



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, 2020 and 2019, 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, 2020 and 2019, 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 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 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. 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.
- 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 34 and Revised Securities Regulation Code Rule 68 in Note 35 to the 2020 financial statements is 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

July 5, 2021





## **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, 2020 and 2019 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the LBP (Land Bank of the Phil.) Resources and Development Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the LBP (Land Bank of the Phil.) Resources and Development Corporation or to cease operations, or has no realistic alternative to do so.

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

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

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

  
**Atty. MANUEL C. PICZON**

Interim Chairman of the Board

  
**Mr. VIRGIL G. NERY**

President and CEO

  
**Ms. OLIVE PRINCESS S. RAMAL**

Acting Corporate Treasurer

Signed this 19th day of May, 2021.



**LBP RESOURCES AND DEVELOPMENT CORPORATION**  
(A wholly-owned subsidiary of Land Bank of the Philippines)  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2020 AND 2019**  
(In Philippine Peso)

	Note	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4	187,050,293	132,661,961
Receivables, net	5	313,944,427	264,243,639
Inventories	6	11,819,436	10,904,760
Other Current Assets	11	42,978,043	26,703,585
<b>Total Current Assets</b>		<b>555,792,199</b>	<b>434,513,945</b>
<b>Non-Current Assets</b>			
Receivables, net	5	22,487,428	18,949,017
Financial Assets	7	60,296,449	119,296,449
Investment Property, net	8	98,291,459	99,411,444
Property, Plant and Equipment, net	9	14,262,382	14,942,434
Intangible Assets, net	10	2,872,963	1,836,277
Other Non-Current Assets	11	2,029,341	1,231,823
<b>Total Non-Current Assets</b>		<b>200,240,022</b>	<b>255,667,444</b>
<b>Total Assets</b>		<b>756,032,221</b>	<b>690,181,389</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	12	11,978,572	8,260,411
Inter-Agency Payables	13	31,483,430	12,372,316
Trust Liabilities	14	8,248,919	7,840,864
Deferred Credits/Unearned Income	15	36,821,305	27,097,553
Provisions	16	8,414,501	11,390,540
Other Payables	17	31,986,781	14,391,175
<b>Total Current Liabilities</b>		<b>128,933,508</b>	<b>81,352,859</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	12	2,565,892	0
<b>Total Non-Current Liabilities</b>		<b>2,565,892</b>	<b>0</b>
<b>Total Liabilities</b>		<b>131,499,400</b>	<b>81,352,859</b>
<b>EQUITY</b>			
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 Earnings	20		
Appropriated		348,772,607	350,000,000
Unappropriated		76,185,374	59,253,690
<b>Total Equity</b>		<b>624,532,821</b>	<b>608,828,530</b>
<b>Total Liabilities and Equity</b>		<b>756,032,221</b>	<b>690,181,389</b>

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

**LBP RESOURCES AND DEVELOPMENT CORPORATION**  
(A wholly-owned subsidiary of Land Bank of the Philippines)  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(In Philippine Peso)

	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Income</b>			
Service and Business Income	21	579,875,578	405,701,868
Other Non-Operating Income	27	6,542,679	2,266,002
<b>Total Income</b>		<b>586,418,257</b>	<b>407,967,870</b>
<b>Expenses</b>			
Direct Costs	22	(490,256,098)	(298,311,870)
Personnel Services	23	(17,325,759)	(17,329,297)
Maintenance and Other Operating Expenses	24	(8,918,462)	(8,701,507)
Financial Expenses	25	(227,575)	(522,244)
Non-Cash Expenses	26	(5,969,375)	(6,121,590)
<b>Total Expenses</b>		<b>(522,697,269)</b>	<b>(330,986,508)</b>
<b>Net Income Before Tax</b>		<b>63,720,988</b>	<b>76,981,362</b>
<b>Income Tax Expense</b>	<b>28</b>	<b>(18,387,575)</b>	<b>(21,898,958)</b>
<b>Net Income for the Year</b>		<b>45,333,413</b>	<b>55,082,404</b>
<b>Total Comprehensive Income</b>		<b>45,333,413</b>	<b>55,082,404</b>

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



**LBP RESOURCES AND DEVELOPMENT CORPORATION**  
(A wholly-owned subsidiary of Land Bank of the Philippines)  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(In Philippine Peso)

	Share Capital	Share Premium	Revaluation Surplus	Retained Earnings		TOTAL
			(Note 19)	Appropriated	Unappropriated	
				(Note 20)		
<b>BALANCE AT JANUARY 1, 2019</b>	<b>133,212,000</b>	<b>5,162,840</b>	<b>61,200,000</b>	<b>350,000,000</b>	<b>32,375,476</b>	<b>581,950,316</b>
<b>CHANGES IN EQUITY FOR 2019</b>						
Add/(Deduct):						
Appropriation of Retained Earnings						0
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)
<b>BALANCE AT DECEMBER 31, 2019</b>	<b>133,212,000</b>	<b>5,162,840</b>	<b>61,200,000</b>	<b>350,000,000</b>	<b>59,253,690</b>	<b>608,828,530</b>
<b>CHANGES IN EQUITY FOR 2020</b>						
Add/(Deduct):						
Net Income for the year					45,333,413	45,333,413
Declarations of Cash Dividend						
(additional remittance for 2017)					(845,966)	(845,966)
Reversal of Appropriated Retained Earnings				(1,227,393)	1,227,393	0
Declarations of Cash Dividend					(28,783,156)	(28,783,156)
<b>BALANCE AT DECEMBER 31, 2020</b>	<b>133,212,000</b>	<b>5,162,840</b>	<b>61,200,000</b>	<b>348,772,607</b>	<b>76,185,374</b>	<b>624,532,821</b>

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

**LBP RESOURCES AND DEVELOPMENT CORPORATION**  
(A wholly-owned subsidiary of Land Bank of the Philippines)  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(In Philippine Peso)

	Note	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Collection of Income/Revenue		521,103,391	357,978,178
Collection of Receivables		46,169,976	132,973,108
Trust Receipts		442,550	1,902,845
Other Receipts		22,481,243	12,979,607
<b>Total Cash Inflows</b>		<b>590,197,160</b>	<b>505,833,738</b>
<b>Cash Outflows</b>			
Payment of Expenses		(385,814,479)	(224,124,694)
Purchase of Inventories		(23,935,822)	(5,179,366)
Grant of Cash Advances		(683,220)	(17,044,137)
Prepayments		(141,010)	(239,617)
Refund of Deposits		(97,627)	0
Payments of Accounts Payable		(18,761,076)	(4,019,848)
Remittance of Personnel Benefit Contributions and Mandatory Deductions		(98,265,527)	(63,594,803)
Other Disbursements		(51,869,091)	(74,927,004)
<b>Total Cash Outflows</b>		<b>(579,567,852)</b>	<b>(389,129,469)</b>
<b>Net Cash Generated from Operating Activities</b>		<b>10,629,308</b>	<b>116,704,269</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Receipt of Interest Earned		2,333,514	15,220,284
Proceeds from Matured Investments		173,754,987	217,126,143
<b>Total Cash Inflows</b>		<b>176,088,501</b>	<b>232,346,427</b>
<b>Cash Outflows</b>			
Acquisition of Property, Plant and Equipment		(1,228,101)	(1,644,466)
Placements of Investments		(100,417,369)	(273,138,990)
Purchase of Intangible Assets		(1,054,885)	(157,994)
<b>Total Cash Outflows</b>		<b>(102,700,355)</b>	<b>(274,941,450)</b>
<b>Net Cash Generated from/(Used in) Investing Activities</b>		<b>73,388,146</b>	<b>(42,595,023)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Payment of Cash Dividends		(29,629,122)	(28,057,944)
<b>Cash Used in Financing Activities</b>		<b>(29,629,122)</b>	<b>(28,057,944)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>54,388,332</b>	<b>46,051,302</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>		<b>132,661,961</b>	<b>86,610,659</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>4</b>	<b>187,050,293</b>	<b>132,661,961</b>

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



## **LBP RESOURCES AND DEVELOPMENT CORPORATION**

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

### **NOTES TO FINANCIAL STATEMENTS**

**As of December 31, 2020 and 2019**

(All amounts in Philippine Peso, unless otherwise stated)

## **1. GENERAL INFORMATION**

### **1.1 Corporate Information**

The LBP Resources and Development Corporation (LBRDC), 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 24<sup>th</sup> Floor LBP Plaza, 1598 M.H. Del Pilar cor. Dr. J. Quintos Sts., Malate, Manila.

### **1.2 Authorization to issue the 2020 Financial Statements**

The financial statements of LBRDC, for the years ended December 31, 2020 and 2019 were approved and authorized for issue by the Board of Directors through its Resolution No. 21-04-13 dated April 21, 2021.

## **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 (PFRSs), which include the availment of the relief granted by the Security and Exchange Commission under Memorandum Circular Nos. 14-2018 and 3-2019 as discussed in Note 3 on the Adoption of New Amended Accounting Standards and Interpretation. PFRSs include Philippines Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippines Interpretations Committee.

The financial statements are prepared on historical basis unless otherwise stated. The financial statements are presented in Philippine Peso, which is the LBRDC'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**

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

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**

The LBRDC has adopted those new/revised standards and amendments to PFRS which are mandatory for the financial years beginning on or after January 1, 2020. The amendments to PFRS 16 - COVID-19-Related Rent Concessions, provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The application of these amendments had no significant impact on the LBRDC's financial statements.

#### **3.2 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, 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 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.

## 3.3 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.

## 3.4 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.

## 3.5 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.

### 3.6 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.

### 3.7 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 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.

### 3.8 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.



### 3.9 Changes in Accounting Policies and Estimates

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

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

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

- 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.

### 3.10 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.

### 3.11 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 1.689 per cent derived from treasury bill rates for the year January 2020. The Right of Use Asset is depreciated through straight-line basis over the lease term.

The carrying amount of the Right of Use Asset and the outstanding balance of Lease Liability are disclosed in Notes 9 and 12, respectively.

#### 4. CASH AND CASH EQUIVALENTS

	2020	2019
Cash on Hand	1,000,000	1,000,000
Cash in Bank – Local Currency	38,261,121	23,076,848
Time Deposits – Local Currency	147,789,172	108,585,113
<b>Total</b>	<b>187,050,293</b>	<b>132,661,961</b>

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three 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:

	2020	2019
Philippine Peso (Current and Savings Deposit)	0.5 %	0.5 %
Interest of short-term investments	0.80% to 1.40%	3.05% to 5.93%

Investment in special depository accounts is with maturity periods of 30 to 33 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

This account consists of:

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Receivables	289,887,114	6,407,178	296,294,292	240,858,818	2,024,748	242,883,566
Sales						
Contract	0	15,795,498	15,795,498	0	16,639,517	16,639,517
Receivable						
Lease						
Receivables	867,256	0	867,256	2,643,314	0	2,643,314
Other						
Receivables	23,190,057	284,752	23,474,809	20,741,507	284,752	21,026,259
<b>Total</b>	<b>313,944,427</b>	<b>22,487,428</b>	<b>336,431,855</b>	<b>264,243,639</b>	<b>18,949,017</b>	<b>283,192,656</b>

### 5.1 Receivables

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Receivables	289,887,114	8,372,648	298,259,762	240,858,818	2,861,336	243,720,154
Allowance for impairment-						
Accounts						
Receivable		(1,965,470)	(1,965,470)		(836,588)	(836,588)
<b>Net Value-</b>						
<b>Accounts</b>						
<b>Receivable</b>	<b>289,887,114</b>	<b>6,407,178</b>	<b>296,294,292</b>	<b>240,858,818</b>	<b>2,024,748</b>	<b>242,883,566</b>

Receivable consists of the following:

- Contracts Receivable are amounts billed to LBP for construction/renovation contracts but not paid as of reporting date; and
- Accounts Receivable – Trade arises from contract entered into by LBRDC with LBP and other clients on deployment of service contract workers, 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 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, 2020, the balance of sales contract receivable amounted to P15,795,498.

### 5.3 Lease Receivables

	2020	2019
Operating Lease Receivable	867,256	2,643,314
Allowance for Impairment-Operating Lease Receivable	0	0
<b>Net Value - Operating Lease Receivable</b>	<b>867,256</b>	<b>2,643,314</b>

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

	Current	2020 Non-current	Total	Current	2019 Non-current	Total
Other Receivables	25,807,015	561,756	26,368,771	22,441,844	561,756	23,003,600
Allowance for Impairment-Other Receivables	(2,616,958)	(277,004)	(2,893,962)	(1,700,337)	(277,004)	(1,977,341)
<b>Net Value-Other Receivables</b>	<b>23,190,057</b>	<b>284,752</b>	<b>23,474,809</b>	<b>20,741,507</b>	<b>284,752</b>	<b>21,026,259</b>

The following is the Aging/Analysis of Receivables:

	Total	Not past due	Past Due > 60 days
Accounts Receivable	298,259,762	289,887,114	8,372,648
Sales Contract Receivable	15,795,498	15,795,498	0
Lease Receivable	867,256	867,256	0
Other Receivables	26,368,771	25,807,015	561,756
<b>Total</b>	<b>341,291,287</b>	<b>332,356,883</b>	<b>8,934,404</b>

## 6. INVENTORIES

This account consists of inventories held for consumption:

	2020	2019
Construction Materials	9,924,049	9,125,449
Janitorial Supplies	1,445,232	1,412,153
Stationery and Supplies	450,155	367,158
	<b>11,819,436</b>	<b>10,904,760</b>

Reconciliation of the carrying amount follows:

	2020	2019
Carrying Amount, January 1	10,904,760	11,621,332
Additions/Acquisitions during the year	23,762,909	40,575,974
Expensed during the year except write-down	(22,848,233)	(41,292,546)
<b>Carrying Amount, December 31</b>	<b>11,819,436</b>	<b>10,904,760</b>

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.

	2020	2019
Retail Treasury Bonds	40,296,449	99,296,449
Petron Corporation Fixed Rate Bond	20,000,000	20,000,000
<b>Total</b>	<b>60,296,449</b>	<b>119,296,449</b>

Reconciliation of the balance of financial assets follows:

*As at December 31, 2020*

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

*As at December 31, 2019*

	Held to Maturity
<b>Balance as at January 1, 2019</b>	172,858,341
Matured/Withdrawal of Investments	(56,012,847)
Interest Receivable	2,450,955
<b>Balance as at December 31, 2019</b>	<b>119,296,449</b>

## 8. INVESTMENT PROPERTY

This account consists of:

Accounts	2020			2019		
	Investment Property – Land	Investment Property – Buildings	Total	Investment Property – Land	Investment Property – Buildings	Total
Carrying Amount, January 1	66,000,000	33,411,444	99,411,444	66,000,000	34,531,428	100,531,428
Depreciation	0	(1,119,985)	(1,119,985)	0	(1,119,984)	(1,119,984)
Carrying Amount, December 31	66,000,000	32,291,460	98,291,459	66,000,000	33,411,444	99,411,444
Gross Cost	66,000,000	81,183,308	147,183,307	66,000,000	81,183,308	147,183,308
Accumulated Depreciation	0	(48,891,848)	(48,891,848)	0	(47,771,864)	(47,771,864)
Carrying Amount, December 31	66,000,000	32,291,460	98,291,459	66,000,000	33,411,444	99,411,444

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 P25,055,345 and P22,784,830 while the direct operating expenses amounted to P3,091,186 and P2,975,530 in 2020 and 2019 respectively.

## 9. PROPERTY, PLANT AND EQUIPMENT

This account is composed of the following:

*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	383,270	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



**As at December 31, 2019**

	Building and Other Structures	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Leased Assets Improvements	Right of Use	TOTAL
Carrying Amount January 1	7,296,511	3,905,614	2,660,329	386,507	1,254,851	0	15,503,812
Additions	0	1,286,784	0	116,077	0	2,347,428	3,750,289
Total	7,296,511	5,192,398	2,660,329	502,584	1,254,851	2,347,428	19,254,101
Depreciation	(328,486)	(718,961)	(445,459)	(119,311)	(687,389)	(2,012,081)	(4,311,667)
Carrying Amount December 31	<b>6,968,025</b>	<b>4,437,437</b>	<b>2,214,890</b>	<b>383,273</b>	<b>567,462</b>	<b>335,347</b>	<b>14,942,434</b>
Gross Cost	9,124,612	23,281,880	7,263,451	1,299,886	1,254,851	2,347,428	44,572,108
Accumulated Depreciation	(2,156,587)	(18,808,443)	(5,048,561)	(916,613)	(687,389)	(2,012,081)	(29,629,674)
Carrying Amount December 31	<b>6,968,025</b>	<b>4,437,437</b>	<b>2,214,890</b>	<b>383,273</b>	<b>567,462</b>	<b>335,347</b>	<b>14,942,434</b>

**10. INTANGIBLE ASSETS**

This account consists of the following:

	2020	2019
Purchasing and accounting system/ <sup>1</sup>	1,621,152	1,650,243
Payroll system/ <sup>2</sup>	127,880	106,270
Computer software/ <sup>3</sup>	79,745	79,764
Inventory Management System	970,983	0
Engineering Software	73,203	0
	<b>2,872,963</b>	<b>1,836,277</b>

<sup>1</sup>/ Represents initial payment for Oracle License

<sup>2</sup>/ Represents amortized cost of payroll system acquired from Balmori - Version 7.8 Surepay. This was acquired in 2014 and 2015 for a total cost of P159,111.61 to be amortized for five years. Total amortization recognized as of December 31, 2020 amounted to P177,134.

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

Reconciliation of the carrying amount follows:

	2020	2019
Carrying Amount, January 1	<b>1,836,277</b>	<b>1,800,189</b>
Additions	1,066,709	65,179
	<b>2,902,986</b>	<b>1,865,368</b>
Amortization	(30,023)	(29,091)
Carrying Amount, December 31	<b>2,872,963</b>	<b>1,836,277</b>
Gross Cost	<b>4,224,879</b>	<b>3,158,170</b>
Accumulated Amortization	(1,351,916)	(1,321,893)
Carrying Amount, December 31	<b>2,872,963</b>	<b>1,836,277</b>

## 11. OTHER ASSETS

This account consists of:

	Current	2020 Non- current	Total	Current	2019 Non- current	Total
Advances to Officers and Employees	133,780	0	133,780	620,350	0	620,350
Prepayments	24,348,665	0	24,348,665	17,622,265	0	17,622,265
Deposits	0	2,016,741	2,016,741	0	1,219,223	1,219,223
Contract in Progress	18,495,598	0	18,495,598	8,460,970	0	8,460,970
Other Investments	0	12,600	12,600	0	12,600	12,600
<b>Total</b>	<b>42,978,043</b>	<b>2,029,341</b>	<b>45,007,384</b>	<b>26,703,585</b>	<b>1,231,823</b>	<b>27,935,408</b>

The Contract in Progress is the control account used to record the accumulated costs related to the construction and renovation projects of LBRDC. The 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	2020 Non- current	Total	Current	2019 Non- current	Total
Accounts Payable-Trade	8,515,990	2,565,892	11,081,882	5,956,354	0	5,956,354
Retention Payable	2,632,971	0	2,632,971	1,957,858	0	1,957,858
Lease Liability	829,611	0	829,611	346,199	0	346,199
<b>Total</b>	<b>11,978,572</b>	<b>2,565,892</b>	<b>14,544,464</b>	<b>8,260,411</b>	<b>0</b>	<b>8,260,411</b>

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:

	2020	2019
Due to LBP	18,723,224	699,144
Income Tax Payable	6,969,524	7,446,368
Due to BIR	2,107,358	1,711,747
Due to SSS	1,383,846	1,429,315
Due to PhilHealth	1,376,656	371,135
Due to Pag-IBIG	922,822	714,607
<b>Total</b>	<b>31,483,430</b>	<b>12,372,316</b>

### 14. TRUST LIABILITIES

This account consists of:

	2020	2019
Customers' Rental Deposits	7,276,981	7,023,770
Contractors' Deposits	828,920	674,076
Customers' Deposit	143,018	143,018
	<b>8,248,919</b>	<b>7,840,864</b>

Customers' rental deposits represents amount deposited by the lessee for the units/properties being rented where the unpaid bills or repair to the property will be charged, the balance of which will be returned to the lessee.

Contractors' deposit represents deposit for the project's plans and specifications, bidder's bond and performance bond.

Customers' deposit represents deposit on real estate for sale developed by LBRDC.

### 15. DEFERRED CREDITS/UNEARNED INCOME

This account consists of:

	2020	2019
Unearned Revenue/Income- Investment Property	62,749	62,749
Output Tax	36,758,556	27,034,804
	<b>36,821,305</b>	<b>27,097,553</b>

Deferred credits represent output tax, unearned rent income and deferred tax on accrued rent income as at December 31, 2020.



## 16. PROVISIONS

This account consists of:

	2020	2019
Retirement Gratuity	1,998,191	5,858,250
Leave Benefits Payable	6,416,310	5,532,290
	<b>8,414,501</b>	<b>11,390,540</b>

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

## 17. OTHER PAYABLES

This account consists of:

	2020	2019
Accounts Payable-Others	2,240,070	1,666,652
Accrued Expenses	29,746,711	12,724,523
	<b>31,986,781</b>	<b>14,391,175</b>

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. REVALUATION SURPLUS

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

## 20. RETAINED EARNINGS

### Appropriation of Retained Earnings

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

Particulars	Amount	Timeline
Provision for software/equipment	20,000,000	2019-2020
Provision for liability insurance of directors	10,000,000	2021-2022
Construction of LBRDC Naga Building	320,000,000	2020-2023
	<b>350,000,000</b>	

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
	<b>1,227,393</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.

## 21. SERVICE AND BUSINESS INCOME

This account consists of:

	2020	2019
Service Income		
Manpower Services Income	404,641,744	229,934,174
Construction Revenue	117,989,913	110,545,722
Property Management Fee	25,330,250	26,855,714
Fees and Commission Income	1,902,002	1,240,664
ACU Maintenance Service Income	0	948,661
	<b>549,863,909</b>	<b>369,524,935</b>
Business Income		
Rent/Lease Income	22,055,345	22,784,830
Interest Income	7,956,324	13,392,103
	<b>30,011,669</b>	<b>36,176,933</b>
<b>Total</b>	<b>579,875,578</b>	<b>405,701,868</b>

## 22. DIRECT COSTS

This account consists of:

	2020	2019
Service Costs		
Manpower Services Expense	356,198,653	184,633,517
Construction Costs	118,308,603	96,034,921
Property Management Expense	15,748,842	17,110,782
ACU Maintenance Service Expense	0	532,650
<b>Total</b>	<b>490,256,098</b>	<b>298,311,870</b>

## 23. PERSONNEL SERVICES

This account consists of:

	2020	2019
Salaries and Wages		
Salaries and Wages-Regular	6,969,371	9,712,768
Salaries and Wages-Casual/Contractual	869,196	553,000
	7,838,567	10,970,680
Other Compensation		
Personnel Economic Relief Allowance (PERA)	310,708	536,271
Representation Allowance	233,975	342,550
Transportation Allowance	220,066	293,930
Productivity Incentive Allowance	63,184	112,050
Clothing/Uniform Allowance	54,500	58,040
Subsistence Allowance	10,000	83,085
	892,433	1,425,926
Honoraria		
Directors and Committees Members' Fees	663,060	518,940
Overtime and Night Pay	619,403	704,912
Year End Bonus	570,778	852,849
Mid-Year Bonus	529,637	858,615
Cash Gift	67,765	109,350
Longevity Pay	46,400	79,920
Other Bonuses and Allowances	3,712,950	1,140,785
	6,209,993	4,265,371
Personnel Benefit Contribution		
Employees Compensation Insurance Premium	312,608	394,062
PhilHealth Contribution	95,768	106,222
Pag-IBIG Contributions	20,320	26,014
	428,696	526,298
Other Personnel Benefits		
Retirement Gratuity	448,286	382,404
Terminal Leave Benefits	0	458,930
Other Personnel Benefits	1,507,784	4,600
	1,956,070	845,934
	<b>17,325,759</b>	<b>17,329,297</b>



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.

## 24. MAINTENANCE AND OTHER OPERATING EXPENSES

This account is composed of:

	2020	2019
Training and Scholarship Expenses		
Training Expenses	209,573	274,891
Supplies and Materials Expenses		
Office Supplies Expenses	371,338	431,427
Accountable Forms Expenses	26,746	32,545
Other Materials and Supplies Expense	150,946	0
Utility Expenses		
Water and Electricity Expenses	382,338	477,903
Gas/Heating Expenses	203,628	78,265
Communication Expenses		
Telephone Expenses	253,723	226,875
Confidential, Intelligence and Extraordinary Expenses		
Extraordinary and Miscellaneous Expenses	13,617	135,076
Professional Services		
Auditing Services	255,173	224,099
Other Professional Services	0	28,393
General Services		
Janitorial Services	224,385	198,506
Repairs and Maintenance		
Repairs and Maintenance-Transportation Equipment	125,831	166,190
Repairs and Maintenance-Investment Property	89,130	109,150
Repairs and Maintenance-Machinery and Equipment	24,143	5,846
Repairs and Maintenance-Leased Assets	0	36,039
Improvement		
Repairs and Maintenance-Others	191,837	393,984
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties and Licenses	3,718,473	3,436,951
Insurance/Reinsurance Expenses	807,718	670,836
Other Maintenance and Operating Expenses		
Rent/Lease Expenses	388,917	664,132
Transportation and Delivery Expenses	91,377	435,252
Representation Expenses	64,195	163,711
Advertising, Promotional and Marketing Expenses	18,000	26,740
Membership Dues and Contributions to Organizations	15,000	40,944
Other Maintenance and Operating Expenses	1,292,374	443,752
<b>Total</b>	<b>8,918,462</b>	<b>8,701,507</b>

## 25. FINANCIAL EXPENSES

	2020	2019
Bank Charges	227,575	447,245
Interest Expense	0	74,999
<b>TOTAL</b>	<b>227,575</b>	<b>522,244</b>

## 26. NON-CASH EXPENSES

This account is composed of:

	2020	2019
Depreciation		
Depreciation-Investment Property	1,119,984	1,119,984
Depreciation-Buildings and Other Structures	141,512	88,692
Depreciation-Transportation Equipment	118,645	118,645
Depreciation-Machinery and Equipment	80,682	94,873
Depreciation-Furniture, Fixtures and Books	32,376	33,626
Depreciation- Right-of-use Asset	1,464,177	2,012,081
	2,957,376	3,467,901
Amortization		
Amortization- Leased Asset Improvement	191,159	392,903
Amortization- Intangible Assets	20,665	16,284
Impairment Loss		
Impairment Loss- Receivables-Trade	1,883,554	544,165
Impairment Loss- Retention Receivable	916,621	1,700,337
	<b>5,969,375</b>	<b>6,121,590</b>

Portion of the depreciation and amortization for the year were allocated to LBRDC's businesses as direct costs amounting to P1,297,669 and P20,665 respectively.

## 27. OTHER NON-OPERATING INCOME, GAIN OR LOSSES

This income consists of the following:

	2020	2019
Other Gains	6,542,679	2,266,002
<b>Total</b>	<b>6,542,679</b>	<b>2,266,002</b>

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 2020 and 2019, the provisions for income tax were computed as follows:

	2020	2019
Net income before tax	63,720,988	76,981,362
Income subject to final tax	(7,287,352)	(12,708,269)
Fines, penalties and other charges	0	251,255
<b>Net Income subject to tax</b>	<b>56,433,636</b>	<b>64,524,348</b>
Current tax expense (30%)	16,930,091	19,357,304
Income tax-final	1,457,484	2,541,654
	<b>18,387,575</b>	<b>21,898,958</b>

## 29. 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.

	2020	2019
Net income	45,333,413	55,082,404
Weighted average no. of outstanding common shares	13,321,200	13,321,200
<b>Earnings per share</b>	<b>3.40</b>	<b>4.13</b>

## 30. CONSTRUCTION CONTRACTS

The construction income for CY 2020 is P117,989,913 with accumulated cost of P118,308,603 and recognized net loss of P318,690. Also, the outstanding retention receivable as part of contract receivables and advances from clients as Due to LBP are P24,988,512 and P18,723,224, respectively.

## 31. 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 13<sup>th</sup> month pay and other benefit inclusions as may be agreed upon by LBRDC and the employee. The plan provides retirement, separation, disability and death benefits to its members. The fund is being administered and managed by Land Bank of the Philippines – Trust Banking Group. Contributions and costs are determined with the actuarial studies made for the plan. Annual cost is determined using the Accrued Benefit with the Actuarial Cost Method (Projected Unit Credit). The Company's latest actuarial valuation date is January 1, 2012.



LBRDC Board approved the retirement benefit plan on July 30, 2010 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, 2020, the vested benefit is P18,024,294.

### 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 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, 2020 and 2019 P693,783. 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 at December 31, 2020 is P2,095,632.

#### 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.

### 33. RELATED PARTY TRANSACTIONS

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

	2020	2019
Investment in HYSA	147,789,172	108,585,113
LBP Branches and Plaza HQ	573,116,273	229,244,244
Investment in RTB	60,296,449	119,296,449
LBP Naga Branch Rental	2,279,726	2,213,326
LBRDC Head Office Space	693,783	519,715
<b>TOTAL</b>	<b>784,175,403</b>	<b>459,858,847</b>

33.1 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.

### 33.2 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.

### 33.3 Key Management Personnel Compensation

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

	<b>Aggregate Remuneration</b>
Salaries and Wages	4,539,257
Other Compensation	2,103,819
	<b>6,643,076</b>

## 34. EVENTS AFTER THE REPORTING DATE

### Cash Dividend Declaration

On April 20, 2021, the LBRDC Board of Directors approved the declaration of cash dividend amounting to P22,723,639 and its remittance to the National Government under Board Resolution No. 21-04-07.

### 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.

As provided in R.A. No. 11534, effective July 1, 2020 until June 30, 2023, the Minimum Corporate Income Tax (MCIT) shall be one per cent. LBRDC computed the regular corporate income tax using the 27.50 per cent transitory rates under the CREATE LAW.



The following are the effects of changes in tax rates:

	CREATE Act	Old RCIT	Difference
Statement of Financial Position			
Income Tax Payable	5,558,683	6,969,524	(1,410,841)
Statement of Comprehensive Income			
Current (27.50%)	15,519,287	16,930,091	(1,410,804)

### 35. 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 P63,477,012 for CY 2020

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	862,230
Current year's purchases	
i. Goods other than resale or manufacture capital goods	129,112
ii. Goods other than capital goods	6,935,668
iii. Services lodged under other accounts	3,491,629
Claims for tax credits/refund	(9,180,281)



Balance at end of year	2,238,358
------------------------	-----------

d. Other taxes and licenses

	Amount
<b>Local</b>	
Mayor's permit	3,738,375
Real estate tax	1,215,954
Capital equipment tax	56,908
Professional tax receipt/PRC License (renewal)	1,200
Community Tax Certificate	10,500
Fire Certificate	28,189
Barangay Clearance	1,000
Real property tax clearance	0
Sticker for Government Trucks	0
	<b>5,052,126</b>

	Amount
<b>National</b>	
Tax on fringe benefits	48,589
Tax Clearance	0
Documentary Stamp Tax	0
Registration of company vehicle	19,993
Registration of PCAB License (renewal)	9,742
Registration – DOLE (renewal)	0
Renewal of VAT Registration	500
Renewal of PhilGEPS membership	5,000
NLRC Clearance	0
	<b>83,824</b>
System License	
Oracle	163,213
	<b>163,213</b>

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

	Amount
Tax on compensation and benefits	3,781,565
Final withholding taxes (Withheld by clients, claimed as tax credits)	2,370,442
Expanded withholding taxes	5,526,142
Withholding percentage taxes	129,569
	<b>11,807,718</b>
Creditable withholding taxes	0
	<b>11,807,718</b>

**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

	<b>Taxable Amount under Regular Rate</b>
Sales of Services	549,863,909
	<b>549,863,909</b>

2. Cost of Sales/Services

	<b>Amount under Regular Rate</b>
Direct Charges – Salaries, Wages and Benefits	491,205,724
	<b>491,205,724</b>

3. Other Taxable Income Not Subjected to Final Tax

	<b>Amount under Regular Rate</b>
Rent Income	22,055,345
Interest Income	7,956,324
Miscellaneous Income	6,542,340
<b>TOTAL</b>	<b>36,554,009</b>

4. Ordinary Allowable Itemized Deduction

<b>Particulars</b>	<b>Amount</b>
Advertising and Promotions	18,000
Amortization Expense	20,665
Bad Debts	2,800,175
Communication, Light and Water	636,061
Depreciation	2,957,375
Director's Fees	663,060
Fuel and Oil	203,628
Insurance	807,718
Miscellaneous	13,558
Office Supplies	549,030
Other Services	225,173
Rental	388,917
Repairs and Maintenance – (Labor or Labor &	430,941

Materials)	
Representation and Entertainment	64,195
Salaries and Allowances	7,838,567
SSS, GSIS, Philhealth, HDMF and Other	
Contributions	428,696
Taxes and Licenses	3,718,473
Training and Seminars	209,573
Transportation and Travel	91,377
Employee Benefits	9,058,497
Bank Charges	227,575
Interest Expense	191,159
Directors and Corporate Reimbursements	505,102
Others	661,104
<b>TOTAL</b>	<b>32,708,619</b>

### 36. 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:

	2020	2019
Current ratio	4.31	5.21
Solvency ratio	0.37	4.78
Debt to Equity ratio	0.21	0.14
Asset to Equity ratio	1.21	1.14
Interest rate coverage ratio	3.82	6.34
Profitability Ratio:		
Profit Margin	16.40%	27.13%
Operating Profit Margin	14.28%	19.85%
Net Profit Margin	7.72%	14.19%
Return on Assets	5.99%	8.24%
Return on Equity	7.26%	9.38%

Current Ratio decreased to 4.31 from 5.21 in 2019 due mainly to the higher liabilities recorded in 2020 with an increase of 60 per cent compared in 2019. The CY 2020 Solvency Ratio an abrupt decrease from 4.78 to 0.37 in 2020 due to the effect of the pandemic wherein pending completion in the construction business due to the limitation of movement of people from one place to another and the skeletal work force implementation.

Profitability Ratio indicated the effect of pandemic with the entire operation the business operation especially in the construction revenue.



### **37. RECLASSIFICATION**

The 2020 and 2019 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 allotted by the officers and employees assigned to monitor / discharge the related services.