses incurred:

- General and administrative cost (unless those costs are explicitly chargeable to the customers under the contract, in which case an entity shall evaluate those costs in accordance with paragraph 97).

In the case of the allocation of operating expenses to Contract In Progress by LBRDC that was being recommended by the COA Auditor in 2016 wherein the Statement of Income prepared for management (audit, executive committee and board) is in a different format / presentation compared to the Statement of Income submitted to the COA Auditor.

Management recommended the allocation of operating expenses to each business type in order to give **fair presentation of the net profit.** In the case of the Construction Management Department (CMD) personnel working at Head Office where the status of employment is regular / permanent, the expenses being incurred by the unit are solely related to construction (for example, salaries and benefits) in the same manner with the Property Management and Manpower Services. Management (PMMS) recommended the 40% share of CMD from operating expenses based on the prorated Revenue coming from Construction over the Total Revenues during the time of adoption or recognition of the said cost center.

The shared expenses were debited to Contract In Progress and credited to the following operating expenses namely, salaries and wages, taxes and licenses, employee benefits, rental expense, director's and corporate officers' reimbursement, board and committees' per diem, office supplies expense, insurance expense, depreciation expense, telephone expense, SSS and EC premium contribution, PHIC contribution, security and janitorial, repairs and maintenance, water and electricity expense, audit expense, miscellaneous expense, gasoline, oil and lubricants, travel and transportation expense, seminar and training expense, Pag-IBIG Contribution, membership dues and fees, amortization expense, representation expense and advertising expense.

The adoption of PFRS 15 does not have a significant impact on LBRDC's financial statements.

PFRS 16 – Leases

PAS 16 – In Paragraph 51 the objective of the disclosures is for lessee's information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for performance and cash flows of the lessee. Paragraph 52-60 specify requirements on how to meet this objective.

Paragraph 52. A lessee shall disclose information about its leases for which it is a lessee in a single note or separate section in its financial statements.

Paragraph 53. A lessee shall disclose the following amounts for the reporting period:

a.) Depreciation charge for right to use assets by class underlying asset;
b.) Interest expense on lease liability
c.) The expense relating to variable lease payments not included in the measurement of lease liabilities

Paragraph 58. A lessee shall disclose a maturity analysis of lease liabilities applying paragraphs 39 in the Appendix item B11 of IFRS 7 Financial Instruments. Disclosures separate from the maturity analysis of other financial liabilities.

LBRDC recognizes both right to use assets and lease liability in accordance with PFRS 16 paragraph 23 amounting to P2,347,428.07

As per Contract of Lease made and entered between Jose P. Laurel Memorial Foundation (lessor) and LBP Resources and Development Corporation (lessee) on March 17, 2017. The lessee shall pay P170,016 monthly inclusive of 12% VAT. The said monthly rental shall be subject to 5% yearly escalation clause. The incremental used to compute for the present value of lease liability and Right of Use Asset is 6.02% derived from treasury bill rates for the year January 2019. The Right of Use Asset is depreciated through straight-line basis over the lease term.

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

a. Amounts recognized in the balance sheet:

Commercial Building	***December 2019***	***January 2019***
Right-of-use Assets	*2,347,428*	*0*
Lease Liability	*2,347,428*	*0*

Initial recognition of Right of Use – LBRDC Satellite Office recognized the corresponding Interest Expenses P74,999 and the related Depreciation Expense of P2,012,081 due to the impracticability of mis-stating the amount presented in the financial statements. The renewal of the Lease Contract upon Expiration on March, 2020 is still undetermined or the possibility of renewal is remote. The transition of LBRDC to PFRS 16 used the modified retrospective approach.

1.1 Recognition and Measurement of Financial Instruments

a. Financial Assets

Initial Recognition 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, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of profit or loss 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. The LBRDC's debt instruments at FVOCI include investments in government securities and investments in corporate bonds.

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 consolidated statement of profit or loss 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 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 risk 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

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.

Derecognition

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

3.2 Cash and Cash Equivalents

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

3.3 Inventories

Inventories are stated at cost upon initial recognition. Costs of acquiring materials and supplies includes costs incurred in bringing each item to their present location and location

Inventories, except construction materials, are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of LBRDC.

3.4 Investment Property

Investment 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. However, this was inadvertently stated at “fair value” in prior years.

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.

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.

3.5 Property 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 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 income statement in the year the asset was derecognized.

1.1.1.1.1.1.1 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.

3.7 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 (5) 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 consolidated statement of 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 consolidated statement of income.

3.8 Provisions, Contingent Liabilities and Contingent Assets

a. Provisions

Provisions are recognized when LBRDC has a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where LBRDC expects a provision, or a portion, to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liabilities.

b. Contingent Liabilities and Assets

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated 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 consolidated financial statements when an inflow of economic benefits is probable.

3.9 Changes in Accounting Policies and Estimates

LBRDC recognizes the effects of changes in accounting policy respectively. 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 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 period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest period presented

3.10 Revenue Recognition

<u>PFRS 15</u> – Revenue from Contracts with Customers

PFRS 15 requires entities to exercise judgment, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling the contract. In addition, the standard requires relevant disclosures.

LBRDC adopted PFRS 15 using the retrospective method of adoption with the date of the initial application of January 1, 2019. Under this method, the standard can be applied either to all contracts at the date of the application or only to contracts that are not completed at this date. LBRDC elected to apply the standards to all contracts as at January 1, 2019.

The adoption of PFRS 15 does not have a significant impact on LBRDC's financial statements.

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.

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.

4 CASH AND CASH EQUIVALENTS

	2019	2018
Cash on Hand	1,000,000	1,000,000
Cash in bank – Local Currency	23,076,848	12,591,952
Time Deposits – Local Currency	108,585,113	73,018,707
TOTAL	**132,661,961**	**86,610,659**

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

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

	2019	2018
Philippine Peso (Current and Savings Deposit)	0.5%	0.5%
Interest of short-term investments	3.05% to 5.93%	1.08% to 5.25%

Investment in special depository accounts is with maturity periods of 21 to 359 days and rolled over depending on the cash requirements of LBRDC.

The Time Deposits – Local Currency pertains to Investments 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 Savings Account (HYSA).

5 RECEIVABLES

This account consists of:

	2019 Current	2019 Non-current	2019 Total	2018 Current	2018 Non-Current	2018 Total
Receivables	240,858,818	2,024,748	242,883,566	220,316,766	2,122,556	222,439.322
Sales Contract Receivable	0	16,639,517	16,639,517	0	19,073,286	19,073,286
Lease Receivables	2,643,314	0	2,643,314	1,896,626	0	1,896,626
Other Receivables	20,741,508	284,752	21,026,260	27,980,564	189,280	28,169,844
TOTAL	**264,243,640**	**18,949,017**	**283,192,657**	**250,193,956**	**21,385,122**	**271,579,078**

5.1 Receivables

	2019 Current	2019 Non-current	2019 Total	2018 Current	2018 Non-Current	2018 Total
Receivables	240,858,818	2,861,336	243,720,154	220,316,766	4,801,278	225,118,044
Allowance for Impairment-Accounts Receivables		(836,588)	(836,588)		(2,678,722)	(2,678,722)
Net Value-Accounts Receivable	**240,858,818**	**2,024,748**	**242,883,566**	**220,16,766**	**2,122,556**	**222,439,322**

Receivable consists of the following:

- Contract Receivable are amounts billed to LBP construction / renovation contracts but not paid as of reporting date and;
- Accounts Receivable – Trade arises from contract entered into by LBRDC with LBP and other client on deployment of janitors/messengers and other services.

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 or thru In-housing 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 interest to be collected from the buyers for the duration of the payment period amounted to P12,152,585.

As of December 31, 2019 the balance of sales contract receivable amounted to P16,639,517.

5.3 Lease Receivable

	2019	2018
Operating Lease Receivable	2,643,314	1,896,626
Allowance for Impairment-Operating Lease Receivable	0	0
Net Value -Operating Lease Receivable	2,643,314	1,896,626

5.4 Other Receivables pertains to all non-trade receivables (e.g. retention, advances to clients, SSS, maternity / sickness benefits)

		2019			2018	
	Current	**Non-current**	**Total**	**Current**	**Non-Current**	**Total**
Other Receivables	22,441,844	561,756	23,003,600	27,980,564	594,985	28,575,549
Allowance for Impairment-Other Receivables	(1,700,337)	(277,004)	(1,977,341)		(405,705)	(405,705)
Net Value-Other Receivables	**20,741,507**	**284,752**	**21,026,259**	**27,980,564**	**189,280**	**28,169,844**

The following is the aging / analysis of Receivables

	Total	**Not past due**	**Past Due >60 days**
Accounts Receivable	243,720,154	240,858,818	2,861,336
Sales Contract Receivable	16,639,517	16,639,517	0
Lease Receivable	2,643,314	2,643,314	0
Other Receivables	22,726,596	22,441,844	284,752
Total	285,729,581	282,583,493	3,146,088

6. INVENTORIES

This account consists of inventories held for consumption:

	2019	**2018**
Construction Materials	9,125,449	9,841,430
Janitorial Supplies	1,412,153	983,792
Stationery and Supplies	367,158	796,110
	10,904,760	11,621,332

Reconciliation of the carrying amount follows:

	2019	**2018**
Carrying Amount, January 1	11,621,332	12,935,065
Additions / Acquisitions during the year	40,575,974	59,948,560

Expensed during the year except write-down	(41,292,546)	(61,262,293)
	10,904,760	11,621,332

LBRDC measures its inventories at purchase cost and applies a first-in, first -out method. Inventories consists of office supplies, both accountable and non-accountable forms, janitorial supplies used in LBRDC's janitorial services to LBP-Plaza, Bureau of Treasury, LafargeHolcim and Holcim-Calumpit and construction materials used in LBRDC's construction and renovations services to LBP.

7. FINANCIAL ASSETS

This account consists of investments in bonds which are held to maturity at amortized cost and investment in stock with PLDT acquired in connection with the subscription to the PLDT lines for the Antipolo Warehouse, as follows:

	2019	**2018**
Retail Treasury Bonds	99,296,449	120,273,022
MERALCO Bonds	0	25,043,750
Petron Corp. Fixed Rate Bond	20,000,000	0
San Miguel Brewery Fixed Rate Bond	0	27,541,569
PLDT Stocks	12,600	12,600
Total	119,309,049	172,870,941

Reconciliation of the balance of financial assets as follows:

As of December 31, 2019

	Held to Maturity	**Others**	**Total**
Balance as of January 1, 2019	172,858,341	12,600	172,870,941
Matured/Withdrawal of Investments	(56,012,847)	0	(56,012,847)
Interest Receivable	2,450,955	0	2,450,955
Balance as of December 31, 2019	119,296,449	12,600	119,309,049

As of December 31, 2018

	Held to Maturity	**Others**	**Total**
Balance as of January 1, 2018	151,656,449	12,600	151,669,049
Additional Investments	20,000,000	0	20,000,000
Interest Receivable	1,201,892	0	1,201,892
Balance as of December 31, 2018	135,858,341	12,600	172,870,941

8. INVESTMENT PROPERTY

This account consists of:

	2019			**2018**		
Accounts	**Investment Property-Land**	**Investment Property-Building**	**Total**	**Investment Property-Land**	**Investment Property-Building**	**Construction Equipment TOTAL**
Carrying Amount						

	2019			2018		
Accounts	Investment Property-Land	Investment Property-Building	Total	Investment Property-Land	Investment Property-Building	Construction Equipment TOTAL
January 1	66,000,000	34,531,428	100,531.428	66,000,000	35,651,412	101,651,412
Depreciation	0	1,119,984	1,119,984	0	1,119,984	1,119,984
Carrying Amount December 31	66,000,000	33,411,444	99,411,444	66,000,000	34,531,428	100,531,428
Gross Cost	66,000,000	81,183,308	147,183,308	66,000,000	81,183,308	147,183,308
Accumulated Depreciation	0	47,771,864	47,771,864	0	46,651,880	46,651,880
Carrying Amount December 31	66,000,000	33,411,444	99,411,444	66,000,000	34,531,428	100,531,428

LBRDC uses the following criteria to distinguish investment property from owner-occupied property) and from property held for sale in the ordinary course of operations (inventory):

- If the property is not used in the normal operations of the company; and
- If the property is held for capital appreciation and/or to earn rental income

The rental revenue amounted to P22,784,830 and P21,581,406 while the direct operating expenses amounted to P2,975,530 and P3,114,500 in 2019 and 2018 respectively.

9. PROPERTY, PLANT AND EQUIPMENT

This account consists of the following:

As of December 31, 2019

	Building and Other Structures	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Leased Assets Improvements	Right of Use
Carrying Amount January 1	7,296,511	3,905,614	2,660,329	386,505	1,254,851	0
Additions	0	1,286,784	0	116,077	0	2,347,428
Deductions	0	0	0	0	0	0
Total	7,296,511	5,192,398	2,660,329	502,582	1,254,851	2,347,428
Depreciation	(328,488)	(718,961)	(445,439)	(119,311)	(687,389)	(2,012,081)
Carrying Amount December 31	6,968,023	4,473,437	2,214,890	383,271	567,462	335.347
Gross Cost	9,124,612	23,281,880	7,263,451	1,299,884	1,254,851	2,347,428
Accumulated Depreciation	(2,156,589)	(18,808,443)	(5,048,561)	(916,613)	(687,389)	(2,012,081)
Carrying Amount December 31	6,968,023	4,473,437	2,214,890	383,271	567,462	335,347

As of December 31, 2019

	TOTAL
Carrying Amount January 1	15,503,810
Additions	3,750,289
Deductions	0
Total	19,254,099

Depreciation	(4,311,669)
Carrying Amount December 31	14,942,430
Gross Cost	44,572,106
Accumulated Depreciation	(29,629,676)
Carrying Amount December 31	14,942,430

As of December 31, 2018

	Building and Other Structures	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Leased Assets Improvement	Total
Carrying Amount January 1	7,624,999	4,315,091	3,470,684	503,469	1,976,325	17,890,568
Additions	0	859,951	0	0	7,639	867,590
Deductions	0	(19,928)	(135,025)	0	(729,113)	(884,066)
Total	7,624,999	5,155,114	3,335,659	503,469	1,254,851	17,874,092
Depreciation	(328,488)	(1,249,500)	(675,330)	(116,962)	0	(2,370,280)
Carrying Amount December 31	7,296,511	3,905,614	2,660,329	386,507	1,254,851	15,503,812
Gross Cost	9,124,612	21,995,096	7,263,451	1,183,809	1,254,851	40,821,819
Accumulated Depreciation	(1,828,101)	(18,089,482)	(4,603,122)	(797,302)		(25,318,007)
Carrying Amount December 31	7,296,511	3,905,614	2,660,329	386,507	1,254,851	15,503,812

10. INTANGIBLE ASSETS

This account consists of the following:

	2019	2018
Purchasing and accounting system 1/	1,650,243	1,679,334
Payroll system 2/	106,270	41,091
Computer software 3/	79,764	79,764
	1,836,277	1,800,189

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 (5) years. The amortization recognized as of December 31, 2019 amounted to P147,111.

3/ Represents salvage value of software acquired from Beacon Frontline Solutions, Inc. in CY 2006 in the amount of P1,254,545. It has been amortized for five years starting January 2007.

Reconciliation of the carrying amount as follows:

	2019	2018
Carrying Amount, January 1	1,800,189	1,826,418
Additions	65,179	0

	2019	2018
	1,865,368	1,826,418
Amortization	(29,091)	(26,229)
Carrying Amount, December 31	1,836,277	1,800,189
Gross Cost	3,158,170	3,092,991
Accumulated Amortization	(1,321,893)	(1,292,802)
Carrying Amount, December 31	1,836,277	1,800,189

11. OTHER ASSETS

This account consists of:

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Advances to Officers And Employees	620,350	0	620,350	522,651	0	522,651
January 1						
Prepayments	17,622,265	0	17,622,265	13,584,491	0	13,584,49
Deposit		1,219,223	1,219,223	0	1,189,287	1,189,287
Contract in Progress	8,460,970	0	8,460,970	(1,269,446)	0	(1,269,446)
Total Net December 31	26,703,585	1,219,223	27,922,808	12,837,696	1,189,287	14,026,983

The Contract in Progress is the control account used to record the accumulated costs related to the construction and renovation projects of LBRDC. The Corporation uses the percentage of completion method in recognizing income and cost based on the contract amount and it is also the policy of LBRDC to close its projects at 95% completion wherein abnormal balances of Contract in Progress (CIP), if any will be closed to the Construction Cost Account.

12. FINANCIAL LIABILITIES

This account consists of:

	2019	2018
Accounts Payable –Trade	5,956,354	7,881,773
Retention Payable	1,957,858	1,919,777
	7,914,212	9,801,550

a. Accounts Payable – 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 temporary retained by the Corporation to answer for the defects that may later be discovered on the projects. The release of said portion shall be within one year after the acceptance of the projects.

13. INTER-AGENCY PAYABLES

This account consists of:

	2019	2018
Due to BIR	1,711,747	1,912,027
Due to Pag-IBIG	714,607	673,615
Due to PhilHealth	371,135	325,025

Due to Parent Corporation	699,144	7,595,197
Due to SSS	1,429,315	1,149,061
Income Tax Payable	7,446,368	7,471,946
	12,372,316	19,126,871

14. TRUST LIABILITIES

This account consists of:

	2019	2018
Customers' Rental Deposits	7,023,770	6,685,188
Contractors' Deposits	674,076	570,924
Customers' Deposit	143,018	143,017
	7,840,864	7,399,129

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 plan 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:

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Unearned Revenue/Income-Investment Property	62,749	0	62,749	62,749	0	62,749
Other Deferred Credits January 1	0	0	0	0	75,179	75,179
Output Tax	27,034,802	0	27,034,802	23,086,157	0	23,086,157
Total Net December 31	27,097,551	0	27,097,551	23,148,906	75,179	23,225,085

Deferred credits represent output tax, unearned rent income and deferred tax on accrued rent income as of December 31, 2019.

16. PROVISIONS

This account consists of:

	2019	2018
Retirement Gratuity	5,858,250	5,150,095
Leave Benefits Payable	5,532,289	7,587,195
	11,390,539	12,737,290

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

17. OTHER PAYABLES

This account consists of:

	2019	2018
Accounts Payable – Others	1,666,652	871,174
Accrued Expenses	12,724,523	19,939,155
Leased Liabilities	346,199	0
	14,737,374	20,810,329

Initial recognition of Right of Use – LBRDC Satellite Office did not records the corresponding Interest Expenses P97,813 and the related Depreciation Expense of P1,895,365 due to impracticability that will have misstate the amount presented in the financial statements. The renewal of the Lease Contract upon Expiration on March, 2020 still undetermined or the possibility of renewal is remote.

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

18. SHARE CAPITAL

The SEC 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 P133,000,000. The increase in 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 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 7,498,857 shares or P74,988,570.

19. REVALUATION SURPLUS

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

20. ACCUMULATED SURPLUS/(DEFICIT)

a. Appropriations of Retained Earnings

The appropriation from Retained Earnings amounting to P350,000,000 that was approved in Board Resolution No. 19-02-06, is composed of the following:

	Amount	Timeline

Provision for software/equipment	20,000,000	2019-2020
Provisions for liability insurance of directors	10,000,000	2019-2020
Construction of LBRDC Naga Building	320,000,000	2020-2023
	350,000,000	

b. Dividend Declaration to the National Government

On May 8, 2020, the LBRDC Board of Directors approved the declaration of cash dividends amounting to P28,783,156 and remitted to the National Government under Board Resolution No. 20-05-02 on May 15, 2020.

c. Unappropriated Retained Earnings:

Total adjustment as follows:

	Amount
Written-off -Accounts Receivable (Others)FMD	283,723
Reversal of Deferred Tax Asset (2	(505,148)
Reversal of Deferred Tax Liability	75,179
Total Adjustment	(146,246)

21. SERVICE AND BUSINESS INCOME

This account consists of:

	2019	**2018**
Service Income		
Fees and Commission Income	1,240,664	6,146,716
Construction Income	110,545,722	198,910,007
Manpower Service Income	229,934,173	199,175,072
Property Management	26,855,714	19,028,310
ACU Maintenance Service Income	948,661	1,246,100
	369,524,934	424,506,205
Business Income		
Rent/Lease Income (Note 9)	22,784,830	21,581,406
Sales Revenue	0	3,800,000
Interest Income-	13,392,103	8,450,824
	36,176,933	33,832,230
Total	405,701,867	458,338,435

22. DIRECT COSTS

This account consists of:

	2019	**2018**
Service Cost		
Construction Cost	96,034,921	168,948,551
Manpower Services Expense	184,633,517	162,807,825
Property Management Expense	17,110,782	12,451,089

ACU Maintenance Service Expense	532,650	643,409
	298,311,870	344,850,874
Business Costs		
Cost of Sales	0	3,657,449
	0	3,657,449
Total	298,311,870	348,508,323

23. PERSONNEL SERVICES

This consists of:

	2019	2018
Salaries and Wages		
Salaries and Wages-Regular	10,417,680	12,563,990
Salaries and Wages-Casual/Contractual	553,000	242,818
	10,970,680	12,806,808
Other Compensation		
Personnel Economic Relief Allowance (PERA)	536,271	0
Representation Allowance	342,550	279,500
Transportation Allowance	293,930	177,500
Clothing/Uniform Allowance	58,040	96,000
Subsistence Allowance	83,085	0
Productivity Incentive Allowance	112,050	80,000
	1,425,926	633,000
Honoraria		
Longevity Pay	79,920	33,000
Year End Bonus	852,849	600,782
Cash Gift	109,350	80,000
Mid-Year Bonus	858,615	0
Directors and Committees Members' Fees	518,940	0
Honoraria		2,000
Other Bonuses and Allowances	1,140,785	6,334,796
	3,560,459	7,050,578
Personnel Benefit Contribution		
Pag-IBIG Contributions	26,014	24,821
PhilHealth Contribution	106,222	193,797
Employees Compensation Insurance Premium	394,062	133,607
	526,298	352,225
Other Personnel Benefits		
Retirement Gratuity	382,404	0
Terminal Leave Benefits	458,930	0
Other Personnel Benefits	4,600	0
	845,934	0
	17,329,297	20,842,611

LBRDC and its employees contribute to the Social Security System (SSS) in accordance with R.A. 8282. The SSS administers the plan including payment of employee pension benefits.

Other Bonuses and Allowances composed of :

Service Recognition Incentive	-	P223,020
Business Development Expenses	-	917,765

Total		P1,140,785
		===========

24. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of:

	2019	2018
Training and Scholarship Expenses		
Training Expenses	274,891	457,067
Scholarship Grants/Expenses		
Supplies and Material Expenses		
Office Supplies Expenses	431,427	590,355
Accountable Forms Expenses	32,545	36,206
Non-Accountable Forms Expenses		
Fuel, Oil and Lubricants Expenses		
Housekeeping/Cleaning Supplies		
Utility Expenses		
Water Expenses	119,610	404,903
Electricity Expenses	358,293	
Gas/Heating Expenses	78,265	106,621
Other Utility Expenses		
Communication Expenses		
Postage and Courier Services		
Telephone Expenses	226,874	182,532
Internet Subscription Expenses		
Cable, Satellite, Telegraph & Radio Expenses		
Miscellaneous Expenses	135,076	216,171
Professional Services		
Auditing Services	224,099	233,499
Consultancy Services		
Other Professional Services	28,393	12,500
General Services		
Janitorial Services	198,506	143,438
Security Services		
Other General Services		
Repairs and Maintenance		
Repairs and Maintenance-Investment Property	109,150	
Repairs and Maintenance-Machinery and Equipment	5,846	
Repairs and Maintenance-Transportation Equipment	166,190	
Repairs and Maintenance-Leased Assets Improve	36,039	
Repairs and Maintenance-Others	393,983	
Repairs and Maintenance-Other Prop, Plant & Equip		340,492
Taxes, Insurance & Premiums & Other Fees		
Taxes, Duties & Licenses	3,436,951	2,930,283
Insurance / Reinsurance Expenses	670,836	750,171
Other Maintenance & Operating Exp.		
Advertising, Promotional & Marketing Expenses	26,740	11,151
Representation Expenses	163,711	161,711

Directors and Committees Members' Fees		545,557
Transportation & Delivery Exp.	435,252	256,910
Rent / Lease Expenses	664,132	1,475,291
Membership Dues & Contribution to Org.	40,944	36,111
Printing and Publication Expenses		30
Other Maintenance & Operating Exp.	443,752	700,324
TOTAL	**8,701,507**	**9,591,323**

25. FINANCIAL EXPENSES

This account composed of:

	2019	2018
Financial Expenses		
Bank Charges	447,245	266,946
Interest Expense – ROU	74,999	
TOTAL	**522,244**	**266,946**

26. NON-CASH EXPENSES

This account is composed of:

	2019	2018
Depreciation		
Depreciation-Investment Property	1,119,984	1,119,984
Depreciation-Building & Other Structure	141,511	164,244
Depreciation-Machinery & Equipment	40,120	398,300
Depreciation-Transportation Equipment	118,645	159,317
Depreciation-Furniture, Fixtures and Books	35,560	58,480
Depreciation- Right of Use Assets	2,012,081	-
	3,467,901	1,900,325
Amortization		
Amortization-Leased Asset Improvement	392,903	701,612
Amortization-Intangible Assets	16,284	26,229
Impairment Loss		
Impairment Loss-Loans and Receivable	544,165	782,965
Impairment Loss – Retention Receivable	1,700,337	0
	2,244,502	3,411,311

Portion of the depreciation and amortization for the year were allocated to LBRDC's businesses as direct costs amounting to P1,276,365 and P321,514 respectively.

27. OTHER NON-OPERATING INCOME, GAIN OR LOSSES

This income consists of the following:

	2019	2018
Gain on Sale of Property, Plant and Equipment	0	264,500
Other Gains	2,266,002	114,627

	2,266,002	379,127

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

28. 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 2019 and 2018, the provisions for income tax were computed as follows:

	2019	2018
Net income before tax	76,981,361	76,097,228
Income subject to final tax	(12,708,269)	(7,801,308)
Fines, penalties and other charges	251,255	202,612
Net Income subject to tax	**64,524,238**	**68,498,532**
Current tax expense (30%)	19,357,304	20,549,559
Income tax-final	2,541,654	1,560,262
	21,898,958	**22,109,821**

29. EARNINGS PER SHARE

The basic earnings per share (EPS) is computed by dividing the net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared.

	2019	2018
Net income	55,082,403	53,987,407
Weighted average no. of outstanding common shares	13,321,200	13,321,200
Earnings per share	**4.13**	**4.05**

Profitability Ratio indicated an improvement from 2019 Profit, Operating Profit and Net Profit Margin compared to 2018. Return on Assets (ROA) and Return on Equity (ROE) indicated a minimal increased as compared in 2018.

30. CONSTRUCTION CONTRACTS

The construction income for CY 2019 is P110.546 million with accumulated cost of P93.359 million and recognized net profit of P17.187 million. Also, the outstanding retention receivable as part of contract receivables and advances from clients as of Due to Parent Corporation are P22.238 million and P0.699 million, respectively.

31. RETIREMENT BENEFITS

LBRDC has funded non-contributory define retirement 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 (1/2) 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 provided retirement, separation, disability and death benefits to its members. The fund is being administered and managed by LandBank 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 9, 2019.

LBRDC Board approved the retirement benefit plan on July 30, 2010 in Board Resolution No. 10-068. The retirement benefit plan includes vesting rights for voluntary separation of employees who have at least five years of continuous service. As of December 31, 2019, the vested benefit is P17 million.

32. COMMITMENTS AND CONTINGENCIES

The Corporation has the following operating lease commitments:

LBRDC as Lessee

LBRDC has entered into commercial leases on the office spaces occupied and systems furniture in the following:

a. LBP Plaza for five (5) 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, 2019 and 2018 P519,715. These are lodged under the Rental expense account.

b. Jose P. Laurel Memorial Foundation for three years which commenced on August 2017. There are no restrictions placed upon the lessee on entering into this lease. Future minimum rentals payable under non-cancelable operating leases which is due within one year as of at December 31, 2019 is P2,177,905.

LBRDC as lessor

LBRDC has entered into commercial property leases on its investment property portfolio consisting of land and building. These non-cancelable leases have remaining terms of one to fifteen (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.

33. RELATED PARTY TRANSACTIONS

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

	2019	2018
Investment in HYSA	108,585,113	73,018,707
LBP Branches and Plaza HQ	229,244,244	219,449,481
Investment in RTB	119,296,449	171,656,449
LBP Naga Branch Rental	2,213,326	2,077,124
LBRDC Head Office Space	519,715	780,259
TOTAL	**459,858,847**	**466,982,030**

34.1 The transfer of title for the World Centre Condominium property infused by LBP, the Parent Bank as additional equity, has not yet materialized due to LBRDC's request for the certification / confirmation of a tax-free exchange of the property. The Management is still waiting for the reply of the Assistant Commissioner for Legal Services, Bureau of Internal Revenue, for the issuance of the certificate that will be presented to the Registry of Deeds for the registration of the title under the name of LBRDC.

34.2 Key Management Personnel

The key management personnel of the LBRDC are the President and CEO, the members of the governing board, and the members of the senior management group. The governing board 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	4,005,159
Other Compensation	2,029,302
	6,034,461

34. EVENTS AFTER THE REPORTING DATE

Cash Dividend Declaration

On May 8, 2020, the LBRDC Board of Directors approved the declaration of cash dividend amounting to P28,908,783.12 and its remittance to the National Government under Board Resolution No. 20-05-02.

35. SUPPLEMENTARY INFORMATION ON REVENUE REGULATION

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

On November 25, 2010, the 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 PFRS 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.

LBP Resources and Development Corporation (LBRDC) is a VAT registered entity under Philippine tax laws per Revenue Regulations (RR) No. 16-2005. LBRDC is subject 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 the Bureau of Internal Revenue as withholding tax agent under Revenue Regulations (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 FB. LBRDC withheld corresponding taxes on purchases goods and services and compensation of employees.

a. The LBRDC is VAT-registered with VAT output tax declaration of P45,238,804 for CY 2019

The LBRDC has zero-rated / exempt sales pertaining to the sale of townhouses at Grand Garden Villas.

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

	Amount
Balance, beginning of the year	1,121,823
Current year's purchases	
i. Goods other than resale or manufacture capital goods	161,111
ii. Goods other than capital goods	7,009,351
iii. Services lodged under other accounts	2,152,379
Claims for tax credits/refund	(9,582,434)
Balance at end of year	862,230

a. Other taxes and licenses

Other taxes and licenses	Other taxes and licenses
Local	
Mayor's permit	3,446,286
Real estate tax	1,366,920
Capital equipment tax	56,908
Professional tax receipt/PRC License (renewal)	2,250
Community Tax Certificate	10,500
Fire Certificate	28,189
Barangay Clearance	1,000
Real property tax clearance	0
Sticker for Government Trucks	0
	4,912,053

	Amount
National	
Tax on fringe benefits	90,525
Tax Clearance	20,880
Documentary Stamp Tax	90
Registration of company vehicle	24,617
Registration of PCAB License (renewal)	6,142
Registration – DOLE (renewal)	25,000
Renewal of VAT Registration	500
Renewal of PhilGEPS membership	5,000
NLRC Clearance	500
	173,254
System License	
Oracle	156,935
	156,935

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

	Amount
Tax on compensation and benefits	2,289,140
Final withholding taxes (Withheld by clients, claimed as tax credits	1,012,147
Expanded withholding taxes	7,792,147
Withholding percentage taxes	70,510
	11,163,944
Creditable withholding taxes	368,470
	11,532,414

B. REVENUE REGULATION 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	369,524,935
Leased of Properties	22,784,830

2. Cost of Sales/Services

	Amount under Regular Rate
Direct Charges – Salaries, Wages and Benefits	15,256,112
Direct Charges - Depreciation	3,467,901
Direct Charges – Others	300,167,416
	318,891,429

3. Non-Operating and Taxable Other Income

	Amount under Regular Rate
Interest Income	15,256,112
Direct Charges - Depreciation	3,467,901
Direct Charges – Others	318,891,429

4. Ordinary Allowable Itemized Deduction

Particulars	Amount
Training Expenses	274,891
Office Supplies Expenses	431,427
Accountable Forms Expenses	32,545
Water Expenses	119,610
Electricity Expenses	358,293
Gas/Heating Expenses	78,265
Telephone Expenses	226,875
Miscellaneous Expenses	135,076
Auditing Services	224,099
Other Professional Services	28,393
Janitorial Services	198,506
Repairs and Maintenance-Investment Property	109,150
Repairs and Maintenance-Machinery and Equipment	5,846
Repairs and Maintenance-Transportation Equipment	166,190
Repairs and Maintenance-Leased Assets Improve	36,039
Repairs and Maintenance-Others	393,984
Taxes, Duties & Licenses	3,436,951
Insurance / Reinsurance Expenses	670,836
Advertising, Promotional & Marketing Expenses	26,740

Representation Expenses	163,711
Transportation & Delivery Exp.	435,252
Rent / Lease Expenses	1,520,199
Membership Dues & Contribution to Org.	40,944
Other Maintenance & Operating Exp.	443,752
Bank Charges	447,245
TOTAL	

5. Taxes and Licenses

   Other taxes paid during the year recognized under Taxes and Licenses account are the following:

36. KEY PERFORMANCE INDICATORS

The key financial ratios as follows:

	2019	2018
Current ratio	5.21	3.88
Solvency ratio	4.78	3.61
Debt to Equity ratio	0.14	0.16
Asset to Equity ratio	1.14	1.16
Interest rate coverage ratio	6.34	-
Profitability Ratio:		
Profit Margin	27.13%	24.03%
Operating Profit Margin	19.85%	16.59%
Net Profit Margin	14.19%	11.77%
Return on Assets	8.24%	8%
Return on Equity	9.38%	9.28%

Current Ratio increased to 5.21 from 3.88 in 2018 due mainly to the higher increase in Current Asset of 21.96% and decreased of 9.14% of Current Liabilities. Solvency Ratio increased to 4.78 from 3.61 in 2018 due to increase in receivables and short-term investments. A minimal decreased Debt to Equity and Asset to Equity Ratio to 0.14 from 0.16 in 2018 and from 1.14 to 1.16 in 2018 respectively.

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