

MASAGANANG SAKAHAN, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
BALANCE SHEET
December 31, 2009
(In Philippine Peso)

	Note	2009	As Restated 2008
ASSETS			
Current Assets			
Cash and cash equivalents	3	27,717,176	23,810,296
Marketable securities	4	6,593,675	-
Accounts receivable	5	22,321,831	23,280,545
Inventories	6	37,836,863	21,996,895
Notes receivable	7	1,585,376	1,585,376
Lease contract receivable	8	-	675,677
Sales contract receivable		50,000	500,000
Prepaid expenses	9	4,787,645	3,377,840
Other assets	10	956,557	1,335,990
		101,849,123	76,562,619
Noncurrent Assets			
Lease contract receivable - noncurrent portion	8	-	4,828,540
Property, plant and equipment	11	1,918,580	2,986,521
Investment properties	12	7,130,700	7,130,700
Investments in stocks and bonds	13	57,200	57,200
		9,106,480	15,002,961
TOTAL ASSETS		110,955,603	91,565,580
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	14	22,278,561	12,177,424
Other liabilities	15	3,729,536	3,770,560
		26,008,097	15,947,984
Stockholders' Equity			
Common stock	16	90,000,000	90,000,000
Preferred stock	16	10,000,000	10,000,000
Deficit		(15,052,494)	(24,382,404)
		84,947,506	75,617,596
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		110,955,603	91,565,580

The Notes on pages 7 to 15 form part of these financial statements.

MASAGANANG SAKAHAN, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENT OF INCOME
For the Year Ended December 31, 2009
(In Philippine Peso)

	Note	2009	As Restated 2008
Sales		170,698,891	178,870,196
Cost of sales		151,488,304	159,688,075
Gross profit		19,210,587	19,182,121
Operating expenses	17	15,273,855	15,972,256
Income from operations		3,936,732	3,209,865
Other income		6,871,200	3,961,528
Net income before income tax		10,807,932	7,171,393
Provision for income tax		3,160,592	1,439,680
NET INCOME		7,647,340	5,731,713

The Notes on pages 7 to 15 form part of these financial statements.

MASAGANANG SAKAHAN, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2009
(In Philippine Peso)

	Capital Stock			
	Common Stock	Preferred Stock	Deficit	Total
Balance, January 1, 2008	90,000,000	10,000,000	(30,476,811)	69,523,189
Correction of prior year's error			362,694	362,694
Net income for 2008			5,731,713	5,731,713
Balance, December 31, 2008, as restated	90,000,000	10,000,000	(24,382,404)	75,617,596
Correction of prior year's error			1,682,570	1,682,570
Net income for 2009			7,647,340	7,647,340
Balance, December 31, 2009	90,000,000	10,000,000	(15,052,494)	84,947,506

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MASAGANANG SAKAHAN, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)

CASH FLOW STATEMENT
For the year ended December 31, 2009
(In Philippine Peso)

	Note	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		136,509,929	148,015,275
Cash paid to suppliers and employees		(136,490,715)	(156,549,257)
Interest and other income		1,866,141	1,661,758
Bank charges		(2,307)	(50,966)
Proceeds from/placement on short term investments		(6,531,000)	6,927,735
Net cash provided by operating activities		(4,647,952)	4,545
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment property		-	2,250,000
Deposit on sale of investment property		182,028	-
Disposal of property, plant and equipment		11,000	-
Dividends received		-	1,350
Collection of lease contract receivable		8,361,804	-
Net cash provided by investing activities		8,554,832	2,251,350
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,906,880	2,255,895
CASH AND CASH EQUIVALENTS, beginning of year		23,810,296	21,554,401
CASH AND CASH EQUIVALENTS, end of year	3	27,717,176	23,810,296

The Notes on pages 7 to 15 form part of these financial statements.

MASAGANANG SAKAHAN, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
NOTES TO FINANCIAL STATEMENTS
(All Amounts in Philippine Peso unless otherwise stated)

1. CORPORATE INFORMATION

The financial statements of the Masaganang Sakahan, Inc. (MSI) for the year ended December 31, 2009 were authorized for issue in accordance with a resolution of the Board of Directors on April 19, 2010.

The MSI was registered with the Securities and Exchange Commission on December 11, 1974 under SEC Registration No. 59145. The LBP acquired 100% equity ownership of MSI in 1974 and invested to date P100 million in the Corporation's common and preferred shares of stocks.

The primary objectives of MSI are:

- To engage in and carry on the business of purchase, and acquire, operate, maintain, lease, sell, and dispose of and deal in agricultural equipment and farm machineries and all other articles pertaining to agriculture;
- To make available its farm equipment and machineries to the farmers, owner-cultivators, agricultural lessees, tillers, and/or other beneficiaries of land reform for farm mechanization and development so as to obtain full utilization of lands and enhancement of agricultural products; and
- To engage in the business of purchase and sale, barter and exchange of rice and other cereals, and other commodities of native production in the Philippines.

The Corporation operates a Grain Center located in Sta. Rosa, Nueva Ecija.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis and all values are rounded to the nearest peso.

Statement of compliance

The financial statements of the Masaganang Sakahan, Inc. have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

2.2 Adoption of new accounting standards

The accounting policies adopted are consistent with those of previous financial year except that the Corporation adopted those new/revised standards mandatory for financial years beginning on or after January 01, 2005.

The changes in accounting policies result from adoption of the following new or revised standards:

- PAS 8 – Errors

An entity shall correct 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 the 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 equity for the earliest prior period presented.

- PAS 17 – Leases

Lease payment is recognized as an expense on a straight-line basis over the lease term. Rental for office space shall be adjusted at the start of the third year by an amount equal to 10% of the then effective monthly rental rate.

- PAS 19 - Employee benefits

The equivalent value of the employees' leave credits for the year is accrued but termination benefit is not yet recognized as a liability.

- PAS 39 - Financial instruments

Investments are recorded at cost at the time of acquisition. Upon acquisition, the investments are classified as marketable securities when the maturity is 90 days to one year while investments with fixed determinable payments and fixed maturity are classified as held-to-maturity investments that an entity has the positive intention and ability to hold to maturity.

- PAS 40 - Investment Property

Investment property is recognized as an asset since it is probable that future benefits that are associated with the property will flow to the entity.

The accounting policies adopted in preparing the financial statements are as follows:

a. Cash and cash equivalents in the balance sheet is comprised of cash in banks and on hand.

b. Trade receivables which generally have 30-90 day term are recognized and carried at original invoice amount. When there is objective evidence that the Corporation will not be able to collect the receivables, an allowance for probable losses is provided.

c. Allowance for probable losses is set up for expected losses from non-moving trade receivables considering the debtor's capacity to pay.

d. Inventories are valued at cost including the costs incurred in bringing each item to its present condition.

e. Investment and other financial assets are recorded at cost at the time of acquisition. Non-derivative financial assets with fixed determinable payment and maturity are classified as held-to-maturity when the Corporation has the positive intention and ability to hold to maturity. Investments are classified as marketable securities upon acquisition when the maturity is 90 days to one year while investment with maturity of more than one year is considered as long term investments.

f. Property, plant and equipment are recorded at cost. Depreciation is computed on a straight-line method over the estimated useful life of the respective assets after deducting the 10% residual value. Maintenance and repairs are charged to expenses as incurred while major repairs and betterments are capitalized. When the items of property or equipment are disposed, the related cost and accumulated depreciation are removed from the accounts and any gain is treated as income.

g. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment loss.

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2009	2008
Cash in bank	27,439,283	23,533,085
Operating fund (SRGC)	257,893	257,211
Petty cash	20,000	20,000
	27,717,176	23,810,296

4. MARKETABLE SECURITIES

This account represents MSI's placements on December 09, 2009 on High Yield Savings Account No. 1791-0511-06 amounting to P6,593,675 for thirty days at 2.75% interest per annum.

5. ACCOUNTS RECEIVABLE

This account consists of the following:

	2009	As restated 2008
Trade:		
Rice	22,214,254	22,803,111
Palay	17,528,244	17,528,244
Certified seeds	64,379	64,379
Others	944,327	1,314,184
	40,751,204	41,709,918
Allowance for probable losses	(18,429,373)	(18,429,373)
	22,321,831	23,280,545

6. INVENTORIES

This account consists of the following:

	2009	2008
Palay	31,491,345	15,992,260
Rice	6,197,843	5,996,085
Brokens	102,300	8,550
By-product	45,375	-
	37,836,863	21,996,895

The cost of the palay stocks is the actual procurement cost. For the rice inventory, the cost includes the cost of palay issued for milling using the average method, procurement expenses (related expenses incurred during procurement of palay) and milling expenses after deducting the allocated cost of brokens and by-products.

Inventory-rice is inclusive of old unaccounted stocks amounting to P834,114 and P1,663,635 as of December 31, 2009 and 2008, respectively.

7. NOTES RECEIVABLE

This account represents the restructured past-due accounts receivables, which are secured by hard collaterals and covered by promissory notes, as follows:

	2008	2008
Notes receivable	3,235,360	3,235,360
Allowance for probable losses	(1,649,984)	(1,649,984)
	1,585,376	1,585,376

8. LEASE CONTRACT RECEIVABLE

This account represents the lease-purchase arrangement of MSI and Victor del Rosario Ricemill covered by a Compromise Agreement dated March 27, 1996. On December 16, 2009, the Board approved per Board Resolution No. 2009-17, the proposal for compromise settlement of P7.71 million as MSI's share from the P15.76 million receivable from Sps. Del Rosario.

9. PREPAID EXPENSES

This account consists of the following:

	2009	2008
Taxes withheld	4,303,416	3,235,059
Medical	195,000	-
Office rent	81,228	-
Uniform	66,000	-
Rice benefit	64,155	60,984
Insurance premium	53,349	58,892
Condo dues	12,855	12,624
Fidelity bond premium	11,642	10,281
	4,787,645	3,377,840

10. OTHER ASSETS

This account consists of the following:

	2009	2008
Guaranty deposits	372,907	748,222
Supplies and materials	583,650	587,768
	956,557	1,335,990

11. PROPERTY, PLANT AND EQUIPMENT

This account is composed of the following:

	Transportation Equipment	Office Equipment	Furniture & fixtures	Leasehold Improvements	Total
Cost, January 1, 2009	3,555,328	931,575	981,041	2,145,407	7,613,351
Additions	-	-	-	-	-
Disposals	(759,170)	-	-	-	(759,170)
December 31, 2009	2,796,158	931,575	981,041	2,145,407	6,854,181
Accumulated depreciation/amortization					
January 1, 2009	2,761,058	702,060	516,105	647,607	4,626,830
Depreciation/amortization	177,356	68,472	73,212	748,900	1,067,940
Disposals	(759,169)	-	-	-	(759,169)
December 31, 2009	2,179,245	770,532	589,317	1,396,507	4,935,601
Net carrying amount, December 31, 2009	616,913	161,043	391,724	748,900	1,918,580
Net carrying amount, December 31, 2008	794,270	229,515	464,936	1,497,800	2,986,521

12. INVESTMENT PROPERTIES

This account pertains to land as follows:

	2009	2008
Acquisition cost	7,157,900	7,157,900
Allowance for impairment loss	(27,200)	(27,200)
	7,130,700	7,130,700

13. INVESTMENTS IN STOCKS AND BONDS

This account consists of investments with the following:

	2009	2008
Fil-Capital	208,400	208,400
PLDT	57,200	57,200
Cagayan Sugar Farmers Cooperative Association	1,500	1,500
Achmar	200	200
	267,300	267,300
Allowance for market decline	(210,100)	(210,100)
	57,200	57,200

14. ACCOUNTS PAYABLE

This account pertains to the following:

	2009	2008
Payables – Trade/Business		
Payment-in-kind (PIK) palay	19,256,751	7,286,781
Rice suppliers	3,021,810	4,783,057
Certified seeds	-	107,586
	22,278,561	12,177,424

15. OTHER LIABILITIES

This account consists of the following:

	2009	2008
Deferred interest income	1,188,429	1,188,429
Miscellaneous liabilities and deferred charges	182,028	395,967
Deferred miscellaneous income	-	227,485
Lease contract payable	-	119,777
Deferred income on sale of acquired asset	71,123	71,123
Withholding tax payable	62,148	61,273
Retention payable	6,600	-
Trust liabilities – SSS loans	963	-
Miscellaneous	2,218,245	1,706,506
	3,729,536	3,770,560

Miscellaneous liabilities represent accrual of unpaid expenses for CY 2009.

16. CAPITAL STOCK

The increase in authorized capital stock from P25,000,000 to P100,000,000 divided into 9,000,000 common shares and 1,000,000 preferred shares with a par value of ten pesos (P10.00) per share was approved by the Securities and Exchange Commission on January 14, 1993.

The Land Bank of the Philippines has fully subscribed and paid MSI's P100,000,000 capital stock.

17. OPERATING EXPENSES

	2009	2008
Salaries and wages	3,147,515	2,969,921
Other benefits	2,158,333	2,148,504
Bonus and incentives	1,287,378	1,414,208
Supplies and materials	1,082,157	1,235,623
Other services	1,013,234	775,863
Representation and entertainment	950,441	881,517
Rent	933,420	759,622
Amortization expense	748,900	342,780
Taxes, licenses and fees	638,769	844,182
Security services	571,889	636,618
Light, power and water	522,257	649,196
Communication	386,722	413,253
Depreciation	319,040	369,312
SSS, Medicare and Pag-ibig premiums	262,011	257,535
Travelling expenses	246,000	228,028
Business development	242,868	491,236
Janitorial services	192,000	192,000
Insurance	110,666	288,070
Spare parts	103,110	242,246
Reproduction	85,243	95,314
Per diem/allowances	83,500	78,500
Gasoline and oil	73,985	113,232
Repairs and maintenance	64,832	94,164
Commutable allowance	24,300	49,200
Transportation services	10,400	-
Overtime pay	8,174	22,047
Interest and other bank charges	6,711	317,951
Bad debts expense	-	34,934
Impairment loss	-	27,200
	15,273,855	15,972,256

18. RESTATEMENT

Corrections of prior year's expenses and income are classified as prior period adjustments. The prior year's financial statements were restated to correct the prior period errors in accordance with the provision of paragraph 42 of PAS 8.

19. RELATED PARTY TRANSACTIONS

A Management Contract exists between the MSI and the LBP wherein MSI guarantees the purchase of rice in amounts equivalent to the rice requirements of the employees of

the Bank. Also, there is a Payment-in-kind Program wherein MSI undertakes the collection of loan receivables of LBP from farmers/cooperatives in the form of palay and rice, the value of which is payable to the Bank within 90 days. Further, included in the members of the Board of Directors and Executive Committee of MSI are LBP officers.

The transactions of MSI with LBP, the parent corporation, are as follows:

	2009	2008
Sales-rice allocation of LBP employees	101,339,372	99,382,171
Outstanding receivables	13,884,807	14,322,264
Receivables-Miscellaneous from LBP officers	79,600	79,600
Outstanding payables	19,256,752	7,286,781
	134,560,531	121,070,816

20. COMPENSATION OF KEY MANAGEMENT OFFICIALS

	2009	2008
Basic salary	340,800	279,600
Fringe benefits	325,365	399,410
	666,165	679,010

MASAGANANG SAKAHAN, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
BALANCE SHEET
December 31, 2010
(In Philippine Peso)

	Note	2010	2009 (As restated)
ASSETS			
Current Assets			
Cash and cash equivalents	3	50,137,926	34,343,176
Marketable securities	4	10,000,545	-
Accounts receivable	5	15,879,841	22,321,831
Inventories	6	21,483,723	37,836,863
Notes receivable	7	1,585,376	1,585,376
Interest receivable	8	99,349	-
Sales contract receivable		225,565	50,000
Prepaid expenses	9	5,119,472	4,679,760
Other assets	10	647,462	956,557
		105,179,259	101,773,563
Noncurrent Assets			
Property, plant and equipment	11	1,026,469	2,013,501
Investment properties	12	4,849,618	7,130,700
Investment in stocks and bonds	13	57,200	57,200
		5,933,287	9,201,401
TOTAL ASSETS		111,112,546	110,974,964
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	14	16,840,442	22,278,561
Other liabilities	15	4,630,170	2,853,704
		21,470,612	25,132,265
Stockholders' Equity			
Common stock	16	90,000,000	90,000,000
Preferred stock	16	10,000,000	10,000,000
Deficit		(10,358,066)	(14,157,301)
		89,641,934	85,842,699
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		111,112,546	110,974,964

The Notes on pages 7 to 16 form part of these financial statements.

MASAGANANG SAKAHAN, INC
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENT OF INCOME
For the year ended December 31, 2010
(In Philippine Peso)

	Note	2010	2009 (As restated)
Sales		132,250,995	170,698,891
Cost of sales		113,942,607	151,488,304
Gross profit		18,308,388	19,210,587
Operating expenses	17	17,157,895	14,924,402
Income from operations		1,150,493	4,286,185
Other income		3,927,681	6,881,364
Net income before income tax		5,078,174	11,167,549
Provision for income tax		1,278,939	3,268,477
NET INCOME		3,799,235	7,899,072

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MASAGANANG SAKAHAN, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the year ended December 31, 2010
(In Philippine Peso)

	Capital Stock		Deficit	Total
	Common Stock	Preferred Stock		
Balance, January 01, 2009	90,000,000	10,000,000	.(24,382,404)	75,617,596
Correction of prior years' errors			2,326,031	2,326,031
Balance, January 01, 2009, as restated	90,000,000	10,000,000	(22,056,373)	77,943,627
Net income for 2009, as restated			7,899,072	7,899,072
Balance, December 31, 2009, as restated	90,000,000	10,000,000	(14,157,301)	85,842,699
Net income for 2010			3,799,235	3,799,235
Balance, December 31, 2010	90,000,000	10,000,000	(10,358,066)	89,641,934

The Notes on pages 7 to 16 form part of these financial statements.

MASAGANANG SAKAHAN, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2010
(In Philippine Peso)

	Note	2010	2009 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		133,675,207	136,509,928
Cash paid to suppliers and employees		(111,470,774)	(136,453,986)
Interest and other income		1,379,839	1,928,817
Placement on marketable securities		(10,000,545)	-
Bank charges		(2,089)	(6,711)
Settlement of lease contract receivable		-	8,361,804
Net cash provided by operating activities		13,581,638	10,339,852
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investment property		2,234,062	182,028
Repair of transportation equipment		(20,950)	-
Disposal of property, plant and equipment		-	11,000
Net cash provided by investing activities		2,213,112	193,028
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		15,794,750	10,532,880
CASH AND CASH EQUIVALENTS, beginning of year		34,343,176	23,810,296
CASH AND CASH EQUIVALENTS, end of year	3	50,137,926	34,343,176

The Notes on pages 7 to 16 form part of these financial statements.

MASAGANANG SAKAHAN, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Peso unless otherwise stated)

1. CORPORATE INFORMATION

The Masaganang Sakahan, Inc. (MSI) was registered with the Securities and Exchange Commission on December 11, 1974 under SEC Registration No. 59145. The LBP acquired 100 per cent equity ownership of MSI in 1974 and invested to date P100 million in the Corporation's common and preferred shares of stocks.

The primary objectives of MSI are:

- To engage in and carry on the business of purchase, and acquire, operate, maintain, lease, sell, and dispose of and deal in agricultural equipment and farm machineries and all other articles pertaining to agriculture;
- To make available its farm equipment and machineries to the farmers, owner-cultivators, agricultural lessees, tillers, and/or other beneficiaries of land reform for farm mechanization and development so as to obtain full utilization of lands and enhancement of agricultural products; and
- To engage in the business of purchase and sale, barter and exchange of rice and other cereals, and other commodities of native production in the Philippines.

The Corporation operates a Grains Center located in Sta. Rosa, Nueva Ecija.

The financial statements of MSI for the year ended December 31, 2010 were authorized for issue in accordance with a resolution of the Board of Directors on March 8, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis and all values are rounded to the nearest peso.

Statement of compliance

The financial statements of Masaganang Sakahan, Inc. have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

2.2 Adoption of new accounting standards

The accounting policies adopted are consistent with those of previous financial year except that the Corporation adopted those new/revised standards mandatory for financial years beginning on or after January 01, 2005.

The changes in accounting policies resulted from adoption of the following new or revised standards:

- PAS 8 – Errors

An entity shall correct 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 the 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 equity for the earliest prior period presented.

- PAS 17 – Leases

Lease payment is recognized as an expense on a straight-line basis over the lease term.

- PAS 19 - Employee benefits

The equivalent value of the employees' leave credits for the year is accrued but termination benefit is not yet recognized as a liability.

- PAS 39 - Financial instruments

Investments are recorded at cost at the time of acquisition. Upon acquisition, the investments are classified as marketable securities when the maturity is 90 days to one year while investments with fixed determinable payments and fixed maturity are classified as held-to-maturity investments that an entity has the positive intention and ability to hold to maturity.

- PAS 40 - Investment Property

Investment property is recognized as an asset when it is probable that the future economic benefits that are associated with the property will flow to the entity.

The accounting policies adopted in preparing the financial statements are as follows:

- a. Cash and cash equivalents in the balance sheet is comprised of cash in banks and on hand.
- b. Trade receivables which generally have 30-90 day term are recognized and carried at original invoice amount. When there is objective evidence that the Corporation will not be able to collect the receivables, an allowance for probable losses is provided.
- c. Allowance for probable losses is set up for expected losses from non-moving trade receivables considering the debtor's capacity to pay.
- d. Inventories are valued at cost including the costs incurred in bringing each item to its present condition.

e. Investment and other financial assets are recorded at cost at the time of acquisition. Non-derivative financial assets with fixed determinable payment and maturity are classified as held-to-maturity when the Corporation has the positive intention and ability to hold to maturity. Investments are classified as marketable securities upon acquisition when the maturity is 90 days to one year while investment with maturity of more than one year is considered as long term investments

f. Property, Plant and Equipment are recorded at cost. Depreciation is computed on a straight-line method over the estimated useful life of the respective assets after deducting the 10 per cent residual value. Maintenance and repairs are charged to expenses as incurred while major repairs and betterments are capitalized. When the items of property or equipment are disposed, the related cost and accumulated depreciation are removed from the accounts and any gain is treated as income.

g. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment loss.

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2010	2009 (As restated)
Cash in bank	19,624,935	27,471,608
High Yield Savings Account	30,235,098	6,593,675
Operating fund (SRGC)	257,893	257,893
Petty cash	20,000	20,000
	50,137,926	34,343,176

4. MARKETABLE SECURITIES

This account represents MSI's placements on Treasury Bills amounting to P10,000,545 for 159 days at 4.10 per cent per annum.

Investments are classified as marketable securities upon acquisition when the maturity is 90 days to one year.

5. ACCOUNTS RECEIVABLE

This account consists of trade receivable as follows:

	2010	2009
Rice	18,928,625	22,214,254
Palay	17,528,244	17,528,244
Certified seeds	64,379	64,379
Others	951,403	944,327
	37,472,651	40,751,204
Allowance for probable losses	(21,592,810)	(18,429,373)
	15,879,841	22,321,831

6. INVENTORIES

This account consists of the following:

	2010	2009
Palay	16,427,696	31,491,345
Rice	3,605,047	6,197,843
Brokens	1,381,500	102,300
By-products	69,480	45,375
	21,483,723	37,836,863

The cost of the palay stocks is the actual procurement cost. For the rice inventory at SRGC, the cost includes the cost of palay issued for milling using the average method, procurement expenses (related expenses incurred during procurement of palay) and milling expenses after deducting the allocated cost of brokens and by-products.

Inventory rice is inclusive of old unaccounted stocks amounting to P834,114 as of December 31, 2010 and 2009.

7. NOTES RECEIVABLE

This account represents the restructured past-due accounts receivables, which are secured by hard collaterals and covered by promissory notes, as follows:

	2010	2009
Notes receivable	3,235,360	3,235,360
Allowance for probable losses	(1,649,984)	(1,649,984)
	1,585,376	1,585,376

8. INTEREST RECEIVABLE

This account represents interest on placements in Treasury Bills and in High Yield Savings Account in the total amount of P99,349 as at December 31, 2010.

9. PREPAID EXPENSES

	2010	2009 (As restated)
Taxes withheld	4,792,528	4,195,531
Medical	195,000	195,000
Rice benefit	63,414	64,155
Insurance premium	57,495	53,349
Fidelity bond premium	11,035	11,642
Condo dues	-	12,855
Uniform	-	66,000
Rent	-	81,228
TOTAL	5,119,472	4,679,760

10. OTHER ASSETS

This account consists of the following:

	2010	2009
Supplies and materials	469,362	583,650
Guaranty deposits	178,100	372,907
	647,462	956,557

11. PROPERTY, PLANT AND EQUIPMENT

This account is composed of the following:

	Transportation equipment	Office equipment	Furnitures & fixtures	Leasehold improvements	TOTAL
Cost, January 1, 2010	2,796,158	931,575	981,041	748,900	5,457,674
Additions	20,950	-	-	-	20,950
December 31, 2010	2,817,108	931,575	981,041	748,900	5,478,624
Accumulated depreciation/amortization 1/1/2010, as restated	2,179,245	770,532	494,396	-	3,444,173
Depreciation/amortization	126,284	60,036	72,762	748,900	1,007,982
December 31, 2010	2,305,529	830,568	567,158	748,900	4,452,155
Net carrying amount, December 31, 2010	511,579	101,007	413,883	-	1,026,469
Net carrying amount, 12/31/2009, as restated	616,913	161,043	486,645	748,900	2,013,501

12. INVESTMENT PROPERTIES

This account pertains to the book value of land as follows:

	2010	2009
Investment property	4,849,618	7,157,900
Allowance for impairment loss	-	(27,200)
	4,849,618	7,130,700

Below is the composition of the investment property as at December 2010 and disposals/reversal of impairment loss during the year.

Acquisiton / Foreclosure			Disposal		
	No. of TCT	Book Value		No. of TCT	Book Value
Dacion en Pago with option to sell	33	4,849,618	Disposed/Sold Reversal of impairment loss	16	2,308,282
		4,849,618			2,308,282

13. INVESTMENT IN STOCKS AND BONDS

This account consists of investments with the following:

	2010	2009
Fil-Capital	208,400	208,400
PLDT	57,200	57,200
Cagayan Sugar Farmers Cooperative Association	1,500	1,500
Archmar	200	200
	267,300	267,300
Allowance for market decline	(210,100)	(210,100)
	57,200	57,200

14. ACCOUNTS PAYABLE

This account pertains to MSI's trade/business payable consisting of:

	2010	2009
Payment-in-kind (PIK) palay	13,308,712	19,256,751
Rice suppliers	3,531,730	3,021,810
	16,840,442	22,278,561

15. OTHER LIABILITIES

This account consists of the following:

	2010	2009 (As restated)
Deferred interest income	1,188,430	1,188,429
Withholding tax payable	62,409	62,148
Retention payable	-	6,600
Trust liabilities - SSS loans	-	962
Deferred income on sale of ROPOA	-	71,123
Miscellaneous liabilities and deferred charges	3,379,331	1,524,442
	4,630,170	2,853,704

Miscellaneous liabilities represent accrual of expenses incurred for CY 2010.

16. CAPITAL STOCK

The increase in authorized capital stock from P25,000,000 to P100,000,000 divided into 9,000,000 common shares and 1,000,000 preferred shares with par value of ten pesos (P10.00) per share was approved by the Securities and Exchange Commission on January 14, 1993.

The Land Bank of the Philippines has fully subscribed and paid MSI's P100,000,000 capital stock.

17. OPERATING EXPENSES

	2010	2009 (As restated)
Bad debts expense	3,163,437	-
Salaries and wages	3,111,375	3,147,515
Other benefits	1,733,285	2,069,002
Rent	1,170,967	933,420
Bonus and incentives	977,288	1,287,378
Other services	948,862	1,013,576
Supplies and materials	770,987	1,078,463
Amortization expense	748,900	748,900
Taxes, licenses and fees	723,431	638,769
Light, power and water	562,730	522,257
Security services	562,343	571,889
Representation and entertainment	499,386	950,441
Communication	361,400	386,722
Depreciation	259,082	224,119
SSS, Medicare and Pag-ibig premiums	253,062	262,011
Travelling expenses	230,788	246,000
Business development	224,895	242,868
Spare parts	175,181	103,110
Per diem/allowances	141,500	83,500
Insurance	136,336	118,923
Transportation services	125,325	10,400
Gasoline and oil	98,514	73,985
Reproduction	84,818	85,243
Repairs and maintenance	77,294	64,832
Overtime pay	14,620	8,174
Bank charges	2,089	8,288
Janitorial services	-	20,317
Commutable allowance	-	24,300
	17,157,895	14,924,402

18. COMPLIANCE WITH TAX LAWS

In compliance with the requirements set forth by Revenue Regulation No. 15-2010 hereunder are the information on taxes, licenses and fees paid or accrued during the taxable year:

A. Local

	2010	2009
Mayor's permit - Head Office and SRGC	543,640	586,722
Realty tax	134,981	-
Community tax - Head Office	10,500	10,500
Barangay clearance	1,400	1,400
Municipal license - SRGC	-	7,237
	690,521	605,859

Municipal license of SRGC for CY 2010 was paid on January 12, 2011.

B. National

	2010	2009
NFA license	32,410	32,410
BIR registration	500	500
	32,910	32,910

C. Withholding taxes paid/accrued for the year:

	2010	2009
Taxes on compensation and benefits	374,383	376,843
Creditable withholding tax/es	120,213	119,570
	494,596	496,413

19. RESTATEMENT

Corrections of prior years' expenses and income are classified as prior period adjustments. The prior year's financial statements were restated to correct the prior period errors in accordance with the provisions of paragraph 42 of PAS 8.

20. RELATED PARTY TRANSACTIONS

A Management Contract exists between the MSI and the LBP wherein MSI guarantees the purchase of rice in amounts equivalent to the rice requirements of the employees of the Bank. Also, there is a Payment-in-Kind Program wherein MSI undertakes the collection of loan receivables of LBP from farmers/cooperatives in the form of palay and

rice, the value of which is payable to the Bank within 90 days. Further, included in the members of the Board of Directors and Executive Committee of MSI are LBP Officers.

The transactions of MSI with LBP, the parent corporation, are as follows:

	2010	2009
Sales - rice allocation of LBP employees	106,445,582	101,339,372
Outstanding receivables	18,993,004	13,884,807
Receivables - miscellaneous from LBP Officers	35,000	79,600
Outstanding payables	13,308,711	19,256,752
	138,782,297	134,560,531

21. COMPENSATION OF KEY MANAGEMENT OFFICIALS

	2010	2009
Basic salary	681,000	340,800
Fringe benefits	325,200	325,365
	1,006,200	666,165

MASAGANANG SAKAHAN, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENT OF FINANCIAL POSITION
December 31, 2011
(In Philippine Peso)

	Note	2011	2010 (As restated)
ASSETS			
Current Assets			
Cash and cash equivalents	3	72,330,058	50,138,006
Marketable securities	4	-	10,000,545
Accounts receivable	5	14,941,122	15,881,358
Inventories	6	17,912,622	21,483,723
Notes receivable	7	1,585,376	1,585,376
Interest receivable	8	19,270	99,349
Sales contract receivable		225,565	225,565
Prepaid expenses	9	6,944,388	5,112,388
Other assets	10	849,226	647,462
		114,807,627	105,173,772
Non-current Assets			
Property, plant and equipment	11	787,100	1,024,157
Investment properties	12	4,649,618	4,849,618
Investment in stocks and bonds	13	57,200	57,200
		5,493,918	5,930,975
TOTAL ASSETS		120,301,545	111,104,747
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	14	16,501,816	16,841,162
Other liabilities	15	8,363,094	4,565,470
		24,864,910	21,406,632
Equity			
Common stock	16	90,000,000	90,000,000
Preferred stock	16	10,000,000	10,000,000
Deficit		(4,563,365)	(10,301,885)
		95,436,635	89,698,115
TOTAL LIABILITIES AND EQUITY		120,301,545	111,104,747

The Notes on pages 7 to 15 form part of these financial statements.

MASAGANANG SAKAHAN, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2011
(In Philippine Peso)

	Note	2011	2010 (As restated)
Sales		129,255,878	132,251,715
Cost of sales		112,755,288	113,943,327
Gross profit		16,500,590	18,308,388
Operating expenses	17	12,844,766	17,101,714
Income from operations		3,655,824	1,206,674
Other income		4,056,336	3,927,681
Net income before tax		7,712,160	5,134,355
Provision for income tax		1,973,640	1,278,939
Net income		5,738,520	3,855,416
TOTAL COMPREHENSIVE INCOME		5,738,520	3,855,416

The Notes on pages 7 to 15 form part of these financial statements.

MASAGANANG SAKAHAN, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2011
(In Philippine Peso)

	Capital Stock		Deficit	Total
	Common Stock	Preferred Stock		
Balance, January 01, 2010	90,000,000	10,000,000	(14,157,301)	85,842,699
Net income for 2010, as restated			3,855,416	3,855,416
Balance, December 31, 2010, as restated	90,000,000	10,000,000	(10,301,885)	89,698,115
Net income for 2011			5,738,520	5,738,520
Balance, December 31, 2011	90,000,000	10,000,000	(4,563,365)	95,436,635

The Notes on pages 7 to 15 form part of these financial statements.

MASAGANANG SAKAHAN, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2011
(In Philippine Peso)

	Note	2011	2010 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		269,061,408	133,675,287
Cash paid to suppliers and employees		(227,434,997)	(111,470,774)
Interest and other income		1,113,255	1,379,839
Bank charges		(1,261)	(2,089)
Net cash provided by operating activities		42,738,405	23,582,263
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investment property		820,000	2,234,062
Purchase of office equipment		(20,980)	-
Proceed from sale of office equipment		1,048	-
Repair of transportation equipment		-	(20,950)
Placement on marketable securities		-	(10,000,545)
Placement in short term investment		(21,346,421)	-
Net cash used in investing activities		(20,546,353)	(7,787,433)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		22,192,052	15,794,830
CASH AND CASH EQUIVALENTS, beginning of year		50,138,006	34,343,176
CASH AND CASH EQUIVALENTS, end of year	3	72,330,058	50,138,006

The Notes on pages 7 to 15 form part of these financial statements.

MASAGANANG SAKAHAN, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Peso unless otherwise stated)

1. CORPORATE INFORMATION

The Masaganang Sakahan, Inc. (MSI) was registered with the Securities and Exchange Commission on December 11, 1974 under SEC Registration No. 59145. The LBP acquired 100 per cent equity ownership of MSI in 1974 and invested to date P100 million in the Corporation's common and preferred shares of stocks.

The primary objectives of MSI are:

- To engage in and carry on the business of purchase, and acquire, operate, maintain, lease, sell, and dispose of and deal in agricultural equipment and farm machineries and all other articles pertaining to agriculture;
- To make available its farm equipment and machineries to the farmers, owner-cultivators, agricultural lessees, tillers, and/or other beneficiaries of land reform for farm mechanization and development so as to obtain full utilization of lands and enhancement of agricultural products; and
- To engage in the business of purchase and sale, barter and exchange of rice and other cereals, and other commodities of native production in the Philippines.

The Corporation operates a Grain Center located in Sta. Rosa, Nueva Ecija.

The financial statements of MSI for the year ended December 31, 2011 were authorized for issue in accordance with a resolution of the Board of Directors on February 14, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis and all values are rounded to the nearest peso.

Statement of compliance

The financial statements of Masaganang Sakahan, Inc. have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

2.2 Adoption of new accounting standards

The accounting policies adopted are consistent with those of previous financial year except that the Corporation adopted those new/revised standards mandatory for financial years beginning on or after January 01, 2005.

The changes in accounting policies resulted from adoption of the following new or revised standards:

- PAS 8 – Errors

An entity shall correct 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 the 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 equity for the earliest prior period presented.

- PAS 17 – Leases

Lease payment is recognized as an expense on a straight-line basis over the lease term.

- PAS 19 – Employee benefits

The equivalent value of the employees' leave credits for the year is accrued but termination benefit is not yet recognized as a liability.

- PAS 39 – Financial instruments

Investments are recorded at cost at the time of acquisition. Upon acquisition, the investments are classified as marketable securities when the maturity is 90 days to one year while investments with fixed determinable payments and fixed maturity are classified as held-to-maturity investments that an entity has the positive intention and ability to hold to maturity.

- PAS 40 - Investment Property

Investment property is recognized as an asset when it is probable that the future economic benefits that are associated with the property will flow to the entity.

The accounting policies adopted in preparing the financial statements are as follows:

a) Cash and cash equivalents in the balance sheet is comprised of cash in bank, short term investment and cash on hand.

b) Trade receivables which generally have 30-90 day term are recognized and carried at original invoice amount. When there is objective evidence that the Corporation will not be able to collect the receivables, an allowance for probable losses is provided.

c) Allowance for probable losses is set up for expected losses from non-moving trade receivables considering the debtor's capacity to pay.

d) Inventories are valued at cost including the costs incurred in bringing each item to its present condition.

e) Investment and other financial assets are recorded at cost at the time of acquisition. Non-derivative financial assets with fixed determinable payment and maturity are classified as held-to-maturity when the Corporation has the positive intention and ability to hold to maturity. Investments are classified as marketable securities upon acquisition when the maturity is 90 days to one year while investment with maturity of more than one year is considered as long term investments.

f) Property, Plant and Equipment are recorded at cost. Depreciation is computed on a straight-line method over the estimated useful life of the respective assets after deducting the 10 per cent residual value. Maintenance and repairs are charged to expenses as incurred while major repairs and betterments are capitalized. When the items of property or equipment are disposed, the related cost and accumulated depreciation are removed from the accounts and any gain is treated as income.

g) Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment loss.

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2011	2010 (As restated)
Cash in bank	20,469,082	19,625,015
High Yield Savings Account ^{\1}	51,581,519	30,235,098
Operating fund (SRGC)	259,457	257,893
Petty cash	20,000	20,000
	72,330,058	50,138,006

\1 This account represents MSI's placements on December 23, 2011 on High Yield Savings Account No. 0051-5412-43 amounting to P36,465,931 for 31 days at 2.25 per cent interest rate per annum and on December 28, 2011 on High Yield Savings Account No. 1791-0570-07 amounting to P15,115,588 for 30 days at 2.20 per cent interest rate per annum.

4. MARKETABLE SECURITIES

This account represents MSI's placements on Treasury Bills on September 17, 2010 for 159 days amounting to P10,000,545 and matured on February 23, 2011.

Investments are classified as marketable securities upon acquisition when the maturity is 90 days to one year.

5. ACCOUNTS RECEIVABLE

This account consists of trade receivable as follows:

	2011	2010 (As restated)
Rice	17,909,394	18,928,625
Palay	17,528,244	17,528,244
Certified seeds	64,379	64,379
Others	1,031,915	952,920
	36,533,932	37,474,168
Allowance for probable losses	(21,592,810)	(21,592,810)
	14,941,122	15,881,358

6. INVENTORIES

This account consists of the following:

	2011	2010
Palay	12,579,860	16,427,696
Rice	2,765,462	3,605,047
Brokenes	2,435,400	1,381,500
By-products	131,900	69,480
	17,912,622	21,483,723

The cost of the palay stocks is the actual procurement cost. For the rice inventory at SRGC, the cost includes the cost of palay issued for milling using the average method, procurement expenses (related expenses incurred during procurement of palay) and milling expenses after deducting the allocated cost of brokenes and by-products.

Inventory rice is inclusive of old unaccounted stocks amounting to P834,114 as at December 31, 2011 and 2010.

7. NOTES RECEIVABLES

This account represents the restructured past-due accounts receivables, which are secured by hard collaterals and covered by promissory notes, as follows:

	2011	2010
Notes receivables	3,235,360	3,235,360
Allowance for probable losses	(1,649,984)	(1,649,984)
	1,585,376	1,585,376

8. INTEREST RECEIVABLE

This account represents interest on placements in High Yield Savings Account in LBP Buendia and Ayala Branches in the total amount of P19,270 as at December 31, 2011.

9. PREPAID EXPENSES

This account consists of the following:

	2011	2010 (As restated)
Taxes withheld	6,466,047	4,792,528
Medical	182,000	195,000
Taxes, licenses and fees	122,095	-
Rice benefit	65,754	63,414
Uniform	57,200	-
Insurance premium	25,351	50,411
Condo dues	13,201	-
Fidelity bond premium	11,940	11,035
Maintenance	800	-
	6,944,388	5,112,388

10. OTHER ASSETS

This account consists of the following:

	2011	2010
Supplies and materials	701,926	469,362
Guaranty deposits	147,300	178,100
	849,226	647,462

11. PROPERTY, PLANT AND EQUIPMENT

This account is composed of the following:

	Transportation Equipment	Office Equipment	Furnitures and Fixtures	TOTAL
Cost, January 1, 2011	2,817,108	931,575	981,041	4,729,724
Additions	-	20,980	-	20,980
Disposals	-	(64,179)	-	(64,179)
December 31, 2011	2,817,108	888,376	981,041	4,686,525
Accumulated depreciation				
January 1, 2011, as restated	2,305,529	832,880	567,158	3,705,567
Depreciation	122,975	61,898	72,612	257,485
Adjustment - disposal	-	(63,627)	-	(63,627)
December 31, 2011	2,428,504	831,151	639,770	3,899,425
Net carrying amount, December 31, 2011	388,604	57,225	341,271	787,100
Net carrying amount, December 31, 2010, as restated	511,579	98,695	413,883	1,024,157

12. INVESTMENT PROPERTIES

This account pertains to the book value of land as follows:

	2011	2010
Investment Property	4,649,618	4,849,618

Below is the composition of the investment property as at December 2011 and disposal during the year.

Acquisition / Foreclosure			Disposal		
	No. of TCT	Book Value		No. of TCT	Book Value
Dacion en Pago with option to sell	30	4,849,618	Disposed/Sold	1	200,000
		4,849,618		1	200,000

13. INVESTMENT IN STOCKS AND BONDS

This account consists of investments with the following:

	2011	2010
Fil-Capital	208,400	208,400
PLDT	57,200	57,200
Cagayan Sugar Farmers Coop. Assoc.	1,500	1,500
Archmar	200	200
	267,300	267,300
Allowance for market decline	(210,100)	(210,100)
	57,200	57,200

14. ACCOUNTS PAYABLE

This account pertains to MSI's trade/business payables consisting of:

	2011	2010 (As restated)
Payment-in-Kind Palay	9,752,406	13,308,712
Rice Suppliers	6,749,410	3,532,450
	16,501,816	16,841,162

15. OTHER LIABILITIES

This account consists of the following:

	2011	2010 (As restated)
Income tax payable	1,973,640	-
Deferred interest income	1,188,429	1,188,429
Miscellaneous liabilities & deferred charges	554,223	-
Withholding tax payable	88,540	62,506
Trust liabilities - Pag-ibig loan	22,187	-
Payable - Voucher	13,202	5,870
Trust liabilities - SSS loans	11,915	-
Trust liabilities - SSS	7,650	-
Retention payable	5,720	-
Trust liabilities - Philhealth	3,450	-
Trust liabilities - Pag-ibig	1,880	-
Miscellaneous liabilities ¹¹	4,492,258	3,308,665
	8,363,094	4,565,470

¹¹ This account represents accrual of unpaid expenses for 2011.

16. CAPITAL STOCK

The increase in authorized capital stock from P25,000,000 to P100,000,000 divided into 9,000,000 common shares and 1,000,000 preferred shares with a par value of ten pesos (P10.00) per share was approved by the Securities and Exchange Commission on January 14, 1993.

The Land Bank of the Philippines has fully subscribed and paid MSI's P100,000,000 capital stock.

17. OPERATING EXPENSES

	2011	2010 (As restated)
Salaries and wages	3,258,692	3,111,375
Other benefits	2,143,964	1,719,098
Other services	1,146,636	950,033
Rent	1,128,676	1,170,967
Bonus and incentives	1,028,487	977,288
Supplies and materials	677,324	770,987
Taxes, licenses and fees	621,866	723,431
Light, power and water	502,664	562,730
Communication	321,535	363,828
SSS Medicare and Pag-ibig premiums	260,737	253,062
Travelling expenses	258,253	230,088
Depreciation	257,485	261,394
Representation and entertainment	257,303	499,386
Insurance	230,831	143,420
Security services	213,000	508,054
Per diem/allowances	180,500	141,500
Business development	84,809	224,895
Gasoline and oil	79,575	98,514
Reproduction	79,384	84,818
Spare parts	60,826	175,181
Repairs and maintenance	40,772	77,294
Overtime pay	10,186	14,620
Interest and other bank charges	1,261	2,089
Amortization expense	-	748,900
Transportation services	-	125,325
Bad debts expense	-	3,163,437
	12,844,766	17,101,714

18. COMPLIANCE WITH TAX LAWS

In compliance with the requirements set forth by Revenue Regulation No. 15-2010 hereunder are the information on taxes, licenses and fees paid or accrued during the taxable year:

A. Local

	2011	2010
Mayor's Permit - Head Office & SRGC	452,255	543,640
Municipal License - SRGC ^{\1}	120,768	-
Community Tax - Head Office	10,500	10,500
Realty Tax	3,833	134,981
Barangay Clearance	1,600	1,400
	588,956	690,521

\1 Municipal license of SRGC for CY 2010 was paid on January 12, 2011.

B. National

	2011	2010
NFA License	32,410	32,410
BIR Registration	500	500
	32,910	32,910

C. Withholding taxes paid/accrued for the year:

	2011	2010
Taxes on compensation and benefits	398,243	374,383
Creditable withholding tax/es	108,475	120,213
	506,718	494,596

18. RESTATEMENT

Corrections of the prior year's expenses and income are classified as prior period adjustments. The prior year's financial statements were restated to correct the prior period errors in accordance with the provisions of paragraph 42 of PAS 8.

20. RELATED PARTY TRANSACTIONS

A Management Contract exists between the MSI and the LBP wherein MSI guarantees the purchase of rice in amounts equivalent to the rice requirements of the employees of the Bank. Also, there is a Payment-in-Kind Program wherein MSI undertakes the collection of loan receivables of LBP from farmers/cooperatives in the form of palay and rice, the value of which is payable to the Bank within 90 days. Further, included in the members of the Board of Directors and Executive Committee of MSI are LBP Officers. The transactions of MSI with LBP, the parent corporation, are as follows:

	2011	2010
Sales - rice allocation of LBP employees	111,966,564	106,445,582
Outstanding receivables	17,973,773	18,993,004
Receivables - miscellaneous from LBP Officers	35,000	35,000
Outstanding payables	16,501,816	13,308,712
	146,477,153	138,782,298

21. COMPENSATION OF KEY MANAGEMENT OFFICIALS

	2011	2010
Basic salary	736,800	681,000
Fringe benefits	326,160	325,200
	1,062,960	1,006,200