



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Ave., Quezon City  
**CORPORATE GOVERNMENT SECTOR**  
CLUSTER 1 – BANKING AND CREDIT

## **INDEPENDENT AUDITOR'S REPORT**

**The Board of Directors**  
Land Bank of the Philippines  
Manila

We have audited the accompanying financial statements of **Land Bank of the Philippines (LBP), and its subsidiaries (referred to as the "Group")** which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in capital funds and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion the financial statements present fairly, in all material respects, the financial position of the **Group** as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

### **Emphasis of Matter**

We draw attention to Note 10 to the Financial Statements which disclosed, among others, that the LBP's Available-for-sale -Domestic-Private investments account includes the undelivered 3,366,800 MERALCO shares. Likewise, the corresponding cash dividends earned amounting to P297.086 million and P212.647 million as at December 31, 2016 and 2015, respectively, and property dividends of 9,488,394 shares of stock in Rockwell Land Corporation, were still unpaid to LBP.

To compel MERALCO to comply with the Supreme Court decision, LBP filed the Petition to cite MERALCO and other Respondents in Indirect Contempt before the Supreme Court on April 14, 2015. The Supreme Court has not yet directed the parties to file their respective Memoranda nor submitted the case for Decision as to date.

Our opinion is not modified in respect of the above matter.

### **COMMISSION ON AUDIT**

**CORA D. MARQUEZ**  
Supervising Auditor

20 June 2017