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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

For the Years Ended December 31, 2022 and 2021

EXECUTIVE SUMMARY

INTRODUCTION

The Philippine National Construction Corporation (PNCC or the Corporation), previously known as the Construction Development Corporation of the Philippines (CDCP), was granted the franchise to construct, operate and maintain the North Luzon Expressway (NLEX), South Luzon Expressway (SLEX) and Metro Manila Expressway by virtue of Presidential Decree (PD) No. 1113 issued on March 31, 1977, as amended by PD No. 1894 issued on December 22, 1983. The debt-to-equity conversion pursuant to and under the directives of Letter of Instruction No. 1295 promulgated on February 23, 1983 gave the Government majority ownership of the Corporation.

From 1987 to 2001, PNCC still engaged in some construction business but this resulted in losses. It veered away from active involvement in construction operations, and focused more on the operation and maintenance of its tollways. However, further financial difficulties prevented PNCC from operating and maintaining its tollways in a manner required of a public utility. Therefore, PNCC entered into Joint Venture Agreements (JVAs) that resulted in the division of the Tollways into three portions, the NLEX, the SLEX and the South Metro Manila Skyway (SMMS).

On February 10, 2005, PNCC turned over the Operation and Maintenance (O&M) of the North Luzon Tollways to the Manila North Tollways Corporation (MNTC), while the O&M for the South Metro Manila Skyway was turned over to the Skyway Operation and Maintenance Corporation on December 31, 2007.

Prior to the expiration of the franchise of PNCC on April 30, 2007, the Corporation submitted to Congress all the requirements needed for the renewal of the same, but it was not able to get the required Senate approval. The Toll Regulatory Board (TRB) issued a Toll Operation Certificate to PNCC on April 30, 2007 for the O&M of the SLEX and to collect toll fees, in the interim, after its franchise expiration. The PNCC handed over the O&M of the SLEX to Manila Toll Expressway System Inc. on May 2, 2010.

On June 22, 2016 and October 17, 2016, the Corporation's Board of Directors and its Shareholders, respectively, approved the amendment to the 4th Article of the Articles of Incorporation to extend the corporate term for 50 years from November 22, 2016, which amendment was approved by Securities and Exchange Commission on November 21, 2016.

FINANCIAL HIGHLIGHTS

Comparative Financial Position
(In thousand pesos)

	2022	2021 (As restated)	Increase (Decrease)
Assets	43,504,217	43,206,661	297,556
Liabilities	20,650,347	20,417,446	232,901
Equity	22,853,870	22,789,215	64,655

Comparative Results of Operations
(In thousand pesos)

	2022	2021 (As restated)	Increase (Decrease)
Income	501,229	3,591,285	(3,090,056)
Personnel services	51,263	49,824	1,439
Operating expenses	368,881	342,594	26,287
Income before tax	81,085	3,198,867	(3,117,782)
Income tax (expense)/ benefit	(13,011)	863,219	(876,230)
Net income	68,074	4,062,086	(3,994,012)

SCOPE AND OBJECTIVES OF AUDIT

Our audit covered the examination, on a test basis, of the accounts and transactions of PNCC for the period January 1 to December 31, 2022 in accordance with International Standards of Supreme Audit Institutions (ISSAIs) to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2022 and 2021. Also, we conducted our audits to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered an adverse opinion on PNCC's financial statements due to the recognition of the unconverted debts as equity and the non-recognition of interests and other charges thereon resulting in the understatement of total liabilities and overstatement of total equity both by P76.789 billion as of December 31, 2022 and by P71.847 billion as of December 31, 2021. There should have been a deficit of P57.828 billion and P52.953 billion instead of retained earnings of P13.409 billion and P13.342 billion as of December 31, 2022 and 2021, respectively.

For the above observation, which caused the issuance of an adverse opinion, we reiterated our previous years' recommendation that Management recognize the P5.552 billion unconverted debts as liability in the books of accounts of PNCC, instead of equity, together with the interests and other charges thereof amounting to P71.237 billion as of December 31, 2022, until or unless the Office of the President reconsiders its decision on the matter.

OTHER SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. The completeness of PNCC's revenue share amounting to P314.391 million for CY 2022 remitted by the Joint Venture (JV) Companies operating the SLEX, NLEX, Skyway, and Metro Manila Skyway (MMS) Stage 3 could not be ascertained due to the absence of verifiable data/information as the basis in the computation of such share.

   We recommended that Management:

   a) Coordinate with TRB to make formal representation with the operators of SLEX, NLEX, Skyway, and MMS Stage 3 to obtain pertinent documents/data, including but not limited to system-generated monthly revenue reports, that could be used as a basis in the computation of PNCC's revenue share, validate the same and furnish the Audit Team with said documents including the results of validation; and

b) Adhere to the provisions of Paragraph 12 of the Conceptual Framework for Financial Reporting to achieve faithful representation of the balance of revenue share from JV Companies.

2. Due to the variance between the balance per book and confirmed balances of P34.494 million and negative balances of P1.832 million, the faithful representation of the balance of the Receivable account totaling P36.326 million could not be obtained.

   We reiterated our prior years' recommendations with modifications that Management:

   a) Instruct the Controllership Department to identify the cause/s of the discrepancies and exert utmost and deliberate efforts to reconcile the variances and negative balances of the receivable accounts;

   b) Direct the Controllership Department, in coordination with the Legal Department, to obtain pertinent records from NLRC to reconcile the discrepancy of the account of the latter; and

   c) Effect the necessary adjusting journal entries in the books of accounts, if warranted, so that reliable information is presented in the financial statements.

3. The non-payment of concession fees to the National Government amounting to P7.076 billion which is contrary to Clause 2 of the Toll Operation Agreement (TOA) entered into by and between PNCC and the Republic of the Philippines thru the Toll Regulatory Board (TRB), resulted in the incurrence of unnecessary penalty charges of at least P258.000 million annually.

   We reiterated our prior year's recommendations that Management:

   a) Develop/devise a payment plan for approval by the Board of Directors to settle the unpaid concession fees to the NG; and

   b) Comply with the provisions of the TOA by paying the remaining balance of the concession fee due to the NG, together with the penalty charges thereon.

4. The cash collateral amounting to P71.072 million posted in favor of Investors Assurance Corporation (IAC) was not yet returned to PNCC despite the lapse of more than six years from the finality of the Supreme Court's (SC) decision on November 14, 2016, in favor of PNCC, thus, depriving the Corporation of its utilization either for operation or investment purposes.

   We reiterated our prior years' recommendation that Management take appropriate action to expedite the resolution of issues concerning the cash collateral amounting to P71.072 million in order that such an amount will be readily available for operation or investment purposes.

We further recommended that Management:

a) Exert persistent effort to claim from IAC, thru the IC, the uncontested amount of P33.965 million without prejudice to filing of a separate claim for the remaining cash collateral amounting to P37.107 million; and

b) Inform the Audit Team on the recent updates/developments of the case pertaining to the release of the cash collateral.

SUMMARY OF SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF YEAR-END

As of December 31, 2022, the unsettled Notices of Disallowance (ND) amounted to P468.551 million, as follows:

Particulars	Quantity	Amount (in millions)
With Cluster's decision but under automatic review by the Commission Proper	3	172.280
NDs affirmed in the decision rendered by the COA CGS Cluster Director. Petition for Review filed with the COA Commission Proper	25	198.705
NDs with Notice of Finality of Decision (NFD) and COA Order of Execution (COE)	9	97.566
	37	468.551

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 64 prior years' recommendations, 30 were implemented/reconsidered and the remaining 34 were not implemented but reiterated in Part II of this Report. Details are presented in Part III of this Report.

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PART I

AUDITED FINANCIAL STATEMENTS

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Philippine National Construction Corporation
Km. 15, East Service Road
Bicutan, Parañaque City

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the financial statements of Philippine National Construction Corporation (PNCC), which comprise the statements of financial position as at December 31, 2022 and 2021, 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, because of the significance of the matter discussed in the *Basis for Adverse Opinion* paragraph of our report, the accompanying financial statements do not present fairly the financial position of PNCC as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Adverse Opinion

The unconverted debt of P5.552 billion increased to P76.789 billion and P71.847 billion as of December 31, 2022 and 2021, respectively, as shown in the Statement of Accounts issued by PMO and the Status of BTr Advances issued by the BTr both as of December 31, 2022 and 2021. The increase consists mainly of interest and other charges. The said amounts were not recognized by PNCC as liability in its books resulting in the understatement of total liabilities and overstatement of total equity both by P76.789 billion as of December 31, 2022 and by P71.847 billion as of December 31, 2021. Further, there should have been a deficit of P57.828 billion and P52.953 billion instead of retained earnings of P13.409 billion and P13.342 billion as of December 31, 2022 and 2021, respectively.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of PNCC in accordance with the Code of Ethics for Government Auditors (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Unconverted debts

Letter of Instruction (LOI) No. 1295 issued in 1983 directed all concerned Government Financial Institutions (GFIs) to convert into shares of common stock all direct obligations of PNCC with them. However, P5.552 billion debts were not converted into equity due to insufficient authorized capital. These debts were eventually transferred to the National Government (NG) thru the Asset Privatization Trust, now Privatization Management Office (PMO), pursuant to Proclamation No. 50 issued in 1986 and serviced by the Bureau of the Treasury (BTr). It is PNCC's position that these unconverted debts have effectively been converted to equity and, therefore, should no longer bear interest and other charges. Accordingly, it recognized in equity the unconverted debts in the total amount of P5.552 billion and no longer recognized the interest and other charges thereon. The NG, however, has a contrary position.

Due to their conflicting positions, the parties submitted the issue to the Department of Justice (DOJ) in 2012 for arbitration. In 2014, the DOJ dismissed PNCC's petition against the PMO and ordered the former to pay the latter its due and demandable obligation inclusive of interests and penalties until actually paid. PNCC's Motion for Reconsideration (MR) and Supplement to the MR were, likewise, denied by the DOJ in 2015. Accordingly, PNCC filed an Appeal Memorandum with the Office of the President (OP) of the Philippines on July 27, 2015. On May 19, 2022, the OP finally issued a Decision affirming the DOJ's Decision and Resolution issued in 2014 and 2015, respectively. On July 22, 2022, PNCC filed a MR with the OP, which to date, is still pending with the OP.

Earlier, the Office of the Government Corporate Counsel (OGCC), in its Opinion No. 245 dated November 15, 2007, opined that PNCC may enter into an agreement with PMO for the conversion of PNCC's remaining liabilities into PNCC's shares of common stock and that after the completion of the equity conversion, PNCC shall no longer have any remaining obligations with the NG and PMO under LOI No. 1295, subject to the approval by higher authorities as may be required by law or regulation.

On April 15, 2015, the Department of Finance (DOF) served PNCC a Statement of Account informing that its outstanding obligations were due and demandable, and that there is no longer any basis to consider the conversion into equity of the subject obligations under LOI No. 1295.

Taking into consideration the time that had elapsed, together with the DOJ opinion, the OGCC opinion and the DOF demand, we believe that the planned conversion of debts to equity is a remote possibility.

Other Information

Management is responsible for the other information. The other information comprises the information included in the PNCC's Securities and Exchange Commission (SEC) Form No. 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2022 but does not include the financial statements and our auditor's report thereon. The SEC Form No. 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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 PNCC'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 PNCC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing PNCC'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 PNCC'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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 41 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to auditing procedures applied in our audits of the basic financial statements. Because of the significance of the matter described in the *Basis for Adverse Opinion* section, it is inappropriate to and we do not express an opinion on the information referred to above.

COMMISSION ON AUDIT

ARIEL B. CARAECLE
OIC- Supervising Auditor

May 24, 2023

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Philippine National Construction Corporation (PNCC) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2022 and 2021, 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 misstatements, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the PNCC'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 PNCC or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the PNCC'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 and other users.

The Commission on Audit has audited the financial statements of the PNCC in accordance with the International Standards of Supreme Audit Institutions, and in its report to the Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such audit.

HERCULANO C. CO, JR.	**MIGUEL E. UMALI**	**CRISTY M. MEDIAVILLO**
Chairman of the Board	President and CEO	Head, Treasury

SUBSCRIBED AND SWORN to before me this _______ day of MAY 24 2023 affiants exhibiting to me their Tax Identifications, as follows:

Names	Tax Identification No.
Herculano C. Co, Jr.	167-383-105
Miguel E. Umali	106-974-003
Cristy M. Mediavillo	118-060-474

ATTY. CONCEPCION P. VILLAREÑ
Notary Public for Quezon City
Until December 31, 2023
PTR No. 3716371 / January 3, 2023 Q.
IBP No. 167803 / November 25, 2021 C
Roll No. 30457 / 05-09-1980
MCLE VII-0006994 / 09-21-2021
ADM. MATTER No. NP-005 (2022-202
TIN NO. 131-942-754

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Book No. 52
Series of 2023

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021
(In Philippine Peso)

	Notes	2022	2021 (As restated)	January 1, 2021 (As restated)
ASSETS				
Current Assets				
Cash	4.3, 7	**17,039,889**	53,658,594	22,612,258
Other investments	8	**1,895,446,414**	1,485,235,853	1,333,066,028
Receivables, net	4.3, 9	**449,880,614**	524,928,400	452,622,308
Inventories	4.8, 10	**2,305,270**	3,035,646	3,775,735
Other current assets	11	**35,898,048**	28,152,628	26,704,061
		2,400,570,235	2,095,011,121	1,838,780,390
Non-Current Assets				
Financial Assets	4.10, 12	**771,970**	746,970	1,042,769
Investments in Subsidiaries	4.10, 13	**61,200,000**	61,200,000	61,200,000
Investments in Joint Venture	4.10, 14	**1,485,816,700**	1,485,816,700	1,485,816,700
Other Investments	4.10, 15	**2,275,883**	2,275,883	2,562,483
Receivables	4.3, 9	**98,469,394**	98,488,662	101,804,071
Investment property	4.11, 16	**37,148,652,772**	37,148,814,014	33,846,997,848
Property and equipment, net	4.12, 17	**2,194,163,820**	2,193,216,641	1,507,100,887
Deferred tax assets	4.21, 34	**24,542,414**	24,542,414	33,888,888
Other non-current assets, net	18	**87,754,118**	96,548,866	174,905,246
		41,103,647,071	41,111,650,150	37,215,318,892
TOTAL ASSETS		**43,504,217,306**	43,206,661,271	39,054,099,282
LIABILITIES				
Current Liabilities				
Financial liabilitiles	19	**26,086,333**	21,832,664	19,233,392
Other financial liabilities (Due to NG and GOCCs)	20	**10,580,015,616**	10,322,013,416	10,064,011,016
Inter-agency payables	21	**12,198,395**	3,751,522	1,151,861
Trust liabilities	22	**123,602,523**	125,635,854	123,602,523
Deferred credits/unearned income	23	**90,238,139**	125,340,686	121,572,737
		10,832,141,006	10,598,574,142	10,329,571,529
Non-Current Liabilities				
Deferred tax liabilities	4.21,34	**9,814,416,871**	9,815,081,902	10,581,082,258
Trust liabilities	22	**3,789,629**	3,789,629	3,789,629
		9,818,206,500	9,818,871,531	10,584,871,887
TOTAL LIABILITIES		**20,650,347,506**	20,417,445,673	20,914,443,416
EQUITY		**22,853,869,800**	22,789,215,598	18,139,655,866
TOTAL LIABILITIES AND EQUITY		**43,504,217,306**	43,206,661,271	39,054,099,282

The notes on pages 10 to 87 form part of these financial statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Notes	**2022**	2021 (As restated)
Income			
Service and business income	4.17, 27	**499,252,647**	287,238,353
Gains	28	**3,475**	3,301,977,409
Other non-operating income	4.17, 29	**1,973,510**	2,069,205
		501,229,632	3,591,284,967
Expenses			
Personnel services	4.18, 30	**51,263,382**	49,823,864
Maintenance and other operating expenses	4.18, 31	**33,548,262**	27,602,101
Financial expenses			
Penalty charges on unpaid concession fee	4.19, 20	**258,002,200**	258,002,400
Bank charges	4.18	**15,281**	8,887
Direct costs	4.18, 32	**73,401,117**	44,311,440
Non-Cash Expenses	33	**3,914,352**	12,669,712
		420,144,594	392,418,404
Income Before Tax		**81,085,038**	3,198,866,563
Income tax (expense)/benefit	4.21	**(13,011,277)**	863,219,508
Net Income		**68,073,761**	4,062,086,071
Other Comprehensive income	35	**25,000**	55,000
Total Comprehensive Income		**68,098,761**	4,062,141,071

The notes on pages 10 to 87 form part of these financial statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Note	Share Capital (Notes 4.16, 24)	Share Premium (Note 4.16)	Equity Adjustment-Loans Transferred to National Gov't (Note 26)	Subscriptions Receivable (Note 25)	Treasury Stock (Notes 4.16, 24)	Revaluation Surplus (Note 4.12)	Retained Earnings (Note 4.16)	Accumulated Other Comprehensive Income (loss)	TOTAL
Balance at December 31, 2020		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,047,197,893	9,200,264,017	(129,000)	18,056,096,031
Add (Deduct):										
Correction of prior year's income	39							83,559,835	0	83,559,835
As at January 1, 2021, as restated		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,047,197,893	9,283,823,852	(129,000)	18,139,655,866
Changes in equity for 2021										
Add (Deduct):										
Comprehensive loss for the year, as restated		0	0	0	0	0	0	4,062,086,071	0	4,062,086,071
Other comprehensive income										
Unrealized loss on financial asset at FVOCI		0	0	0	0	0	0	0	55,000	55,000
Movement in revaluation increment, net of tax		0	0	0	0	0	517,250,009	0	0	517,250,009
Other adjustments										
Expiration of 2018 minimum corporate income tax		0	0	0	0	0	0	(5,028,866)	0	(5,028,866)
Piecemeal realization of revaluation increment		0	0	0	0	0	(1,590,674)	1,590,674	0	0
Reduction in deferred tax liability		0	0	0	0	0	75,197,518	0	0	75,197,518
Balance at December 31, 2021		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,638,054,746	13,342,471,731	(74,000)	22,789,215,598
Changes in equity for 2022										
Add (Deduct):										
Comprehensive loss for the year		0	0	0	0	0	0	68,073,761	0	68,073,761
Other comprehensive income for the year										
Unrealized gain on financial asset at FVOCI		0	0	0	0	0	0	0	25,000	25,000
Other adjustments										
Expiration of 2019 minimum corporate income tax		0	0	0	0	0	0	(4,109,590)	0	(4,109,590)
Piecemeal realization of revaluation increment		0	0	0	0	0	(2,660,125)	2,660,125	0	0
Reduction in deferred tax liability		0	0	0	0	0	665,031	0	0	665,031
Balance at December 31, 2022		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,636,059,652	13,409,096,027	(49,000)	22,853,869,800

The notes on pages 10 to 87 form part of these financial statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Notes	2022	2021 (As restated)
CASH INFLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of income/revenue		**373,558,809**	153,435,681
Collection of receivable		**154,032,494**	38,035,246
Trust receipts		**914,750**	102,381,530
Other receipts		**1,639,134**	843,021
Total Cash Inflows		**530,145,187**	294,695,478
Cash Outflows			
Payment of expenses		**122,350,020**	94,979,703
Release of inter-agency fund transfers		**58,618,011**	24,864,838
Grant of cash advances		**2,650,498**	1,893,410
Purchase of inventories		**2,249,433**	1,739,828
Prepayments		**2,282,643**	1,683,756
Remittance of personnel benefit contributiion & mandatory deductions		**25,124,771**	21,461,527
Refund of deposits		**0**	16,248,726
Other disbursements		**1,021,955**	474,446
Total Cash Outflows		**214,297,331**	163,346,234
Net Cash Provided by Operating Activities		**315,847,856**	131,349,244
CASH INFLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from redemption of Investment		**257,959,004**	256,731,279
Receipt of cash dividends	27.4	**41,964,567**	32,311,574
Proceeds from sale of other assets		**90,750**	0
Receipt of interest earned		**21,279**	50,887
Total Cash Inflows		**300,035,600**	289,093,740
Purchase of investments		**648,000,000**	389,000,000
Purchase of property and equipment		**4,502,161**	396,648
Total Cash Outflows		**652,502,161**	389,396,648
Net Cash Used in Investing Activities		**(352,466,561)**	(100,302,908)
NET INCREASE/(DECREASE) IN CASH		**(36,618,705)**	31,046,336
CASH AT BEGINNING OF THE YEAR		**53,658,594**	22,612,258
CASH AT END OF YEAR	7	**17,039,889**	53,658,594

The notes on pages 10 to 87 form part of these financial statements.

1. CORPORATE INFORMATION

The Corporation was originally incorporated under the name of Construction Development Corporation of the Philippines (CDCP) in 1966 for a term of 50 years. Its Articles of Incorporation and By Laws were approved by the Securities and Exchange Commission (SEC) on November 22, 1966 under SEC Registration No. 30939 and its actual operation started on April 16, 1967. The primary purpose of the Corporation is to undertake general contracting business with private parties, government agencies, and instrumentalities relative to the construction of infrastructure projects and to engage in other related services in a manner that will contribute to the economic development of the country. CDCP eventually rose to be one of the country's foremost construction companies with extensive operations in the Philippines, the Middle East, and other ASEAN countries.

On March 31, 1977, Presidential Decree (PD) 1113 granted CDCP the franchise to operate, construct, and maintain toll facilities in the North and South Luzon Tollways for a period of 30 years. (That franchise expired on May 1, 2007.) PD 1113 was amended by PD 1894 in 1983 to include, among others, the Metro Manila Expressway (MME) to serve as an additional artery in the transportation of trade and commerce in the Metro Manila Area and gave the Corporation another period of 30 years "from the completion of the project."

On May 7, 1981, Letter of Instruction (LOI) 1136 was issued mandating the National Development Company (NDC) to invest in the Corporation by way of capital infusion in the amount of P250 million.

On February 23, 1983, then President Ferdinand E. Marcos issued LOI 1295, directing the creditor Government Financial Institutions (GFIs) to convert into CDCP shares of stock the following: (1) all of the direct obligations of CDCP and those of its wholly-owned subsidiaries, including, but not limited to loans, credits, accrued interests, fees and advances in any currency outstanding as of December 31, 1982; (2) the direct obligations of CDCP maturing in 1983; and (3) obligations maturing in 1983 which were guaranteed by the GFIs. With the implementation of LOI 1295, the GFIs became the majority stockholder of CDCP.

The amount of the debt to be converted into equity was around P7 billion. However, only P1.4 billion of the debt was issued shares of stocks while the remaining P5.6 billion was left unconverted.

On December 7, 1983, SEC approved the increase of the Corporation's authorized capital stock from P1.6 billion to P2.7 billion in accordance with LOI 1295.

CDCP was later renamed as Philippine National Construction Corporation (the Corporation) to reflect the Philippine Government's stockholding, and became a government-acquired asset corporation. Consequently, the various GFIs were given seats in the Board of Directors of the Corporation and participated in its management.

In 1986, under Proclamation No. 50, the Corporation was placed under the Committee on Privatization (COP) and the Asset Privatization Trust (APT). Also in 1986, under Administrative Order No. 64, certain assets of the Philippine Export and Foreign Loan Guarantee Corporation (Philguarantee) and the NDC were transferred to the National Government (NG) which also assumed certain liabilities of both Philguarantee and NDC. A total of P1.918 billion was transferred to the NG.

By virtue of LOI 1136 and 1295, 55.72 per cent of the Corporation's equity was held by the APT (now the Privatization Management Office or PMO), which was created on December 8, 1986 by virtue of Proclamation No. 50. The other 21.25 per cent was held by the Government Service Insurance System (GSIS) and the Land Bank of the Philippines (LBP) with 20.96 per cent and 0.29 per cent, respectively. The remaining 23.03 per cent of the Corporation's equity is under private ownership.

In 1988, pursuant to Administrative Order Nos. 14 and 64, Development Bank of the Philippines (DBP), Philippine National Bank (PNB), Philguarantee, and NDC transferred their interests in the Corporation to the Republic of the Philippines which in turn conveyed them to the APT (now PMO) for disposition to the private sector pursuant to the government's privatization program.

From 1987 to 2001, the Corporation still engaged in construction business but this resulted in losses. It veered away from active involvement in construction operations, and focused more on the operation and maintenance of its tollways. It entered into Joint Venture Agreements (JVAs) that resulted in the division of the Tollways into the South Luzon Expressway (SLEX), the North Luzon Expressway (NLEX) and the Skyway.

In August 1995, the Corporation entered into a Business and Joint Venture Agreement (BJVA) with Indonesia's P.T. Citra Lamtoro Gung Persada (CITRA) and formed the joint venture company, Citra Metro Manila Tollways Corporation (CMMTC), which was granted the Supplemental Toll Operation Agreement (STOA) to finance, design and construct the South Metro Manila Skyway (SMMS) Project. The project covered the construction of the 9.5-kilometer elevated road from Bicutan, Parañaque City to the Makati Central Business District, as well as the rehabilitation of the 13.5-kilometer section of the SLEX from Alabang to Magallanes. The PNCC's wholly-owned subsidiary, PNCC Skyway Corporation (PSC), originally managed the operation and maintenance of the SMMS Project. October 1999 marked the start of the full operation of the entire Skyway Stage 1.

In 1997, the Corporation entered into a JVA with the First Philippine Infrastructure Development Corporation (FPIDC) for the rehabilitation of the NLEX. The Manila North Tollways Corporation (MNTC) was incorporated as its joint venture company. MNTC was granted the STOA in June 1998 to finance, design, construct, operate and maintain the toll roads, toll facilities and other facilities generating toll-related income in respect of the NLEX. The FPIDC was acquired by the Metro Pacific Investments Corporation (MPIC) in 2008. The operation and maintenance (O&M) of the NLEX is with the Tollways Management Corporation (TMC). Following the issuance of the Toll Operation Permit (TOP), commercial operations started on February 1, 2005.

In 2002, by virtue of Executive Order No. 148, the Corporation was attached, "for policy and program coordination and for general supervision", to the Department of Public Works and Highways (DPWH), "with which it has allied functions, especially in the development of road networks within the country".

In 2004, as per Executive Order No. 331, the Corporation was placed under and attached to the Department of Trade and Industry (DTI) "pending privatization".

In February 2006, the Corporation entered into a JVA with Malaysian Corporation MTD Manila Expressways, Inc. (MTDME) and formed its joint venture company South Luzon Tollway Corporation (SLTC). By virtue of the STOA entered into with the Toll Regulatory Board (TRB) and the Corporation, SLTC committed to undertake all works required for the SLEX Project including its total financing without sovereign guarantees and with the recovery of its investment being in the form of the collection of toll by the Manila Toll Expressway Systems, Inc. (MATES), its O&M company. The SLEX Rehabilitation and Upgrading Project consisted of the rehabilitation and expansion of the existing toll road from Alabang to Calamba (28.53 km) and the construction of the extension of the SLEX to Sto. Tomas, Batangas (5.81 km) with the associated spur to the Southern Tagalog Arterial Road (1.79 km). SLTC was granted a 30-year concession period from February 2006 to February 2036. It includes the period of construction which began in June 2006.

On April 27, 2007, TRB issued a Toll Operation Certificate (TOC) to the Corporation for the O&M of the SLEX. The said authority from TRB, pursuant to its powers under its charter (PD 1112), allowed the Corporation to operate and maintain the SLEX and to collect toll fees, in the interim, after its franchise expiration on April 30, 2007. The effective date of the TOC commenced on May 1, 2007, but in no case to exceed the date of substantial completion of the SLEX Project Toll Roads under the STOA dated February 1, 2006, or unless sooner revoked by TRB. In 2010, the operation was officially turned over to SLTC and MATES.

In December 2007, the Corporation entered into a Memorandum of Agreement (MOA) with CMMTC and PSC where the Corporation was to have been provided P2 million by CMMTC in order for the Corporation to subscribe to the par value up to 20 per cent of the total outstanding capital stock of the Skyway Operation and Maintenance Corporation (SOMCO), the O&M company. PSC turned over the operation and maintenance of the SMMS Project to SOMCO which operates the 16.2-kilometer elevated tollway from Buendia to Alabang and the 13.5-kilometer at-grade toll road from Magallanes to Alabang.

On November 14, 2008, a Subscription Agreement was executed by and among the Alabang-Sto. Tomas Development, Inc. (ASDI), NDC and the Corporation, wherein the Corporation subscribed to 12,500 shares from the unissued portion of the 150,000 shares authorized capital stock (with par value of P1,000 per share) of ASDI, a then wholly-owned subsidiary of NDC which was incorporated to undertake the Daang Hari-SLEX connector road. On December 3, 2010, the SEC approved the application for increase in capital of ASDI, and on the same year, the Corporation subscribed 51 per cent shares of ASDI, making ASDI its subsidiary.

In 2009, a MOA for the Advance Works on the Daang Hari-SLEX Link Road Project (DHSLRP) was entered by and between ASDI and the Corporation. The Corporation was designated as the Main Turnkey Contractor responsible for undertaking the Advance Works and for the implementation of the design and the construction of the Road Project, which consists of a toll road facility connecting Daang Hari Road in Cavite to the SLEX near Susana Heights Interchange. The project was 25 per cent complete when DPWH, pursuant to its Public Private Partnership (PPP) mandate, took over the project for the purpose of bidding it out. ASDI was to be reimbursed with its cost plus a premium. Bidding of the road project was undertaken by DPWH in December 2011 and was subsequently awarded to Ayala Corporation (AC) in the same month. On April 2, 2012, a Deed of Absolute Sale was executed between ASDI and AC for the turnover of the project.

On April 27, 2009, CMMTC received the Notice to Proceed (NTP) from TRB and it officially started the SMMS Project Stage 2, the 6.8-kilometer elevated expressway from Bicutan to Alabang. In May 2011, Skyway Stage 2 was completed with toll facilities and other ancillary requirements already in place.

In 2009 and 2010, in the case of Ernesto B. Francisco vs. TRB, PNCC et al. (G.R. Nos. 166910, 169917, 173630, and 183599, October 19, 2010 or the *Francisco Case*) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et al. (G.R. No. 178158, December 4, 2009 or the *Radstock Case*), the Supreme Court (SC) ruled and declared that with the expiration of the Corporation's franchise, the toll assets and facilities of the Corporation were automatically turned over, by operation of law, to the NG at no cost and consequently, this inevitably resulted in the NG owning too the toll fees and the net income derived, after May 1, 2007 from the toll assets and facilities, including the Corporation's percentage share in the toll fees collected by the Joint Venture Companies (JVCs) currently operating the tollways, including NLEX and Skyway.

The SC, in its Resolution dated April 12, 2011 and in connection with the *Francisco Case*, directed TRB, with the assistance of the Commission on Audit (COA), to prepare and finalize the Implementing Rules and Guidelines (IRG) relative to the determination of net income remittable by the Corporation to the NG. An interim rules and guidelines was issued on March 9, 2012, for the remittance by the JVCs to the National Treasury of the net income that are supposed to be remitted by the JVCs from the revenues of the SLEX, NLEX and Skyway in accordance with the *Francisco Case*. The Corporation has been receiving 10 per cent of the revenue and dividend shares from the JVCs, while 90 per cent is remitted by the JVCs to the National Treasury.

In February 2012, the Corporation's shares in JVCs, i.e. CMMTC, MNTC, TMC, SLTC and MATES, were turned over to the government through a Deed of Compliance to Transfer Shares of Stocks to the NG in compliance with the SC decision in the *Francisco Case* (Note 3, New Projects and Other Significant Information).

The impact of the aforesaid SC Decision on the *Radstock and Francisco Cases* has been appropriately reflected in the financial statements.

In 2013, the Corporation was attached and placed under the Office of the President of the Republic of the Philippines (OP) from DTI per Executive Order No. 141. The Corporation entered into Joint Venture Projects with P.T. Citra Lamtoro Gung Persada (CITRA) for the implementation of the Metro Manila Skyway (MMS) Stage 3 Project and the Metro Manila Expressway (MME), or C-6 Project (Note 3, New Projects and Other Significant Information).

The Governance Commission for GOCCs (GCG), in its memorandum for the President of the Republic of the Philippines dated June 24, 2013, recommended the abolition of the five subsidiaries of the Corporation, namely: Alabang-Sto. Tomas Development, Inc. (ASDI), DISC Contractors, Builders and General Services, Inc. (DCBGSI), Traffic Control Products Corporation (TCPC), CDCP Farms Corporation (CDCP FC) and Tierra Factors Corporation (TFC), which was approved by the President through a memorandum from the Executive Secretary dated August 7, 2014. The Corporation is in the process of abolishing the five subsidiaries.

In August 2013, CDCP founder, Rodolfo M. Cuenca, filed a case against the TRB, COA, the Corporation, MNTC and MATES, seeking the remittance of revenues and dividends on the toll road projects to the Corporation alleging that TRB has not finalized the IRG. The Makati Regional Trial Court (RTC) "enjoined petitioner TRB and PNCC from implementing the TRB's Interim Rules and Guidelines dated 22 March 2012." In a Resolution dated August 4, 2014, the SC issued a Temporary Restraining Order (TRO) against the Makati RTC's TRO, thus sustaining the status quo that revenues and dividends be remitted directly to the NG.

On March 3, 2015, the Corporation submitted its Performance Agreement to GCG. On December 1, 2015, the Makati RTC issued a Writ of Preliminary Injunction for Civil Case No. 15-384 in favor of Forum Holdings Corporation (Forum) restraining the GCG, its representatives and officers, and the Corporation's Board of Directors from implementing the said Performance Agreement. The Corporation is not impleaded as a party to the case filed by Forum.

Pursuant to Republic Act 10149, the Corporation is listed as a non-chartered Government-Owned or Controlled Corporation (GOCC) under the supervision of the GCG, which is the central advisory, monitoring, and oversight body of the NG under the OP.

On June 22, 2016 and October 17, 2016, the Corporation's Board of Directors and its Shareholders, respectively, approved the amendment to the 4th Article of the Articles of Incorporation to extend the corporate term for 50 years from November 22, 2016, which amendment was approved by the Securities and Exchange Commission on November 21, 2016.

The registered office address of the Corporation is Km. 15, East Service Road, Bicutan, Parañaque City.

2. GOING CONCERN

On March 11, 2020, the World Health Organization has declared the novel corona virus (COVID-19) outbreak a global pandemic. Likewise, government authorities adopted measures, including lockdowns, to control the spread of the virus and mitigate the impact of the outbreak.

In 2020, in compliance to the Philippine government's directives to businesses for the Enhanced Community Quarantine as the country's response to the coronavirus pandemic, the Corporation, as a provider of essential services, was also allowed to continue with its operations. As such, the Corporation implemented social distancing protocols and provided temporary shelter for some employees and shuttle services for other employees.

The challenges of COVID-19 pandemic remain uncertain as of the report date. It is not possible to estimate the overall impact of the outbreak's near-term and longer effects, however, the Corporation has already incurred and will continue to incur costs as it continue to mitigate the adverse impact of the outbreak on its operations. The outbreak could have a material impact on the Corporation's financial results for the rest of 2022 and even periods thereafter. Considering the evolving nature of the pandemic, the Corporation will continue to monitor the situation.

3. NEW PROJECTS AND OTHER SIGNIFICANT INFORMATION

The Corporation holds updated partnerships for new Toll Road projects. The projects will enable the Corporation to generate sufficient cash flow from dividends and revenue shares from the JVCs for the next 30 years.

Metro Manila Skyway (MMS) Stage 3 Project

The MMS Stage 3 Project is an elevated expressway which starts from Buendia, Makati City to Balintawak, Quezon City and will be extended and eventually connected to the North Luzon Expressway (NLEX).

The project will connect the South Luzon Expressway (SLEX) and the North Luzon Expressway (NLEX) with a length of about 18.68 kilometers. The MMS Stage 3 elevated expressway intends to ease and decongest traffic through its designed access ramps and interchanges strategically located as follows: Buendia Avenue (South Super Highway, Makati City), Pres. Quirino Avenue (Malate, Manila), Plaza Dilao (Paco Manila), Nagtahan/Aurora Boulevard (Manila), E. Rodriguez Avenue (Quezon City), Quezon Avenue (Quezon City), Sgt. Rivera St. (Quezon City) and in the NLEX.

The construction implementation of the MMS Stage 3 was designed and divided into five sections as described below:

	Project Sections	Approximate Length (kms)
1	Buendia/Makati to Quirino Ave./Plaza Dilao	3.76
2a	Plaza Dilao to Tomas Claudio	0.96
2a1	Tomas Claudio to Old Sta Mesa	1.20
2b	Tomas Claudio to Aurora Blvd	3.93
3	Aurora Blvd to Quezon Avenue	2.71
4	Quezon Avenue to EDSA Balintawak	4.46
5	EDSA Balintawak to NLEX/Balintawak Rampway	2.11
		19.13

On May 3, 2011, P.T. Citra Lamtoro Gung Persada (CITRA) and the Corporation submitted to Toll Regulatory Board (TRB) an Updated Joint Venture Investment Proposal for the said project pursuant to one of the "Whereas Clauses" of the South Metro Manila Skyway (SMMS) Supplemental Tollway Operation Agreement (STOA) dated November 27, 1995, as amended on July 18, 2007. Pursuant to its mandate and authority granted under Presidential Decree No. 1112, TRB reviewed, evaluated and approved the Updated Joint Venture Investment Proposal for MMS Stage 3 Project.

On January 9, 2012, CITRA and the Corporation executed a Supplement to the Business and Joint Venture Agreement (Supplement to BJVA) which governs the implementation of the MMS Stage 3 Project and Stage 4 Project also known as the Metro Manila Expressway (MME). The parties also executed the Second Supplement to the Business and Joint Venture Agreement (Second Supplement to BJVA) which contains the terms and conditions for the implementation of both MMS and MME.

On September 6, 2012, the Restated Second Supplement to the Business and Joint Venture Agreement (Restated Second Supplement to BJVA), which contains the entire agreement of the parties and embodies the final terms and conditions for MMS, was executed.

On November 16, 2012, following Section 1 of the Restated Second Supplement to BJVA, Citra Central Expressway Corporation (CCEC), the joint venture company, was incorporated as the vehicle to implement the financing, design, and construction of the MMS.

Under this agreement, the Corporation is provided with the following:

- 20 per cent equity in CCEC, 10 per cent of which is "Free Carry" i.e. not paid for by the Corporation and can never be diluted; while the other 10 per cent is to be paid for. In case of the Corporation's inability to fund the 10 per cent, CITRA needs to get the Corporation's approval to nominate another shareholder. The 10 per cent initial investment in CCEC amounted to P12.5 million.

- Projected share in gross revenues amounting to about P35.06 billion for the duration of the operation period (30 years);

- Projected share in net profits amounting to about P21.42 billion for the duration of the operation period (30 years);

- One permanent seat with one non-voting director to the Board of CCEC, regardless of its shareholdings; and

- Membership in all Board Committees and Chairmanship of the Board's Audit Committee.

The Corporation agreed to forego any equity share in the operation and maintenance (O&M) provided the CCEC remains a cost center and not a profit center.

On September 26, 2013, the STOA governing the design, construction, operation and maintenance of the SMMS Stage 3 Project was approved by the Office of the President of the Republic of the Philippines.

The construction of the project has been completed. The main alignment (Buendia to NLEX/Balintawak Rampway) was opened to public on December 29, 2020. The installation of concrete median barriers was completed as well as the fabrication of road signages. The overall accomplishment of the project as of December 2022 is 100 percent (excluding section 2A – Tomas Claudio to Old Sta. Mesa). The project was inaugurated last January 14, 2021.

Metro Manila Expressway (MME) Stage 4 or C-6 Project

The Southeast Metro Manila Expressway Project is the Phase 1 of the C-6 Expressway, also known as Metro Manila Skyway Stage 4. It is a 32.67 km combination of mostly at-grade and elevated expressway stretching from Skyway FTI, Paranaque City all the way to Batasan Complex.

Project Phase / Section		Approximate Length (km)
Phase 1		
Section 1	Skyway FTI to C5/Diego Silang	2.39
Section 2	C5/Diego Silang to C6/Taguig	3.20
Section 3	C6/Taguig to Ortigas Ave. Extension	11.78
Section 4	Ortigas Ave. Ext. to Marcos Highway	5.34
Section 5	Marcos Highway to Tumana Bridge	6.90
Section 6	Tumana Bridge to Batasan Complex	3.06
Total Length		**32.67**

Phase 1 Project Description:

The Metro Manila Skyway Stage 4 or C-6 Phase 1 is a 2 x 3 lanes toll road project approximately 32.67 km in length that is intended to run from Skyway/FTI in Taguig City to Batasan Complex in Quezon City. The Project is divided into 6 Sections as follows:

1. Section 1: Skyway/FTI to C-5/Diego Silang

   Section 1 connects to the existing Skyway at FTI and ends in C-5 with a total length of 2.39 km and all are elevated.

2. Section 2: C-5/Diego Silang to C-6/Taguig

   The Section 2 of the project (C-5/Diego Silang to C-6/Taguig) designed alignment was changed and realigned due to Right of Way (ROW) issue. A conceptual design of the proposed realignment, transferring Section 2 of the SEMME project to pass along the Circumferential Road 5 (C-5/C.P. Garcia Ave.) and Pasig River from the original alignment that traverses residential areas in Brgy. Pinagsama in Taguig Ciy. The realignment will start from the end of Section 1 marked by the C-5 Interchange in the area of Pamayanang Diego Silang, and shall continue along C.P. Garcia Ave. towards the area of Kalayaan Ave., where it turns right coursing along Pasig River and continues until Circumferential Road 6 (C-6) in the area of Napindan in Taguig.

3. Section 3: C-6/Taguig to Ortigas Ave. Extension

   Section 3 is mixed elevated and at-grade, which connects C-6/Taguig to Ortigas Avenue Extension in Taytay, passing through the Manggahan Floodway with a total length of 11.783 km including a 3.076 km viaduct.

4. Section 4: Ortigas Ave. Extension to Marcos Highway

   Section 4 is at-grade and connects Ortigas Avenue Extension in Taytay to Marcos Highway in Antipolo, with a total length of 5.337 km.

5. Section 5: Marcos Highway to Tumana Bridge

   Section 5 is at-grade and connects Marcos Highway in Antipolo to Tumana Bridge, with a total length of 6.90 km.

6. Section 6: Tumana Bridge to Batasan Complex

   Section 6 is mixed elevated and at-grade which connects Tumana Bridge to the Batasan Complex with a total length of 3.055 km including 1.511 km viaduct.

On February 14, 2014, the Restated Supplement to the Business and Joint Venture Agreement (Restated Supplement to BJVA) for the MME Project was executed.

On February 17, 2014, following Section 1 of the Restated Supplement to BJVA, Citra Intercity Tollways Inc. (CITI), the joint venture company, was incorporated as the vehicle to implement the financing, design, and construction of the MME.

Patterned from the MMS Project, the MME Project will provide the Corporation with the following:

- 20 per cent equity in CITI, 10 per cent of which is "Free Carry" i.e. not paid for by the Corporation and can never be diluted. In case of the Corporation's inability to fund the 10 per cent, CITRA needs to get the Corporation's approval to nominate another shareholder;

- Projected share in gross revenues amounting to about P43.86 billion for the duration of the operation period (30 years);

- Projected share in net profits amounting to about P27.21 billion for the duration of the operation period (30 years);

- One permanent seat and one non-voting director to the Board of CITI, regardless of its shareholdings; and

- Membership in all Board Committees and Chairmanship of the Board's Audit Committee.

On August 11, 2014, the Supplemental Toll Operation Agreement (STOA) was approved by the Office of the President of the Republic of the Philippines. A groundbreaking ceremony was held on January 8, 2018 with government agencies led by the Department of Transportation (DOTr) and Department of Public Works and Highways (DPWH).

Project Status as of December 2022:

- Overall Accomplishment (Section 1: Skyway FTI to C/5 Diego Silang) = 33%
- Detailed Engineering Design (DED) for Section 1A Realignment approved by Toll Regulatory Board (TRB)
- Pre-construction Activities in Section 2A
  - Completed tree cutting and earth balling along C5.
  - Completed geotechnical works from Section 2A P01-P10.
  - Inspection of seedlings for tree planting.

- Planted trees along Libingan ng mga Bayani.

- DED for Section 2 Realignment:
  - Highway Drawing approved by Independent Consultant (IC).
  - On-going review and evaluation of structural drawings and other drawings.

Revenue Shares from MMS Stage 3 and MME Stage 4 Projects

The Corporation will earn revenue shares on net toll revenue from these two new projects at the following rates: 2.5 per cent for the 1st 4 years; 3 per cent from the 5th to the 7th year; 3.5 per cent from the 8th to the 10th year; and 4 per cent from the 11th year onwards.

Pasig River Expressway (PAREx) Project

The proposed Pasig River Expressway Project alignment runs from the west of Metro Manila, beginning at the areas of San Nicolas and Intramuros in Manila, where it connects R-10. It traverses the Pasig River until Nagtahan Bridge, where it turns right along Quirino Avenue, and connects with Metro Manila Skyway Stage 3 (MMSS3) through the Plaza Azul. From MMSS3, the alignment continues along the Pasig River through a connection with MMSS3 alignment along San Juan River. The alignment then continues along the Pasig River and intersects with: (i) Epifanio Delos Santos Avenue (EDSA) in the area of Guadalupe in Makati and Boni in Mandaluyong and (ii) Circumferential Road 5 (C-5) in the areas of West Rembo in Makati and Bagong Ilog in Pasig. The alignment terminates at Circumferential Road 6 (C-6), where it connects with the South East Metro Manila Expressway in the area of Taytay in the province of Rizal.

The proposed PAREx Project is a two-directional elevated viaduct with 3 lanes in each direction. The estimated total length of the project is 19.365 kilometers and the entire alignment is divided into three segments.

On November 11, 2019, the assignment of PNCC's usufructuary rights has been approved by the President of the Republic of the Philippines pursuant to the PNCC's franchise under Presidential Decree (PD) No. 1894.

On November 26, 2019, San Miguel Holdings Corporation (SMHC) and PNCC entered into a Business Joint Venture Agreement to undertake the proposed PAREx Project.

PNCC, SMHC and the Government through the Toll Regulatory Board (TRB) conducted a negotiation on the terms and conditions of the Supplemental Toll Operation Agreement (STOA). The STOA was thereafter crafted and signed by the parties which include the TRB on September 21, 2021.

The signed STOA has been submitted to the Office of the President of the Philippines for its final approval. On September 24, 2021, a groundbreaking of the project was held.

In a letter dated March 14, 2022 from Executive Secretary Salvador Medialdea informed TRB Executive Director Alvin A. Carullo that the STOA covering the proposed PAREX Project has been approved by the President of the Republic of the Philippines.

Project Status: On-going preparation of DED and inclusion in the DED (if necessary) to consider the conditions in the Approved Assignment of PNCC's usufructuary rights.

Quezon - Bicol Expressway (Qubex)/South Luzon Toll Road 5 (TR5) Project

The Qubex or TR5 Project starts at the end point of the South Luzon Expressway Toll Road 4 at Brgy. Mayao, Lucena City, Quezon and ends at Matnog, Sorsogon near the Matnog Ferry Terminal. The total length of TR5 is approximately 417 kilometers, and the general route of the alignment is parallel to the existing Philippine National Railway, Maharlika Highway and Padre Burgos National Road or Quirino Highway.

PNCC has chosen SMHC as its Joint Venture Partner in the said project pursuant to the Opinion No. 6, series of 2018 dated March 26, 2018 of the Department of Justice confirming the right of PNCC not to bid out (1) the construction, operation and maintenance of tollways under its legislative franchise, and (2) its choice of Joint Venture Partners. On October 9, 2018, PNCC and SMHC executed a Business and Joint Venture Agreement for the TR5 Project. The Office of the President, in its letter dated October 31, 2018, has approved the assignment of PNCC's usufructuary rights over the project to the Joint Venture Corporation of PNCC and SMHC.

In a letter dated June 27, 2022 from Executive Secretary Salvador Medialdea informed TRB Executive Director Alvin A. Carullo that the STOA covering the proposed SLEX TR5 Project has been approved by the President of the Republic of the Philippines.

Project Status: On-going preparation of Detailed Engineering Design (DED).

Greater Capital Region Integrated Expressways Network (GCRIEN) Project

The proposed GCRIEN Project is composed of three components as follows:

Component 1: Northern Access Link
Component 2: Southern Access Link
Component 3: Central Access Link

The Northern Access Link (NALEX) is an airport access toll road to New Manila International Airport (NMIA). It starts from the Metro Manila Skyway Stage 3 in Balintawak and extending towards Valenzuela, Malabon, Navotas, Obando and Bulakan, approximately traversing the alignment of Tullahan and Muzon Rivers. The project will then pass through the perimeter of NMIA providing airport access, which will then exit towards the Provinces of Bulacan, Pampanga and Tarlac.

The Southern Access Link (SALEX) is an elevated expressway network comprising of the Shoreline Expressway and three (3) extensions, namely: Skyway Stage 3 (SS3) C3-R10 Extension, Skyway Stage 3 (SS3) Quirino Extension and Skyway Stage 3 (SS3) Buendia-EDSA Extension. The SALEX alignment will generally pass along the east shoreline of Manila Bay beginning at the New Manila International Airport (NMIA), extend south to Manila North Harbor, continue over the Pasig River, extend up to Ayala Bridge (where the ramp will begin) and end at CAVITEX along Roxas Boulevard.

The Central Access Link (CALEX) is located along the Epifanio Delos Santos Avenue (EDSA) also known as Circumferential Road No. 4 (C-4) that traverses the center of Metro Manila in a circumferential direction. The project will traverse the whole stretch of EDSA beginning from a connection with Radial Road 10 (R10) at the mouth of Tullahan River in Navotas City and will terminate near SM Mall of Asia in Pasay City.

These three Access Links will facilitate the access of people and mobility of goods and services to and from the provinces in Central Luzon as well as mitigate the traffic volume of the Metropolitan Manila.

On August 14, 2020, the assignment of PNCC's usufructuary rights over its franchise in favor of the joint venture company by the PNCC with San Miguel Holdings Corporation pertaining to the GCRIEN Project has been approved by the President of the Republic of the Philippines pursuant to PNCC's franchise under Presidential Decree No. 1894.

In letters dated May 6, 2022 and June 27, 2022 from Executive Secretary Salvador Medialdea informed TRB Executive Director Alvin A. Carullo that the STOA covering the proposed Northern Access Link Expressway (NALEX) and Southern Access Link Expressway (SALEX) Projects respectively has been approved by the President of the Republic of the Philippines.

Project Status:

Northern Access Link (NALEX):

- On-going preparation of Detailed Engineering Design.
- Advance Work - On-going construction of 15 Piers Viaduct along the North Luzon Expressway to prevent disruption of NLEX operation once the construction of NALEX starts.

Southern Access Link (SALEX):

- On-going preparation of Detailed Engineering Design.

<u>10 per cent Revenue Share from Toll Fee Collections and 10 per cent Share in Declared Dividends from Joint Venture Companies (JVCs)</u>

On March 22, 2012, the TRB issued interim rules and guidelines covering the amount of money the Corporation will receive in order to cover operating expenses in relation to the *Francisco and Radstock Cases*. Both the TRB and the Corporation agreed to a 10 per cent revenue share from toll collection fees and declared dividends from JVCs.

The Corporation receives the following revenue shares:

- 10 per cent of 6 per cent share on the Manila North Tollways Corporation (MNTC) Gross Revenue;

- 10 per cent of 3.5 per cent share on the Citra Metro Manila Tollways Corporation (CMMTC) Gross Revenue; and

- 10 per cent of 3 per cent share on the South Luzon Tollway Corporation (SLTC) Gross Revenue.

The Corporation earned total revenue shares from the abovementioned JVCs in the amounts of P284.272 million and P152.431 million in 2022 and 2021, respectively (Note 27.3), while it earned dividends from CMMTC amounting to P41.390 million and P32.008 million in 2022 and 2021, respectively (Note 27.4).

Lease Income

Lease income is derived from renting out investment property which includes the Financial Center Area (FCA) in Pasay City and a property in Porac, Pampanga.

On October 15, 2019, a Contract of Lease was entered by the Corporation with Pacific Concrete Products, Inc., setting a monthly rental rate of P240 per square meter for the one hectare portion of the FCA Property during the two-year construction period. Total rent income amounted to P59.468 million and P31.347 million in 2022 and 2021, respectively (Note 27.2).

Equity Participation in CMMTC

It is the position of the Corporation that it has equity participation in CMMTC on the basis of PD 1894 and pursuant to the provisions of the SMMS Supplemental Tollway Operation Agreement (STOA) dated November 27, 1995, which was approved by then President Fidel V. Ramos. While the Corporation's franchise expired on May 1, 2007, Section 2 of PD 1894 provides that the "franchise granted for the Metro Manila Expressway and all extensions, linkages, stretches and diversion that may be constructed after the date of approval of this decree shall likewise have a term of 30 years commencing from date of completion of the project" which the Supreme Court affirmed in the *Francisco Case*.

The Office of the Government Corporate Counsel (OGCC) rendered its opinion that the PD 1894 projects (namely the SMMS – Skyway Stage 1 and 2 and MMS Stage 3 and MME Stage 4) are "clearly covered by a still existing congressional franchise. For the same reason, too, the PD 1894 assets, facilities and shares are still held by PNCC." It is also the opinion of the Department of Justice (DOJ) that the Corporation still has a subsisting non-exclusive legislative franchise under PD 1894 and that only assets "that are related to its franchise under PD 1113 have accrued to the National Government (NG) and thus, ought to be turned over to the NG."

The shares in CMMTC were turned over to the NG by way of a Deed of Compliance of Shares of Stock to the NG in February 2012. However, in 2013, after having secured the opinions of both the OGCC and the DOJ regarding the validity of PD 1894, the Corporation requested CMMTC to refrain from transferring the shares of the Corporation to the NG and refrain from remitting the dividends and share in gross revenues of CMMTC to the NG. The matter is still awaiting actions from CMMTC, who has referred the matter to their legal counsel. On the other hand, the Department of Finance (DOF) has requested for clarification on the matter from the DOJ. Meanwhile, the shares still remain in the name of the Corporation.

The Corporation shares in CMMTC are worth P551.87 million which is equivalent to 8.11 per cent of total outstanding shares of CMMTC. The dividends and revenue shares from 2008 to 2022 amount to P5.914 billion of which the Corporation received 10 per cent or P591.496 million pursuant to the interim rules and guidelines issued by the TRB. However, it is the position of the Corporation that all revenue and dividends arising from its investment in CMMTC belong to the Corporation.

Issuance of Final Implementing Rules and Guidelines by the Toll Regulatory Board (TRB)

A Supreme Court Resolution clarifying the automatic remittance to the NG of the toll fees and net income derived from the Corporation's toll assets and facilities was issued in relation to the *Francisco Case*. The Resolution directed the TRB, with the assistance of Commission on Audit (COA), to "prepare and finalize the implementing rules and guidelines relative to the determination of the net income remittable by PNCC to the National Government and to proceed with the same with dispatch."

On March 22, 2012, TRB issued a Director's Certificate approving the Interim Rules and Guidelines (IRG) for the remittance by the JVCs of the revenues of the SLEX, NLEX and Skyway in accordance with the *Francisco Case*. As subsequently agreed upon, the Corporation and TRB, as an interim arrangement, set aside 10 per cent of all amounts that are supposed to be remitted by the JVCs for remittance to the Corporation while 90 per cent goes to the National Treasury. The IRG also stated that if the 10 per cent is in excess of what is allowed by the guidelines, the Corporation shall remit to TRB for the National Treasury the excess amount. On the other hand, in case the 10 per cent is less than what is allowed under the guidelines, the shortfall shall be deducted in the next remittance to be made by the JVCs.

It is the position of the Corporation that the "determination of the net income remittable by it to the National Government" should deduct penalty charges on unpaid concession fee amounting to P258 million per year as part of its administrative expenses.

In March 2013, the Corporation proposed to TRB that overhead and administrative expenses plus the penalty charges be deducted from gross revenue from the Joint Venture Agreements Income in order to arrive at the Net Income to be remitted to the NG. A follow-up letter dated December 2, 2015 was sent. Another letter dated February 6, 2017 reiterating the Corporation's position on the computation of the net income to be remitted to the NG was sent. The Corporation has booked penalty charges on unpaid concession fees from 2010 to 2022 amounting to P6.016 billion.

The Corporation is still awaiting the issuance of the Final Implementing Rules and Guidelines from TRB.

Debt of P5.552 Billion Remained Unconverted to Equity

The Corporation's debt of P5.552 billion which remained unconverted to equity is treated as part of equity in the Corporation's books, instead of a liability. The interest and penalties unilaterally charged thereon by the Privatization Management Office (PMO)/ Bureau of the Treasury (BTr) amounting to P74.007 billion and P66.295 billion as of December 31, 2022 and 2021 were not taken up in the Corporation's books.

The assertion that the P5.552 billion should be part of equity is supported by a Supreme Court ruling that recognizes the validity of Letter of Instruction (LOI) 1295 confirming that the P5.552 billion is no longer a debt but equity. The Office of the Solicitor General (OSG) and the Office of the Government Corporate Counsel (OGCC) have concurred with this ruling.

Pursuant to the mutual agreement between the Corporation and the PMO, the issue whether to convert the mentioned debt into equity was submitted to DOJ on June 21, 2012 for arbitration.

On February 18, 2014, the DOJ dismissed the Corporation's petition against the PMO. The Corporation filed a Motion for Reconsideration (MR) with the DOJ on March 14, 2014 which was denied by the DOJ on January 22, 2015. Thereafter, the Corporation filed a Supplement to the MR on May 28, 2015 which was likewise denied by the DOJ in its order dated July 13, 2015.

On June 26, 2015, the Corporation filed a Notice of Appeal with the Office of the President of the Republic of the Philippines (OP) and filed the corresponding Appeal Memorandum on July 27, 2015.

On May 19, 2022, the Office of the President has promulgated its Decision ruling in favor of the PMO, ordering the Corporation to pay the principal amount plus accrued interests and penalties and to reimburse the amount of mortgage loan including interest thereon. The Corporation filed a Motion for Reconsideration of the Decision on July 22, 2022 and is still waiting the resolution of the said case.

Payment of Corporation's Obligation to the National Government

The Corporation sent a letter dated July 21, 2015 to the OP recognizing its liability to the NG in the amount of P7.9 billion and proposing to "pay off the recognized obligations, particularly given that the obligation to the TRB for unpaid concession fees carries with it a penalty of two per cent per month." The Corporation is awaiting the decision of the OP.

In December 2016, the Corporation remitted to the NG, through the BTr, the amount of P566.3 million as partial payment for NG's outstanding share in the toll revenue for the operation of the South Luzon Expressway (SLEX) under the Toll Operation Certificate (TOC) from May 2007 to April 2010 (Note 20.3).

4. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Presentation of Financial Statements

The financial statements of the Corporation were prepared using the historical cost basis. The financial statements are presented in Philippine Peso, which is the Corporation's functional currency. All amounts are rounded off to the nearest peso except otherwise indicated.

4.2 Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Corporation were prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Standards Board (IASB), and approved by the Philippine Board of Accountancy.

The financial statements as of December 31, 2022 and 2021 and for the years ended December 31, 2022 and 2021 were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 8, 2023.

4.3 Recognition, Measurement and Classification of Financial Assets and Financial Liabilities

The Corporation recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

All financial instruments are initially recognized at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial assets and financial liabilities designated as at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs.

'Day 1' Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Corporation recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statements of income unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in the statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Corporation determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial Assets

The Corporation classifies its financial assets, at initial recognition, in the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income (FVOCI) and financial assets at FVPL. The classification depends on the business model of the Corporation for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to initial recognition unless the Corporation changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

Financial Assets at Amortized Cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, the financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition, and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are reclassified to FVPL, impaired or derecognized, as well as through the amortization process.

The Corporation's cash, other investments and receivables are included under this category (Notes 7, 8 and 9).

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Cash

Cash includes cash on hand and in banks which are stated at face value.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. Allowance for credit loss accounts is provided based on an evaluation of expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

Financial Liabilities

The Corporation classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Corporation determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value, and, in case of loans and borrowings, net of directly attributable transaction costs.

Other Financial Liabilities

Other financial liabilities pertain to issued financial instruments that are not designated or classified as at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than through the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and any directly attributable transaction costs that are an integral part of the effective interest rate.

Gains and losses are recognized in the profit or loss when the liabilities are derecognized or impaired, as well as through amortization process.

This accounting policy applies primarily to financial liabilities (other than statutory liabilities), long-term debt and other noncurrent liabilities (Notes 19, 20, 21 and 22).

4.4 Impairment of Financial Assets at Amortized Cost and FVOCI

The Corporation records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Corporation has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Corporation has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Corporation compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

4.5 Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Corporation retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Corporation has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the

asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Corporation's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Corporation could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10 per cent from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Corporation could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10 per cent threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

4.6 Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

4.7 Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Corporation; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Corporation does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

4.8 Inventories

Inventories consist principally of construction materials, spare parts, and supplies which are stated at cost, generally determined by the average cost method for a significant portion of domestic inventories and by the first-in, first-out method for other inventories. Allowance for inventory write-down is provided for all non-moving/obsolete items.

4.9 Prepayments

Prepayments are expenses paid in advance and recorded as assets before these are utilized. These are comprised of insurance premiums, other prepaid items, and creditable withholding taxes. Prepayments that are expected to be realized for no more than 12 months after the reporting date are classified as current assets; otherwise, these are classified as other non-current assets.

4.10 Investments

The Corporation accounts for its investments in wholly-owned/controlled subsidiaries at cost while other investments classified as financial assets are measured at fair value. Allowance for impairment loss is provided for investment in subsidiaries while market adjustment is accounted for financial assets measured at fair value and recognized as other comprehensive income or loss.

The Corporation believes that the effects of not consolidating the subsidiaries are not material to the financial statements because these subsidiaries are no longer operating, resulting in accumulated deficit. In 2015, the Corporation has initiated the process of closing its subsidiaries that are no longer operating and those that are losing. On October 1, 2015, as part of the reorganization and streamlining of Corporation operations, PNCC assumed the operations of DCBGSI which now operates as a separate division of the Corporation.

In a regular board meeting held on November 14, 2011, the PNCC Board resolved to comply with the ruling of the Supreme Court to transfer and turn over to the National Government the shares of stock in tollway Joint Venture Companies which PNCC is holding in trust for the NG.

4.11 Investment Property

Investment property is comprised of land or building or both held to earn rentals or for capital appreciation or both. Investment property is recognized as an asset when and only when it is probable that future economic benefits associated with the property flows to the entity and the cost of the property can be measured reliably.

Investment property is initially measured at cost. Subsequent to initial recognition, the account is stated at fair value, which has been determined based on the average valuations performed by two independent firms of appraisers every two years. The changes in fair value are recognized in profit or loss.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement and/or disposal of investment property is recognized in profit or loss in the period of retirement and/or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Corporation as an owner-occupied property becomes an investment property, the Corporation accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

4.12 Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and any accumulated impairment in value. Property and equipment are subsequently carried at revalued amounts.

The increase in the property and equipment's carrying amount as a result of revaluation is credited to equity under the heading of "Revaluation Increment in Property". The revalued asset is being depreciated and, as such, part of the revaluation increment is being realized as the asset is used. Piecemeal realization of the revaluation increment is effected on a yearly basis. Realization of the revaluation increment is credited to "Retained Earnings" account.

No revaluation increment was realized in 2022 while P1.591 million was realized in 2021.

Depreciation commences once the property and equipment are available for their intended use and is computed using the straight-line method over the following estimated useful lives:

Asset Type	Estimated Useful Lives (in years)
Land improvements	10
Buildings and improvements	10 to 33
Construction equipment	2 to 10
Transportation equipment	3 to 5
Office equipment, furniture and fixtures	5
Others	2 to 7

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged against operations.

When the assets are retired or otherwise disposed of, the cost and related accumulated depreciation and impairment in value are removed from the accounts and any gain or loss resulting from their disposal (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss.

4.13 Impairment of Non-financial Assets

The carrying amounts of investment property, property and equipment, and other non-financial assets with finite useful lives and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

4.14 Fair Value Measurement

The Corporation measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Corporation.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Corporation determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Corporation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability.

4.15 Provisions

Provisions are recognized only when: (a) the Corporation has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Provisions are reviewed at each financial reporting date and adjusted to reflect the current best estimate.

4.16 Equity

Share Capital and Share Premium

The Corporation records share capital at par value and share premium in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are recognized as a deduction from equity, net of any tax effects.

Retained earnings

Retained earnings represent accumulated profit attributable to equity holders of the Corporation after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy and prior period adjustments.

Treasury Shares

Treasury shares are own equity instruments which are reacquired, are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Corporation's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

4.17 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Corporation and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Service Income

Service income is recognized on the basis of percentage of completion method.

Lease Income

Lease income from operating leases, wherein substantially all the risks and rewards of ownership are retained by the Corporation as a lessor, is recognized on a straight-line basis over the term of the relevant lease. The lease income is derived from the Corporation's properties not used in business and being leased out to third parties for a certain period, renewable under such terms and conditions as may be agreed upon by both parties.

Revenue and Dividend Share from Joint Venture Companies (JVCs)

Pursuant to the Supreme Court En Banc Decision, as discussed in Note 1, the Corporation no longer records the tollways income from the North and South Luzon Tollways (NLT and SLT).

In accordance with the interim rules and guidelines issued by the Toll Regulatory Board (TRB) for the determination of the amounts due to the Corporation for its administrative expenses, the Corporation recognized 10 per cent of its share from the gross toll revenues of the JVCs, pending issuance of the Implementing Rules and Guidelines.

Dividend income is recognized when the Corporation's right to receive the payment is established.

Interest Income

Interest income is recognized as it accrued, taking into account the principal amount outstanding and the effective interest rates.

Other Income

Other income is recognized when earned.

4.18 Costs and Expenses

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

4.19 <u>Borrowing Costs</u>

Borrowing costs are expensed as incurred. These costs represent the two per cent penalty charges imposed by TRB on unpaid concession fees.

4.20 <u>Leases</u>

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

Operating Lease

The Corporation as a Lessee. Leases which do not transfer to the Corporation substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

The Corporation as a Lessor. Leases where the Corporation does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

4.21 <u>Income Taxes</u>

Current Tax. Current income tax assets or liabilities comprise of those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period that are uncollected or unpaid at reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred Tax. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries and associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries and associate, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Corporation takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Corporation believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Corporation to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4.22 Value-Added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepayments" or "Accounts Payable and Accrued Expenses" accounts in the statements of financial position.

4.23 Creditable Withholding Taxes

Creditable withholding taxes (CWT), included under "Other Assets" account in the statements of financial position, represent the amounts withheld by customers from income payments to the Corporation less allowance for probable losses. CWT are deductible from income tax payable.

4.24 Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

4.25 Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Corporation, net of dividends on preferred shares, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

For the purpose of computing diluted EPS, the net income for the period attributable to equity holders of the Corporation and the weighted-average number of issued and outstanding common shares during the period are adjusted for the effect of all potential dilutive debt or equity instruments.

As at December 31, 2022 and 2021, the Corporation has no dilutive equity instruments.

4.26 Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

4.27 Events After the Financial Reporting Date

Post year-end events up to the date when the financial statements were authorized for issue by the Board of Directors that provide additional information about the Corporation's position at the financial reporting date (adjusting events) are reflected in the financial statements. Any post year-end events that are non-adjusting events are disclosed in the notes to financial statements when material.

5. CHANGES IN ACCOUNTING POLICIES

Adoption of New and Revised PFRS

a. Effective in 2022 that are relevant to the Corporation

The new and amended PFRS which are effective for the year ended December 31, 2022 and have been applied in preparing the financial statements are summarized below.

- Amendments to PAS 16, *Property, Plant and Equipment*, Proceeds before Intended Use – This amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location *and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.*

- *Amendments* to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* Onerous Contracts - Cost of Fulfilling a Contract – The changes specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- Amendments to PFRS 16, *Leases*, Lease Incentives – The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- Amendments to PFRS 9, *Financial Instruments,* Fees in the '10 per cent' test for derecognition of financial liabilities – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

b. *Effective in 2022 that are not relevant to the Corporation*

- *Amendments* to PFRS 3, *Business Combinations*, Reference to the Conceptual Framework – Reference to the 1989 Framework in paragraph 11 of PFRS 3 Business Combinations was updated to 2018 Framework. Potential conflicts occur as the definition of assets and liabilities in the 2018 Framework differ from those in the 1989 Framework potentially leading to day 2 gains or losses post-acquisition for some balances recognized.

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial* Reporting *Standards*, Subsidiary as a first-time adopter – The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

- Amendments to PAS 41, *Agriculture,* Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

c. *New and amended PFRS issued but not yet effective*

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, Classification of Liabilities as Current or Non-Current – The amendments affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. Clarify that the classification of liabilities as current or non-current (i) should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of liability, (ii) is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, and (iii) settlement refers to the transfer to the counterparty of cash, equity instruments, and other assets or services.

- Amendments to PAS 1 and *PFRS Practice Statement 2, Disclosure Initiative – Accounting Policies* – The amendments aim to help entities provide accounting policy disclosures that are more useful by: (i) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and (ii) adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

- Amendments to PAS 8, *Definition of Accounting Estimates*– The amendments introduced a definition of accounting estimates are, "monetary amounts in financial statements that are subject to measurement uncertainty" and to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

- Amendments to PAS 12, Income Taxes, Deferred Tax related to Assets and Liabilities from a Single Transaction – The main change is an exemption from the initial recognition exemption provided in PAS 12. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Effective for annual periods beginning on or after January 1, 2025:

- Amendments to PFRS 17, *Insurance Contracts* – On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of IFRS 17 by two years after its effective date as decided by the IASB.

  The main changes resulting from Amendments to PFRS 17 are:

  - Deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023 and change the fixed expiry date for the temporary exemption in PFRS 4 Insurance Contracts from applying PFRS 9 Financial Instruments, so that entities would be required to apply PFRS 9 for annual periods beginning on or after January 1, 2023.

  - Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.

  - Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination.

  - Clarification of the application of PFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.

- Clarification of the application of contractual service margin attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.

- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.

- Amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held.

- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.

- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.

- Several small amendments regarding minor application issues.

- Amendment to PFRS 17, *Initial Application of PFRS 17 and PFRS 9 – Comparative Information* – The amendment adds a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of PFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of PFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of PFRS 9. The overlay can be applied by entities that have already applied PFRS 9 or will apply it when they apply PFRS 17.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures,* Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Corporation.

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the accompanying financial statements in conformity with PFRS requires Management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The estimates and assumptions used in the accompanying financial statements are based upon Management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

Estimates are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the Corporation's accounting policies, Management has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the financial statements:

Operating Lease Commitments - The Corporation as a Lessor/Lessee. The Corporation has entered into various lease agreements either as a lessor or a lessee. The Corporation has determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases while the significant risks and rewards for property leased from third parties are retained by the lessors.

Lease income recognized in profit or loss amounted to P59.468 million and P31.347 million in 2022 and 2021, respectively (Note 27.2).

Rent expense recognized in profit or loss amounted to P31,915 and P76,873 in 2022 and 2021, respectively.

Contingencies. The Corporation is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Corporation. The Corporation's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as the Office of the Government Corporate Counsel (OGCC) handling the prosecution and defense of these matters and is based on an analysis of potential results. The Corporation currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings (Note 37).

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at reporting dates that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Estimating allowance for impairment losses on loans and receivables

The Corporation maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by Management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the customer's and lessee's payment behavior and known market factors. The Corporation reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Corporation provides full allowance for receivables that it deems uncollectible.

The amount and timing of recorded expenses for any period would differ if the Corporation made different judgments or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease current assets.

7. CASH

This account consists of:

	2022	2021
Cash in bank – local currency	**16,514,889**	53,375,470
Cash with collecting/disbursing officer	**525,000**	283,124
	17,039,889	53,658,594

Cash in bank earns interest at the prevailing bank deposit rates. Interest earned on cash in banks amounted to P34,321 and P51,182 in 2022 and 2021, respectively.

8. OTHER INVESTMENTS-CURRENT

This account consists of money placements in LBP and DBP in the amount of P1.895 billion and P1.485 billion in 2022 and 2021, respectively, with varying periods of 105 days or more depending on the immediate cash requirements of the Corporation and earn interest at the prevailing short-term investment rates ranging from 1.30 per cent to 4.20 per cent.

Interest earned on these investments amounted to P24.788 million and P17.247 million in 2022 and 2021, respectively (Note 27.5).

9. RECEIVABLES

This account consists of the following:

	2022	2021 (As restated)
Current:		
Loans and receivables	**446,646,295**	436,238,140
Lease receivables	**10,804,826**	96,032,878
Inter-agency receivables	**150,901,796**	150,901,796
Other receivables	**36,241,534**	36,469,423
	644,594,451	719,642,237
Allowance for impairment losses	**(194,713,837)**	(194,713,837)
	449,880,614	524,928,400
Non-Current:		
Accounts receivables	**50,879,182**	50,879,182
Receivables from former officers and employees	**52,411,163**	52,430,431
	103,290,345	103,309,613
Allowance for impairment losses	**(4,820,951)**	(4,820,951)
	98,469,394	98,488,662

Allowance for impairment losses is provided for receivables as follows:

	2022	2021
Loans and other receivables	**(172,137,108)**	(172,137,108)
Other receivables	**(22,375,281)**	(22,375,281)
Interest receivable	**(163,499)**	(163,499)
Due from officers and employees	**(37,949)**	(37,949)
	(194,713,837)	(194,713,837)

Loans and receivables account consists of the following:

	2022	2021 (As restated)
Accounts receivable	**307,966,276**	324,764,379
Interests receivable	**8,442,907**	3,855,282
Contributions and premiums receivable	**18,455**	6,160
Receivables from Joint Ventures	**130,218,657**	107,612,319
	446,646,295	436,238,140

9.1 Accounts receivable under Loans and receivables account consists mainly of:

- Billed receivable and contract retention receivable from the Philippine Merchant Marine Academy (PMMA) totaling P78.178 million, wherein a resolution in favor of the Corporation was rendered by the Department of Justice on August 2, 2006, ordering PMMA to pay the principal amount plus six per cent interest per annum from the date of first demand on June 24, 2004. The Office of the Government Corporate Counsel (OGCC) was requested to file a Petition for money claim with the Commission on Audit (COA) in behalf of the Corporation. On November 7, 2018, the Petition was filed with COA. The COA has already directed the PMMA to file its Answer to PNCC's Petition. PMMA filed its Answer dated February 4, 2019. Considering that said Answer was filed late, OGCC filed a Motion to Strike Out Answer and prayed that the case be considered submitted for decision.

On March 16, 2021, PNCC received Decision No. 2021-032 dated February 11, 2021 from COA Commission Proper denying the Petition for Money Claim against PMMA. PNCC filed a Motion for Reconsideration of the said Decision on April 15, 2021.

Awaiting the action of COA on PNCC's Motion for Reconsideration.

- Billed and unbilled receivables from the Skyway Operations and Maintenance Corporation with an aggregate amount of P 61.007 million for manpower services provided in the toll operations.
- Equipment rental of Uy-Pajara Joint Venture amounting to P25.098 million of which is already provided with 100 per cent allowance for impairment.
- Receivable from the Department of Transportation for LRT Project in 1985 amounting to P39.897 million, net of advances and collections. This is also provided with 100 per cent allowance for impairment.

9.2 Breakdown of the Inter-agency receivables account:

	2022	2021
Due from National Government Agencies	**150,000,000**	150,000,000
Due from subsidiaries/associates/affiliates	**901,796**	901,796
	150,901,796	150,901,796

Due from National Government Agencies consists of remittances to the Bureau of the Treasury (BTr) of P150 million (P50 million in 2008 and P100 million in 2010) originally intended for application against the unpaid concession fee, but was confirmed by BTr to have been applied against outstanding NG advances to the Corporation. The account was initially recorded as Advances to BTr pending clarification on the application of payment considering that no liability to BTr is recorded in the books of the Corporation (Notes 20 and 26).

Due from subsidiaries/associates/affiliates totaling P0.902 million both for December 31, 2022 and 2021, respectively, represents various accommodations to the Corporation's subsidiaries.

9.3 Breakdown of the Other receivables account:

	2022	2021
Due from officers and employees	**496,275**	296,115
Other receivables	**35,745,259**	36,173,308
	36,241,534	36,469,423

Due from officers and employees mainly consists of cash advances of P175,644, withholding taxes from compensation of officers and employees amounting to P101,673 and receivables from Executive Assistants of the Directors due to excess professional fees paid by PNCC amounting to P62,828.

Other receivables account consists of the following:

- Supersedeas/cash bonds re: various National Labor Relations Commission cases filed by present and former employees of the Corporation totaling P9.563 million which consist mostly of claims for non-payment of benefits, such as mid-year bonus, exit bonus, and other benefits.

- Receivable from persons liable per COA Order of Execution No. 2018-001 amounting to P4.369 million; and

- Advances to subcontractors amounting to P21.722 million.

9.4 Non - Current accounts receivables

This account pertains to operating access fees due from oil companies totaling P50.879 million, of which P46.728 million was referred to PNCC's Legal Department for appropriate action, P2.646 million is subject of an on-going reconciliation, and P1.505 million is being paid on installment basis. One of the oil companies informed the Corporation that the funds for payment of the royalty fees are in escrow because of the Writ of Garnishment issued in 2005 prohibiting it from making any payments to the Corporation. Payments will accordingly be made once the garnishment is lifted.

Except for the garnished receivables for access fees due from oil companies, no other receivables were used as collaterals to secure obligations.

9.5 Non - Current receivables from former officers and employees

The amount of P52.411 million consists of the following:

- P39.520 million represents cash advances for franchise extension granted to a former officer of PNCC which remained unliquidated and was referred by PNCC to the Office of the Government Corporate Counsel (OGCC) for legal action. Due to failure to liquidate despite written demands, on March 12, 2014, a joint-complaint was filed by former Commission on Audit - PNCC Audit Team Leader and Supervising Auditor against the said former officer before the Office of the Ombudsman in compliance with COA Circular No. 2012-004 dated November 28, 2012. The trial of the case was conducted in 2019 before the 3rd Division of the Sandiganbayan.

  The Sandiganbayan has already rendered a Decision finding the former officer of PNCC guilty of the offense charged. The former officer filed a Motion for Reconsideration which was denied by the Sandiganbayan. Subsequently, the former officer filed an appeal at the Supreme Court.

- Cash advances granted to the former officers and employees of the Corporation in the amount of P10.831 million and former directors' car plan equity balance of P0.560 million and disallowed gratuity benefits to the Contract of Service Lawyer amounting to P1.500 million.

10. INVENTORIES

This account consists of the following:

	2022	2021
Fuel, oil and lubricants	**554,724**	655,063
Medical, dental and laboratory supplies	**499,643**	492,501
Office supplies	**482,820**	519,109
Construction materials	**0**	543,957
Other materials and supplies	**4,768,045**	4,824,978
	6,305,232	7,035,608
Allowance for impairment losses – Other materials and supplies	**(3,999,962)**	(3,999,962)
	2,305,270	3,035,646

Other materials and supplies account consists mostly of common supplies and hardware materials.

Inventories recognized as expense amounted to P2.954 million and P1,347 in 2022 and 2021, respectively. Additional allowance for impairment losses of P1.007 million was provided for other materials and supplies in CY 2021.

11. OTHER CURRENT ASSETS

This account consists of the following:

	2022	2021
Withholding tax at source	**33,705,694**	25,839,770
Prepaid registration	**1,631,671**	1,631,671
Prepaid insurance	**450,206**	570,709
Creditable input tax	**74,571**	74,572
Other prepayments	**35,906**	35,906
	35,898,048	28,152,628

12. FINANCIAL ASSETS

This account comprises solely of investments classified as financial assets at fair value through other comprehensive income. These financial assets consist of investments of the Corporation in membership shares of club organizations and other securities, as follows:

	2022	2021
Manila Electric Company	**476,970**	476,970
Puerto Azul Beach and Country Club	**100,000**	100,000
Architecture Centre, Inc.	**3,500**	3,500
	580,470	580,470
Market Adjustment	**191,500**	166,500
	771,970	746,970

13. INVESTMENTS IN SUBSIDIARIES

This account consists of the following investment in subsidiaries which the Corporation exercises control over the financial and operating policy decisions of the investee.

	% of Ownership	2022	2021
Under dissolution			
Dasmarinas Industrial & Steelworks Corp.	99.38	**96,413,530**	96,413,530
Alabang-Sto. Tomas Development, Inc.	51.00	**61,200,000**	61,200,000
Tierra Factors Corporation	100.00	**51,635,109**	51,635,109
CDCP Farms Corporation	100.00	**15,120,200**	15,120,200
Traffic Control Products Corporation	100.00	**700,000**	700,000
PNCC Skyway Corporation	100.00	**125,050**	125,050
		225,193,889	225,193,889
Allowance for impairment losses		**(163,993,889)**	(163,993,889)
		61,200,000	61,200,000

The GCG, in its memorandum for the President of the Republic of the Philippines dated June 24, 2013, recommended the abolition of the five subsidiaries of the Corporation, namely: Alabang-Sto. Tomas Development, Inc. (ASDI); DISC Contractors, Builders and General Services Inc. (DCBGSI); Traffic Control Products Corporation (TCPC); CDCP-Farms Corporation (CDCP-FC); and Tierra Factors Corporation (TFC).

Through a Memorandum from the Executive Secretary dated August 7, 2014, the GCG was informed that its recommendation to abolish the PNCC subsidiaries had been approved by His Excellency, the President of the Republic of the Philippines, subject to pertinent laws, rules, and regulations.

- On October 16, 2012, ASDI's corporate life was shortened up to December 31, 2012 pursuant to Board Resolution No. BD-04-2014. On August 7, 2014, this Board resolution was revoked. Investment in ASDI was originally 255,000 common shares with a par value of P1,000 per share representing equity ownership of the Corporation at 51 per cent, with the remaining 49 per cent owned by the National Development Company (NDC). On December 9, 2015, ASDI liquidated 127,500 common shares of PNCC as part of its dissolution process paying PNCC P127.500 million. On December 15, 2016, the Corporation received P66.3 million as additional partial liquidation of its investment in shares of ASDI. ASDI has a pending collection balance of P4.200 million from the Department of Public Works and Highways (DPWH).

- On September 26, 2013, the abolition/dissolution of TCPC was approved per Board Resolution BD-006-2013. The conveyance of TCPC assets to PNCC has already been completed. Part of these assets has already been disposed through public bidding. The remaining undisposed assets are now being classified according to commodity classification for appraisal and for purposes of higher return upon sale.

- On September 30, 2015, DCBGSI was closed pursuant to DCBGSI Shareholders' Resolution dated August 7, 2015. On October 1, 2015, PNCC absorbed DCBGSI functions. On January 18, 2016, the Board of Directors (BOD) of DCBGSI approved the shortening of its corporate life to January 31, 2016. On September 27, 2019, the Executive Secretary issued a Memorandum temporarily designating the five members of the BOD of PNCC as members of DCBGSI Board to perform activities necessary to carry out the winding down of operations, disposition of assets and settlement of liabilities and closing of books of accounts of DCBGSI.

- On September 30, 2015, a Special Stockholders' Meetings of TFC and CDCP-FC were held to dissolve these subsidiaries. Management is still awaiting the appointment of Directors for both companies in order to call for a Board Meeting to put into effect the closure of the two companies. A letter dated March 10, 2016 has been sent to the GCG regarding this matter. On September 17, 2019, Management sent another letter to GCG, explaining the necessity to designate members of the BOD of its three subsidiaries, namely: ASDI, DCBGSI and CDCP-FC.

- Except for the Corporation's investment in ASDI, a 100 per cent impairment loss is provided for investments in inactive and non-operating subsidiaries and affiliates, as well as investments in the remaining active wholly-owned subsidiary, due to their incurrence of losses resulting in accumulated deficit.

- Pursuant to the provision of Supplemental Toll Operations Agreement entered into on July 18, 2007 by and among the Republic of the Philippines thru the Toll Regulatory Board, the PNCC and the Citra Metro Manila Tollways Corporation, a new Operation and Maintenance Corporation (OMCO) has been nominated to replace the PNCC Skyway Corporation (PSC). Thus, PSC ceased to operate and maintain the South Metro Manila Skyway (SMMS) after a successful and seamless turnover of the O & M responsibilities for the SMMS from PSC to a new corporation known as Skyway Operation and Maintenance Corporation (SOMCO) effective December 31, 2007 at 10:00 p.m. A wind-up Board already governs PSC effective April 1, 2008 up to the official closure upon approval of SEC on its request for the shortening of the life.

14. INVESTMENTS IN JOINT VENTURE

This account consists of investments of the Corporation in Joint Venture (JV) Companies which implement the financing, design, and construction of toll road projects. The investments represent the free-carry 10 per cent equity shares of the Corporation to the JV Companies, as follows:

	2022	2021
Citra Central Expressway Corporation	**1,240,000,000**	1,240,000,000
Citra Intercity Tollways, Inc	**240,816,700**	240,816,700
South Luzon Toll Road - 5 Expressway, Inc.	**5,000,000**	5,000,000
	1,485,816,700	1,485,816,700

- On the following dates, Citra Central Expressway Corporation (CCEC) issued ten per cent "free-carry" equity shares (P100 par value) as the Corporation's share in the JV Company as follows: June 30, 2014 - 125,000 shares; September 15, 2014 - 275,000 shares; December 1, 2016 - 5,800,000 shares; and October 10, 2019 – 6,200,000 shares.
- On the following dates, Citra Intercity Tollways, Inc. (CITI) issued ten per cent "free-carry" equity shares (P100 par value) as the Corporation's share in the JV Company as follows: March 9, 2016 - 400,000 shares and December 1, 2016 - 2,008,167 shares.
- On May 23, 2019, South Luzon Toll Road – 5 Expressway, Inc. (SLTR-5EI) issued ten per cent "free-carry" equity shares or 50,000 shares (P100 par value) as the Corporation's share in the JV Company.

15. OTHER INVESTMENTS- NON-CURRENT

This account consists of investments in equity instruments, as follows:

	2022	2021
Investments in Stocks		
Operational		
Laguna Lake Development Authority (net of subscriptions payable of P258,642)	**181,158**	181,158
Non-Operational		
Manila Land Corporation	**10,000,000**	10,000,000
Managerial Resources Corporation	**1,525,922**	1,525,922
San Ramon Ranch	**1,100,000**	1,100,000
San Roque Ranch	**550,000**	550,000
Land Management Corporation	**11,000**	11,000
	13,368,080	13,368,080
Allowance for impairment losses	**(13,186,922)**	(13,186,922)
	181,158	181,158
Other Investments		
CDCP Employees Savings and Loan Association	**2,094,725**	2,094,725
Others	**286,600**	286,600
	2,381,325	2,381,325
Allowance for impairment losses	**(286,600)**	(286,600)
	2,094,725	2,094,725
	2,275,883	2,275,883

16. INVESTMENT PROPERTY

Investment property includes land and building which are held to earn rentals under operating leases and are held for capital appreciation. The carrying amounts recognized in the Statements of Financial Position reflect the average fair values based on an appraisal conducted by two independent appraisers every other year, the most recent is 2021. Details are as follows:

	Land	Buildings and Improvements	Total
At December 31, 2021, as restated			
Cost	70,772,301	5,321,007	76,093,308
Accumulated Depreciation	0	(3,533,902)	(3,533,902)
	70,772,301	1,787,105	72,559,406
Appraisal increase	36,930,524,699	145,729,909	37,076,254,608
Accumulated Depreciation	0	0	0
	36,930,524,699	145,729,909	37,076,254,608
	37,001,297,000	147,517,014	37,148,814,014
At December 31, 2022			
Cost			
Opening Net Book Value	70,772,301	1,787,105	72,559,406
Depreciation this year	0	(161,242)	(161,242)
Closing Net Book Value	70,772,301	1,625,863	72,398,164
Fair Value Adjustment			
Balance at beginning of year	36,930,524,699	145,729,909	37,076,254,608
Appraisal Adjustment	0	0	0
Balance at end of year	36,930,524,699	145,729,909	37,076,254,608
At December 31, 2022			
Cost	70,772,301	5,321,007	76,093,308
Accumulated Depreciation	0	(3,695,144)	(3,695,144)
	70,772,301	1,625,863	72,398,164
Appraisal increase	36,930,524,699	145,729,909	37,076,254,608
Accumulated Depreciation	0	0	0
	36,930,524,699	145,729,909	37,076,254,608
	37,001,297,000	**147,355,772**	**37,148,652,772**

Financial Center Area (FCA) in Pasay City

16.1 In 1973, a contract was entered into by and between the Corporation and the Republic of the Philippines (RP), represented by the then Department of Public Highways (now DPWH), for the construction of the Manila-Cavite Coastal Road and the reclamation of some portions of the foreshore and offshore lands along Manila

Bay, otherwise known as the Manila-Cavite Coastal Road Project, at the Corporation's expense.

As compensation for the work accomplishments, the Corporation obtained the 129,548 sq.m.-land, known as Lot 6, from the National Government for P64.600 million, covered by Certificate of Pledge No. 2 (P38.5 million) and Certificate of Pledge No. 3 (P26.100 million).

Administrative Order (AO) No. 397, which was signed and approved by then President Fidel V. Ramos on May 31, 1998, mandated that Lot 6 be titled in the name of PNCC.

Although the title to the property is still in the name of RP as of report date, the Office of the Government Corporate Counsel (OGCC) issued an opinion on April 21, 2001 that the Corporation can sell, dispose, or assign its real rights, interests, and participation over the property, which real right or interest over Lot 6 is evidenced by the aforesaid Certificates of Pledge.

On August 2, 2013, the OGCC issued another opinion that the Corporation may not sell or transfer its ownership of the FCA to a private corporation but may only lease it for a period not exceeding 25 years, renewable for not more than 25 years, and not to exceed 1,000 hectares in area. The Corporation may only sell it to Filipino citizens subject to the 12-hectare Constitutional limitation. Under these circumstances, the Corporation can either: (1) secure a presidential proclamation officially declaring that the FCA is no longer needed for public use; or (2) dispose it, consistent with the constitutional restriction, to a qualified Filipino citizen, but only to the extent of 12 hectares.

Independent firms of appraisers engaged by the Corporation to determine the fair value of the property reported a P6.630 billion appraised value in 2009, P7.462 billion in 2010, P7.434 billion in 2011, P9.720 billion in 2013, P9.987 billion in 2015, P13.927 billion in 2017, P32.452 billion in 2019 and P35.690 billion in 2021.

The subject property has been leased out and has been generating lease revenue since 2005. Lease income earned, net of VAT, amounted to P54.783 million and P27.111 million in 2022 and 2021, respectively (Note 27.2).

However, in a Regular Board meeting on April 17, 2018, the PNCC Board of Directors approved Board Resolution No. BD 069-2018 which resolved not to extend the lease contracts of various leases effective May 31, 2018 in view of the planned development of the subject property.

On October 10, 2019, the Corporation entered into a long-term Lease Contract with the Pacific Concrete Products Inc. for the lease and development of the three-hectare portion of the property. As to the remaining 9.9 hectares, the Terms of Reference for the public bidding of its lease and development has already been finalized by the Management and approved by the Corporation's Board of Directors. The same was submitted to the Office of the President of the Philippines for its final review and approval.

16.2 The following real estate properties (held for currently undetermined future use or held for capital appreciation) also comprise the Investment Property account:

Location	Area (in sq.m.)	Cost	Appraisal Increase/ Decrease	Fair Value
Dasmariñas, Cavite	75,000	625,800	185,188,000	185,813,800
Casinglot, Misamis Oriental	60,620	1,077,484	(54,476,500)	(53,399,016)
Rizal, Tagaytay	98,207	1,367,339	79,782,000	81,149,339
Sta. Rita, Bulacan	20,000	1,579,950	9,120,500	10,700,450
Antipolo, Rizal	14,770	1,185,531	24,250,000	24,435,531
Porac, Pampanga	116,591	145,737	11,075,000	11,220,737
Bocaue, Bulacan	9,926	162,678	(14,394,500)	(14,231,822)
Mabalacat, Pampanga	27,905	32,027	7,535,000	7,567,027
	423,019	**6,176,546**	**248,079,500**	**254,256,046**

In 2011, the Land Bank of the Philippines, engaged by the Corporation to conduct an inspection and appraisal of its properties situated in different areas in the Philippines, disclosed that the property located in Dasmariñas, Cavite with a total area of 75,000 sq.m. is not titled and registered under the name of the Corporation.

The Dasmariñas property is located within the First Cavite Industrial Estate (FCIE), a joint venture project of the National Development Corporation (NDC), Marubeni Corporation, and Japan International Development Organization (JAIDO). The 75,000-sq.m. lot was excluded from the Contract of Sale executed between the Corporation and NDC on April 7, 1983, which covers the sale of the Corporation's several parcels of property to NDC. On April 10, 1992, the Committee on Privatization (COP) approved the sale of the property to NDC at a price not lower than P150/sq.m. The Asset Privatization Trust (APT), however, suggested that the price should instead be P180/sq.m. The sale was not consummated due to the disagreement in the price to be used. Thereafter, the property was developed by NDC, absent any contract of sale yet.

The Dasmariñas property is supported by Transfer Certificate of Title (TCT) No. T-98739 which was cancelled after the sale in April 1983. The Corporation was not able to acquire a new TCT under its name for the remaining lots but is conducting further negotiations with NDC for compensation on the property.

As discussed in Note 20, the Corporation, in its Motion for Reconsideration dated March 13, 2014, prayed that the Department of Justice (DOJ) order NDC to pay the Corporation the value of the 75,000 sq.m. of Dasmariñas property which was excluded in the Contract of Sale but developed and sold by NDC to locators of the FCIE, plus legal interest thereon from the time of demand up to the actual date of payment.

The DOJ issued an Order dated January 22, 2015 denying the Motion for Reconsideration filed by the Corporation. On June 26, 2015, the Corporation appealed the decision of the DOJ with the Office of the President of the Republic of the Philippines (OP).

On May 19, 2022, the Office of the President decided unfavorable decision to the Corporation. The Corporation filed a Motion for Reconsideration on July 22, 2022 and would be filing a Supplemental Motion for Reconsideration.

16.3 Investment property is measured using the fair value model. The rental income pertaining to the investment property for CYs 2022 and 2021 amounted to P59.468

million and P31.347 million, respectively. The gain through change in fair value of investment property recognized in profit or loss in CY 2021 amounted to P3.302 billion.

16.4 The direct operating expenses incurred by the Corporation for 2022 from rental income generating and non-rental income generating investment property amounted to P4.529 million and P0.203 million, respectively. These direct operating expenses consist of realty property taxes, security services, salary of caretakers and business permits.

17. PROPERTY AND EQUIPMENT

This account includes the following:

	Land & Land Improvements	Buildings & Improvements	Construction Equipment	Transportation Equipment	Others	Total
At December 31, 2021, As restated						
Cost	10,115,936	36,800,884	20,304,261	29,549,937	39,314,991	136,086,009
Accumulated Depreciation	(2,350,875)	(36,800,789)	(19,479,671)	(29,495,757)	(38,815,275)	(126,942,367)
Net Book Value	7,765,061	95	824,590	54,180	499,716	9,143,642
Revaluation Increment	2,187,034,558	89,665,602	7,827,127	0	1,701,463	2,286,228,750
Accumulated Depreciation	(21,271,590)	(71,355,757)	(7,826,972)	0	(1,701,432)	(102,155,751)
Net Book Value	2,165,762,968	18,309,845	155	0	31	2,184,072,999
	2,173,528,029	18,309,940	824,745	54,180	499,747	2,193,216,641
At December 31, 2022						
Cost						
Opening Net Book Value	7,765,061	95	824,590	54,180	499,716	9,143,642
Additions	0	0	0	4,158,036	313,393	4,471,429
Disposal	0	0	0	0	(125,338)	(125,338)
Adjustments	0	0	0	0	60,853	60,853
Depreciation for the Year	0	0	(16,276)	(346,944)	(436,420)	(799,640)
Closing Net Book Value	7,765,061	95	808,314	3,865,272	312,204	12,750,946
Revaluation Increment						
Opening Net Book Value	2,165,762,968	18,309,845	155	0	31	2,184,072,999
Appraisal Adjustment	0	0	0	0	0	0
Depreciation for the Year	0	(2,660,125)	0	0	0	(2,660,125)
Closing Net Book Value	2,165,762,968	15,649,720	155	0	31	2,181,412,874
At December 31, 2022						
Cost	10,115,936	36,800,884	20,304,261	33,707,973	39,383,833	140,312,887
Accumulated Depreciation	(2,350,875)	(36,800,789)	(19,495,947)	(29,842,701)	(39,071,629)	(127,561,941)
Net Book Value	7,765,061	95	808,314	3,865,272	312,204	12,750,946
Revaluation Increment	2,187,034,558	89,665,602	7,827,127	0	1,701,463	2,286,228,750
Accumulated Depreciation	(21,271,590)	(74,015,882)	(7,826,972)	0	(1,701,432)	(104,815,876)
Net Book Value	2,165,762,968	15,649,720	155	0	31	2,181,412,874
	2,173,528,029	**15,649,815**	**808,469**	**3,865,272**	**312,235**	**2,194,163,820**

17.1 Revaluation

The Corporation engaged the services of the following independent and recognized appraisal companies for the appraisal of some of its designated properties, structures, buildings, fence, and street lightings:

YEAR	REVALUATION INCREASE (DECREASE) (in thousand pesos)	APPRAISAL CORPORATION
1997	69.71	General Appraisal Co., Inc.
2003	1,620.00	Various
2004	0.05	Various
2006	(235.56)	Various
2010	146.208	Various
2011	(16.523)	Land Bank of the Philippines
2013	17.591	Cuervo Appraisers, Inc. and CAL-FIL Appraisal & Management, Inc.
2015	456.941	CAL-FIL Appraisal &Management, Inc., Asset Consult, Top Consult &Royal Asia
2017	109.370	CAL-FIL Appraisal & Management, Inc. and Top Consult
2019	602.167	CAL-FIL Appraisal & Management, Inc. and Asian Appraisal Co., Inc.
2021	689.667	CAL-FIL Appraisal & Management, Inc. and Vitale Valuation, Inc.

17.2 Others

The Corporation also owns some 278,477 sq.m. of property, with a total value of P174.127 million, located in different areas of the country which are not yet recorded in the books, as the same are still registered in the name of previous owners. The Corporation is working on the transfer of title to its name.

18. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2022	2021
Guaranty deposits	**71,072,000**	71,072,000
Restricted cash	**16,228,946**	16,248,726
Deferred Charges/Losses	**0**	8,774,968
Other deposits	**325,728**	325,728
Other assets, net of allowance for impairment losses	**127,444**	127,444
	87,754,118	96,548,866
Assets for write off	**9,615,422,219**	9,615,422,219
Allowance for losses	**(9,615,422,219)**	(9,615,422,219)
	0	0
Other assets	**651,927,115**	652,539,899
Allowance for impairment losses	**(651,927,115)**	(652,539,899)
	0	0
Deferred charges	**6,802,733**	6,802,733
Allowance for impairment losses	**(6,802,733)**	(6,802,733)
	0	0
	87,754,118	96,548,866

18.1 Guaranty deposits

This account pertains to the guarantee/collateral for the Investors Assurance Corporation (IAC) Bond No. G (16) 0015764 in favor of IAC amounting to P71.072 million. This is also in connection with the Ernesto N. Valentin, et al. vs. PNCC case. On November 14, 2016, the Supreme Court rendered in PNCC's favor, denying with finality the North Luzon Tollways (NLT) Employees' Motion for Reconsideration (MR). With such denial, the dismissal of NLT Employees' complaint for various money claims against PNCC is now final and executory. On February 7, 2018, the Corporation filed a Motion to Release Bond and declared the case closed and terminated with the Labor Arbiter. On August 22, 2019, the Labor Arbiter partially granted the release of cash collateral excluding the amount allegedly released by IAC in the total amount of P37.107 million. OGCC appealed the Order with the National Labor Relations Commission (NLRC) on the ground that there is no sufficient proof that IAC released the said amount to the complainants. The appeal however was dismissed. OGCC filed a Motion for Reconsideration on the said dismissal. PNCC likewise filed an Administrative Complaint against the Labor Arbiter with NLRC. Awaiting the decision of NLRC on the MR and the administrative case filed against the Labor Arbiter.

Considering that IAC is under conservatorship, PNCC likewise filed an administrative complaint against IAC with the Insurance Commission (IC) for its failure to release the bond despite the finality of the dismissal of the case, with a request for IC to segregate from the funds of IAC the cash collateral of PNCC in the amount of P71.072 million. PNCC likewise requested from IC to investigate, with the help of the National Bureau of Investigation (NBI), the alleged release of P37.107 million by IAC to the complainants.

The IC has not yet acted on PNCC's request to seek the help of the NBI to investigate the alleged release of P37.107 million. In a letter dated December 1, 2020, PNCC and OGCC jointly requested NBI to conduct a thorough investigation of the alleged release by IAC of the amount of P37.107 million to the complainants. The NBI is already conducting investigation on the matter.

18.2 Restricted cash

The Corporation has P100.327 million restricted cash held in custody by the Corporation's banks, used as collateral for the issuance of the appeal bond re: Ernesto N. Valentin, et al. vs. PNCC case. On November 14, 2016, the Supreme Court rendered in PNCC's favor, denying with finality the North Luzon Tollways (NLT) Employees' MR. With such denial, the dismissal of NLT Employees' complaint for various money claims against PNCC is now final and executory, hence, the restricted cash was reverted from other assets to the cash account in 2017. On February 7, 2018, the Corporation filed a Motion to Release Bond and declared the case closed and terminated with the Labor Arbiter. On August 22, 2019, the Labor Arbiter issued an Order granting the release of the remaining collateral.

In a letter dated February 10, 2021, PNCC requested the Insurance Commission (IC), as conservator of Investors Assurance Corporation, to issue clearance as required by both Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) for the release of the P100.327 million collateral.

On April 8, 2021, the IC has issued a clearance to release the P90 million collateral held by LBP. Out of the P90 million, only P86.156 million was cleared for release in favor of PNCC and the remaining P3.844 million is withheld pending resolution between all concerned parties.

On April 28, 2021, PNCC requested LBP for the immediate release of the P86.156 million. On May 5, 2021, LBP released the requested amount.

18.3 Assets for write off

This account consists of assets, the existence of which is doubtful and collectability/ realizability is uncertain:

	(in thousand pesos)
Receivables and advances	**4,139,136**
Property and equipment	**2,872,888**
Deferred charges	**1,755,663**
Inventories	**511,342**
Investment in stocks	**179,798**
Pre-operating expenses	**137,323**
Accounts receivable-long term	**12,000**
Investment in joint ventures	**4,563**
Guarantee deposits	**812**
Other deposits	**1,897**
	9,615,422

These accounts have been provided a 100 per cent allowance for impairment losses.

The Corporation, in its letter of June 3, 2014, requested authority from the Commission on Audit to adjust/write off the aforesaid long-outstanding accounts in consonance with COA Circular No. 97-001 dated February 5, 1997.

On June 6, 2017, COA informed the Corporation that the aforementioned request has been returned pending the submission of additional documents to facilitate the processing thereof. The Corporation will resubmit the request for authority from COA to write off the accounts as soon as additional documentation is completed.

18.4 Other assets

These accounts, which have also been provided with 100 per cent allowance for impairment losses, are as follows:

	2022	2021
Accounts receivable-subsidiaries and affiliates	**203,027,519**	203,640,303
Other accounts receivable	**174,900,317**	174,900,317
Billed contract receivables	**90,522,501**	90,522,501
Advances to joint venture, net	**74,021,620**	74,021,620
Accounts receivable-trade	**54,828,519**	54,828,519
Claims receivable	**24,406,064**	24,406,064
Advances to subcontractors	**17,169,107**	17,169,107
Deferred charges	**6,802,733**	6,802,733
Contract retention receivable	**2,380,025**	2,380,025
Advances to suppliers	**2,190,126**	2,190,126
Advances to contract owners	**636,431**	636,431
Other assets-dormant account	**636,088**	636,088
Unbilled contract receivable	**234,456**	234,456
Accounts receivable-officers & employees	**171,609**	171,609
	651,927,115	652,539,899

The Corporation will request authority from COA to write off the accounts as soon as documentation is completed.

19. FINANCIAL LIABILITIES

This account consists of the following:

	2022	2021 (As restated)
Accrued expenses	**21,633,914**	17,109,501
Accounts payable	**3,472,248**	4,223,097
Other accounts payable	**980,171**	500,066
	26,086,333	21,832,664

19.1 Accrued expenses

Accrued expenses account includes accrual of the mandatory benefits and leave credits of the Corporation's employees, unpaid professional fees and unpaid accounts to suppliers of goods and services that are normally settled within 12 months from the reporting period.

19.2 Accounts payable

Accounts payable are liabilities to suppliers of goods and services and to government agencies as regards the mandatory deductions from the employees' compensation and taxes withheld on income payments to suppliers of goods and services.

20. OTHER FINANCIAL LIABILITIES

This account consists of payables for the following:

	2022	2021
Due to National Government		
Concession fees (TRB)	**7,076,447,000**	6,818,444,800
Joint venture companies' revenue/dividends	**1,329,017,649**	1,329,017,649
Toll revenue (SLEX operation under TOC)	**971,550,967**	971,550,967
	9,377,015,616	9,119,013,416
Due to GOCC		
Various advances (NDC)	**1,203,000,000**	1,203,000,000
	10,580,015,616	10,322,013,416

20.1 Concession fees

The concession fees of P7.076 billion (principal amount of P1.06 billion plus penalty charges of P1.806 billion from 2016 to 2022, which is P258 million annually, and P4.21 billion in 2015 and prior years) pertain to the Corporation's payable to TRB pursuant to the Toll Operation Agreement (TOA) dated October 1977. The Corporation is being charged of two per cent penalty charges per month on unpaid concession fees which amount to over P250 million annually.

From May 2008 to March 2009, the Corporation made initial payments to the Bureau of the Treasury (BTr) totaling P220 million, of which the latter confirmed application of the P170 million against outstanding concession fees while the P50 million was unilaterally applied by BTr against an outstanding advance from the National Government (NG).

On July 16, 2010, the Corporation remitted to the NG, through BTr, the amount of P200 million to be applied to outstanding concession fees. However, BTr applied only P100 million and the other P100 million against advances from NG.

These payments bring the Corporation's total remittances to P495 million from 2006 to report date.

20.2 Joint Venture Companies' revenue/dividends

As discussed in Note 1, the expiration of the Corporation's franchise in 2007 resulted in the NG's owning the toll fees and the net income derived from the toll assets and facilities and also the Corporation's percentage share in the toll fees collected by the Joint Venture Companies (JVCs) currently operating the tollways.

In line with the above and pending finalization of the Implementing Rules and Guidelines (IRG) relative to the determination of the net income remittable by the Corporation to the NG, the Corporation initially recognized its obligation to the Government in the amount of P1.329 billion (net of the direct remittance of the consigned monies of P337.94 million to the BTr on December 23, 2011).

The aforesaid amounts were computed at 90 per cent of the gross revenue share and dividends received from May 2007 to December 31, 2010. This is in accordance with the interim rules and guidelines issued by TRB in compliance with the decision of the Supreme Court (SC) in the *Francisco Case* (Note 1).

The SC directed TRB, with the assistance of the Commission on Audit, to prepare and finalize the IRG for the determination of the amounts that the Corporation is entitled for its administrative expenses.

20.3 Toll revenue (SLEX operation under TOC)

Pursuant to the SC En Banc Decision discussed in Note 1, the Corporation recognized in the books the unremitted share in the toll revenue for the operation of the South Luzon Expressway (SLEX) under the Toll Operation Certificate from May 2007 to April 2010 in the amount of P1.537 billion, based on TRB's computation, which accordingly was arrived at by deducting from gross toll revenue the allowable 40 per cent operations and maintenance (O&M) expenses or actual O&M expenses, whichever is lower.

In December 2016, the Corporation remitted to the NG, through BTr, the amount of P566.3 million as partial payment for outstanding share in the toll revenue.

20.4 Various advances from NDC

This account covers various advances from the National Development Company (NDC) totaling P214 million between 1990 to1999 for foreign and peso accounts for which PNCC issued promissory notes, and interest and penalties thereon of P989 million as of December 31, 2009. The issue covering the various advances from NDC is under arbitration before the OGCC Arbitral Tribunal:

- NDC, Petitioner vs. PNCC, Respondent (OGCC ARB Case No. 001-2000) Based on the submitted pleadings and supporting documents, the following issues appear to be clear:

    - Whether respondent is liable to pay petitioner the principal amount of the Promissory Notes plus accrued interest and penalties as provided in the said Notes, and the Documentary Stamp Tax necessary for the execution thereof;

    - Whether respondent is liable to pay/reimburse petitioner the amount of respondent's mortgage loan (including interest thereon) that petitioner paid in order to release the titles of the properties that petitioner bought from the respondent; and

- Whether petitioner must pay the value of the lot consisting of 7.5 hectares which petitioner developed with its Joint Venture partner despite the fact that said lot was specifically excluded in the Contract of Sale.

The Department of Justice (DOJ), in its February 18, 2014 Consolidated Decision, granted NDC's Petition against the Corporation, the dispositive portion of which follows:

> *"However, the Petition filed by NDC against PNCC is GRANTED. As prayed for, respondent PNCC is ordered: (1) to pay petitioner NDC the principal amount of the Promissory Notes, plus accrued interests and penalties as provided for in the said Notes; and (2) to reimburse petitioner the amount of mortgage loan including interest thereon."*

On March 12, 2014, NDC wrote the Corporation claiming payment of the various advances/loans extended to the latter pursuant to the aforesaid Consolidated Decision of the DOJ.

The Corporation, in its letter of March 19, 2014, informed NDC that it cannot yet settle the account as the decision of the DOJ is not final and executory and that it had filed a Motion for Reconsideration (MR) dated March 13, 2014, duly received at the DOJ on March 14, 2014.

In the said MR, the Corporation prayed that the DOJ consider the consolidation as not proper and decide on OGCC ARB Case No. 001-2000 separately:

- Order the dismissal of the instant Petition for lack of merit;

- Order the Petitioner to pay PNCC the amount of P3.85 million representing the unpaid balance on the Dasmariñas property, plus legal interest thereon from the time of demand up to the time of payment; and

- Order the Petitioner to pay the Corporation the value of the 7.5 hectares of Dasmariñas property which was excluded in the Contract of Sale but developed and sold by Petitioner to locators of the First Cavite Industrial Estate, plus legal interest thereon from the time of demand up to the actual date of payment.

On January 22, 2015, the DOJ denied the Corporation's MR. Thereafter, the Corporation filed a Supplement to the MR on May 28, 2015 which was also denied by DOJ in its order dated July 13, 2015. On June 26, 2015, the Corporation filed a Notice of Appeal with the Office of the President of the Republic of the Philippines (OP) and filed the corresponding Appeal Memorandum on July 27, 2015.

On May 19, 2022, the OP through the then Executive Secretary Salvador C. Medialdea affirmed the DOJ Decision dated February 18, 2014 and Resolution dated January 22, 2015. The Corporation filed its MR before the OP and Supplemental MR on July 21, 2022 and February 16, 2023, respectively.

The Corporation is still waiting on the decision of the OP regarding the MR.

21. INTER-AGENCY PAYABLES

This account consists of the following:

	2022	2021
Income tax payable	**10,373,359**	2,027,460
Due to SSS	**1,067,482**	751,851
Due to Pag-IBIG	**264,024**	168,658
Due to BIR	**261,325**	671,437
Due to PhilHealth	**232,205**	132,116
	12,198,395	3,751,522

This account includes income tax payable, taxes withheld from officers and employees, premium payments and other payables for remittance to SSS, PhilHealth and Pag-IBIG.

22. TRUST LIABILITIES

This account consists of the following:

	2022	2021
Current	**123,602,523**	125,635,854
Non-Current	**3,789,629**	3,789,629
	127,392,152	129,425,483

Current account refers to customers' deposits pertaining to three months security deposit paid by tenants from the leased Financial Center Area (FCA) property and 10 per cent bid deposit posted by winning bidders with regard to the Corporation's disposal of assets and scrap materials.

Non-current account consists of deposits or advances from previous contract owners.

23. DEFERRED CREDITS/UNEARNED INCOME

This account consists of the following:

	2022	2021
Unearned income	**52,500,000**	90,000,000
Deferred credits	**37,738,139**	35,340,686
	90,238,139	125,340,686

Unearned income refers to the advance rental on the lease of FCA Property to be applied as rental on the 25th month of the contract or a month after the construction period provided in the lease contract.

Deferred credits account pertains to the recognized value added tax on the sale of services of the Corporation. It consists of the remaining balance after offsetting of input tax/creditable input tax from purchases against VAT payable from sales of services.

24. SHARE CAPITAL

This account consists of various classes of shares of stock with authorized par value of P10 per share, details of which are presented below:

Preferred "A"
(8-16 per cent cumulative, non-participating, non-voting)

Authorized- 1,400,000 shares

1,400,000	Shares	Treasury Stocks	**14,000,000**

Preferred "B"
(8-17 per cent cumulative, non-participating, non-voting)

Authorized- 42,114,879 shares

Issued and outstanding			
15,000,000	Shares	Republic of the Philippines Through the APT (now PMO) – previously underPNB	150,000,000
3,689,500	Shares	Marubeni	36,895,000
18,689,500			**186,895,000**

Preferred "C"
(14 per cent cumulative, non- participating, non-voting)
Authorized- 6,485,121 shares

Issued and outstanding			
6,485,121	Shares	Republic of the Philippines Through the APT (now PMO) – previously under NDC	**64,851,210**

Preferred "D"
(8 per cent cumulative, participating, voting)
Authorized- 27,800,000 shares

Issued and outstanding			
25,500,000	Shares	PMO (previously under PNB)	**255,000,000**

Special common
(non-voting, no pre-emptive right, participating)
Authorized-10,000,000 shares

Issued and outstanding			
3,815	Shares	Carlito C. Paulino	38,150
457	Shares	Editha U. Cruz	4,570
376	Shares	Adolfo S. Suzara	3,760
129	Shares	Vicente Longkino	1,290

Treasury Stocks			
295,227	Shares	Formerly held by PNCC Employees Savings & Loan Association	2,952,270
72,168	Shares	Formerly held by Alfredo V. Asuncion	721,680
372,172			**3,721,720**
Subscribed-			
1,484,260	Shares	FEBTC Trustee-PNCC Stock Trust Fund	**14,842,600**
Common			
Authorized-182,200,000 shares			
Issued and outstanding-			
		Republic of the Philippines Through the APT (Now PMO) – previously under:	
		Phil. Export Foreign Loan Guarantee	375,845,770
		Development Bank of the Phils.	269,874,470
79,271,024	Shares	NDC	146,990,000
47,490,383	Shares	Government Service Insurance System	474,903,830
15,360,831	Shares	Wellex Petroleum, Inc.	153,608,310
6,811,543	Shares	Various Brokers	68,115,430
4,562,384	Shares	Various Corporations	45,623,840
1,178,856	Shares	Cuenca Investment Corporation	11,788,560
964,800	Shares	Pioneer Insurance and Surety Corporation	9,648,000
657,836	Shares	Land Bank of the Philippines	6,578,360
335,391	Shares	PNCC Employees	3,353,910
7,037,935	Shares	Individuals (Non-employees)	70,379,350
163,670,983			**1,636,709,830**
Common Subscribed-			
9,419,915	Shares	Wellex Petroleum, Inc.	94,199,150
909,276	Shares	Cuenca Investment Corporation	9,092,760
149,328	Shares	Various Corporations	1,493,280
33,391	Shares	PNCC Employees	333,910
27,693	Shares	Various Brokers	276,930
234,173	Shares	Individuals (Non-employees)	2,341,730
10,773,776			**107,737,760**
228,375,812	Shares		**2,283,758,120**
		Subscriptions receivable (Note 25)	(56,158,831)
			2,227,599,289

The cumulative preferred shares are those that are entitled to any dividends not declared in the prior period (dividends in arrears) such that when dividends are declared in the current period, the dividends in arrears are to be satisfied first.

Dividends (in arrears) on cumulative preferred shares are not recognized in the books due to the Board of Directors' non-declaration of dividends. Such action of the PNCC Board is supported by Article XI, Section 11.01 of the Amended Corporate By-Laws which provides that "Dividends maybe declared annually or oftener as the Board of Directors may determine. The Board of Directors may declare dividends only from the surplus profits of the Corporation."

For purposes of the required disclosure in the financial statements, the dividends in arrears (computed from 2007 to 2022) are as follows:

Name of Stockholders (a)	Class of Stock (b)	Shareholdings (c)	Undeclared Dividend (b x c x 16 yrs)
Republic of the Phil. Through the PMO (previously under PNB)	Preferred "B" (8 per cent-17 per cent, cumulative, non-participating, non-voting)	150,000,000	192,000,000
Marubeni	Preferred "B" (8 per cent-17 per cent, cumulative, non-participating, non-voting)	36,895,000	47,225,600
Republic of the Phil. Through the PMO (previously under NDC)	Preferred "C" (14 per cent, cumulative, non-participating, non-voting)	64,851,210	145,266,710
Republic of the Phil. Through the PMO (previously under PNB)	Preferred "D" (8 per cent, cumulative, non-participating, non-voting)	255,000,000	326,400,000
		506,746,210	**710,892,310**

The above dividends in arrears are not recognized as liabilities because there is no obligating event yet.

25. SUBSCRIPTIONS RECEIVABLE

This account represents the unpaid amount due from the following subscribers on subscription of the Corporation's shares of stock, the due dates of which are, by agreement, of valid call by the Board of Directors:

Wellex Petroleum, Inc.	48,302,274
Cuenca Investment Corporation	5,145,287
Other Corporations	966,630
Individuals	1,744,640
	56,158,831

As of the end of 2022, there was no call made by the Board of Directors for the unpaid subscriptions.

26. EQUITY ADJUSTMENTS

Under Rehabilitation Plan-Loans Transferred to National Government (NG)

This account represents substantial portion of the Corporation's liabilities to Government Financial Institutions (GFIs) which should have been converted into equity pursuant to Presidential Letter of Instruction (LOI) 1295 dated February 23, 1983, and liabilities to the government agencies transferred to the Government pursuant to Proclamation No. 50 issued by the President of the Philippines on December 8, 1986.

	(In thousand pesos)
Philippine National Bank	**2,865,445**
National Development Company	**1,356,693**
Philguarantee	**1,204,311**
Central Bank of the Philippines	**75,654**
Bureau of the Treasury	**39,991**
Development Bank of the Philippines	**9,633**
	5,551,727

The above-mentioned Corporations' indebtedness remained unconverted as it is the Corporation's position, as supported by the Office of the Solicitor General's (OSG) opinion dated August 23, 2007, that based on LOI 1295, which was a special law promulgated to rehabilitate the Corporation, the debts have effectively been converted to equity and, therefore, should no longer incur interest charges.

The Privatization Management Office (PMO), however, still considers these unconverted debts as liabilities, claiming the total amount of P76.789 billion as of December 31, 2022 and P71.847 billion as of December 31, 2021, inclusive of accumulated interest charges and penalties amounting to P71.237 billion and P66.295 billion, respectively. These amounts have not been recognized in the books of the Corporation. The Corporation did not recognize the disputed interest charges and penalties based on the following:

- The Supreme Court (SC) itself had recognized the validity of LOI 1295 and that it still legally exists today;
- The failure to convert all debts to equity is considered an administrative matter; and
- The P5.552 billion is not a debt but simply represents unissued shares of stocks awaiting actual conversion to equity pursuant to LOI 1295 and, as such, continued imposition of interests and penalties is not warranted.

The above position of the Corporation is supported by the Office of the Solicitor General (OSG) and the Office of the Government Corporate Counsel (OGCC).

In like manner, the Bureau of the Treasury (BTr) is claiming as of December 31, 2017 the amount of P2.735 billion (inclusive of P1.327 billion interest) representing advances made by BTr to settle the Corporation's foreign obligations with creditors. It is the Corporation's position that said loans are included in the Equity Adjustments under Rehabilitation Plan which are among the accounts transferred by the Corporation to the Government through the Asset Privatization Trust (APT) pursuant to PNCC's Rehabilitation Plan of 1987 and are no longer recorded as liabilities in the Corporation books. As such, the Corporation is precluded from servicing the accounts.

As discussed in Note 20, the application of the P50 million and P100 million payments in 2008 and 2010, respectively, against outstanding NG advances were already effected in the aforesaid confirmed amount of P2.735 billion.

In view of the differences on the treatment of the P5.552 billion unconverted debt to equity, the Corporation and the PMO resolved to submit the matter to the Department of Justice (DOJ) for arbitration:

- PNCC, Petitioner vs. PMO, Respondent (OSJ Case No. 02-2012)

  The parties entered into a Joint Stipulation of Facts and Issues identifying the issues, as follows:

  - Whether or not PNCC is indebted to the National Government in the amount of P5.4 billion which, inclusive of interests as of October 31, 2011, amounted to P51.060 billion;

  - Whether or not the unconverted debt to equity, which is a leftover of LOI 1295, should be considered as simple loan;

  - Whether or not the unconverted portion of CDCP's debts are liable for interest and penalty charges; and

  - Whether LOI 1295 repealed the general provisions of RA 337 General Banking Act, as amended, the charters of DBP (RA 85, as amended), PNB (PD 694), and LBP (RA 3844), which all restricted the GFI's exposure to non-allied industries."

The DOJ, in its February 18, 2014 Consolidated Decision, dismissed the Corporation's Petition against PMO, the dispositive portion of which reads:

> *"WHEREFORE, premises considered, the Petition filed by the PNCC against the PMO, is hereby DISMISSED. As prayed for by the respondent PMO, petitioner PNCC is hereby ordered to pay respondent PMO, in behalf of the National Government, the amount of P51,060,330,392.40 as of 31 October 2011, representing its due and demandable obligation to the latter, inclusive of the interests, plus interests and penalties until actually paid."*

The Corporation filed a Motion for Reconsideration (MR) dated March 13, 2014, duly received at the DOJ on March 14, 2014. The Corporation prayed that the DOJ consider the consolidation as not proper and decide on OSJ Case No. 02-2012 separately:

- Render judgment declaring that the interest and penalty charges being imposed by PMO on the actual outstanding debt of PNCC to the National Government is without basis and violative of LOI 1295;

- Declare that PNCC's outstanding debt to the National Government is only in the amount of P5.4 billion, representing the value of the unconverted debt-to-equity obligation to the Government Financial Institutions; and

- Require or direct the debt-to-equity conversion of the P5.4 billion debt of PNCC pursuant to the clear and explicit instructions under LOI 1295.

On January 22, 2015, DOJ denied PNCC's MR. PNCC filed a supplement to the MR on May 28, 2015 which was also denied by the DOJ in its order dated July 13, 2015.

On June 26, 2015, PNCC filed a Notice of Appeal with the Office of the President of the Republic of the Philippines (OP) and filed the corresponding appeal memorandum on July 27, 2015.

On May 19, 2022, the OP through the then Executive Secretary Salvador C. Medialdea affirmed the DOJ Decision dated February 18, 2014 and Resolution dated January 22, 2015. The Corporation filed its MR before the OP and Supplemental MR on July 21, 2022 and February 16, 2023, respectively.

The Corporation is still waiting on the decision of the OP regarding the MR.

27. SERVICE AND BUSINESS INCOME

This account consists of the following:

27.1 Service Income

This account pertains to income earned from the supply of manpower to Skyway O&M Corporation amounting to P88.761 million and P53.796 million in 2022 and 2021, respectively.

Starting October 1, 2015, the Corporation assumed the operations of DISC Contractors, Builders and General Services Inc. (DCBGSI), a wholly-owned subsidiary of the Corporation.

27.2 Rental/Lease Income

This account represents the revenue derived out of the Corporation's real estate properties located in the following areas:

	2022	2021
Pasay City	**54,782,813**	27,110,572
Porac, Pampanga	**3,748,076**	4,236,106
Sta. Rita, Bulacan	**936,774**	0
	59,467,663	31,346,678

PNCC is the lessor under an operating lease agreement with Pacific Concrete Products, Inc. (PCPI) in the FCA, Pasay City, Tokagawa Global Corporation (TGC) in Porac, Pampanga and San Miguel Holdings Corp. (SMHC) in Sta. Rita, Bulacan. The lease with PCPI has a term of 25 years, with renewal option and option of pre-termination upon reasonable notice by the lessor, while the lease with TGC and SMHC has a fixed period of five years, commencing on September 1, 2019 until August 31, 2024 and May 2022 until April 2027, respectively, unless otherwise terminated at an earlier time by the lessor for reasonable cause.

However, TGC and SMHC has terminated the operating lease agreements on July 6, 2022 and July 19, 2022, respectively.

The future minimum lease payments under these operating leases are as follows as of December 31:

	2022	2021
Within one year	**59,467,663**	1,815,474
After one year but less than five years	**642,857,143**	382,708,294
	702,324,806	384,523,768

On April 17, 2018, the PNCC Board of Directors passed Board Resolution No. BD 069-2018 resolving not to extend the lease contracts of various leases upon expiration of the one-year term contracts on May 31, 2018 in view of the planned development of the FCA, Pasay City property.

Due to non-renewal of Contracts of Lease, the PNCC demanded the lessees to vacate the property. However, seven lessees did not heed the said demand and refused to vacate the leased premises. Of the seven lessees, two paid rentals which payments were treated by PNCC as compensation for the damages it has incurred due to their continued occupation of the property. Four lessees filed a Petition for Injunction against PNCC seeking to enjoin PNCC from terminating the lease contract.

The PNCC subsequently filed ejectment cases against these lessees who refused to vacate the property. After the cases have been filed, two lessees offered rental payments to PNCC. In May 2018, PNCC received nine checks totaling P28.286 million dated December 1, 2017 to May 23, 2018 from one lessee. However, the PNCC Board of Directors decided not to enter into any amicable settlement with the lessee and instructed the Management to proceed with the ejectment case and return the checks to the lessee. The other lessee likewise offered rental payments to PNCC amounting to P33.050 million. PNCC however, did not accept said rental payments in view of the above position of the Board of Directors and also for the reason that the same might affect PNCC's position in the pending ejectment case. The said lessee filed a Motion for Consignation of Rental Payments on July 11, 2018 and consigned the check payments in Court. The cases of Injunction filed by the lessees and the ejectment cases filed by PNCC, being handled by the Office of the Government Corporate Counsel as PNCC's statutory counsel, are still on-going as of December 31, 2022.

27.3 Share in Profit/Revenue of Joint Venture

This account consists of the following:

	2022	2021
Revenue Share		
CCEC *(now SMC Skyway Stage 3 Corporation)*	**158,674,030**	46,938,415
MNTC *(now NLEX Corporation)*	**70,994,030**	63,366,291
CMMTC *(now SMC Skyway Corporation)*	**34,872,361**	25,405,214
SLTC *(now SMC SLEX, Inc.)*	**19,731,781**	16,720,671
	284,272,202	152,430,591

As discussed in Note 20, pending issuance by the Toll Regulatory Board (TRB) and with the assistance of the Commission on Audit (COA) of the Implementing Rules and Guidelines (IRG) for the determination of the amounts due to the Corporation for its administrative expenses, the Corporation recognized 10 per cent of its share from the JVCs' gross toll revenues in accordance with the interim rules and guidelines issued by TRB.

The franchise of PNCC under PD 1113 to operate, construct, and maintain toll facilities in the North and South Luzon Tollways for a period of 30 years expired on May 1, 2007. With its expiration, the toll assets and facilities of PNCC were automatically turned over to the government at no cost. The Supreme Court (SC), in Ernesto B. Francisco vs. TRB, PNCC et al. (G.R. Nos. 166910,169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et al. (G.R. No. 178158, December 4, 2009), ruled and declared that with the expiration of the Corporation's franchise, the toll assets and facilities of the Corporation were automatically turned over, by operation of law, to the National Government (NG) at no cost and consequently, this inevitably resulted in the latter's owning too the toll fees and the net income derived after May 1, 2007 from the toll assets and facilities, including the Corporation's percentage share in the toll fees collected by the JVCs currently operating the tollways, including NLEX and Skyway.

On March 22, 2012, TRB issued an interim rules and guidelines for the remittance by the JVCs to the National Treasury of the net income that is supposed to be remitted by the JVCs from the revenues of the NLEX, SLEX and Skyway in accordance with the *Francisco Case.*

Paragraph 2 of the said guidelines provide that *"(a)s subsequently agreed upon by PNCC and TRB as an interim arrangement, 10 per cent of all amounts that are supposed to be remitted by the JV companies shall be set-aside by the JV company for remittance to PNCC. The ninety (90) per cent shall be remitted to the TRB for the National Treasury immediately."*

Relative to the aforesaid interim rules and guidelines, a complaint (entitled: Rodolfo M. Cuenca vs. Toll Regulatory Board, et al., Civil Case No. 13-919) was filed before the Regional Trial Court (RTC) of Makati Branch 132 by petitioner Rodolfo M. Cuenca, in his capacity as stockholder of the Corporation, against TRB, COA, Manila North Tollways Corporation (MNTC), CITRA Metro Manila Tollways Corporation (CMMTC), South Luzon Tollways Corporation (SLTC) and Manila Toll Expressways Systems, Inc. (MATES) and the Corporation as respondents.

In his petition, Cuenca said that "*there is the very real possibility that what the respondent corporations MNTC, CMMTC, SLTC and MATES have remitted, and will be remitting, to the NG is above or much more than what should be remitted given the actual and true financial situation of the respondent corporations. This gives rise to the unfortunate complication that such overpayments may only be reimbursed by the NG through cumbersome, to say the least, budgetary process.*"

Thus, petitioner is praying for the Honorable Court that:

- The respondents TRB and COA come up with and release the final implementing rules and guidelines embodying the final formula relative to the determination of the net income remittable by respondent PNCC to the NG;

- That the respondent corporations be enjoined from remitting any and all amounts directly to the NG until respondents TRB and COA have issued the final implementing rules and guidelines; and

- The respondents be ordered to consign with the Honorable Court any and all amounts they are ready to remit to the NG until the final implementing rules and guidelines has been issued by TRB and COA.

On May 9, 2014, a Writ of Preliminary Injunction was issued by the RTC of Makati Branch 132, enjoining and restraining the TRB and PNCC from implementing the interim rules and *guidelines* dated March 22, 2012. The respondent corporations, namely: MNTC, CMMTC, SLTC and MATES, were directed to forward the entire amounts to be remitted by them under their respective Supplemental Toll Operations Agreement (STOA) to the Corporation.

It appearing that the government stands to suffer gravely and irreparably from the aforesaid ruling of the RTC as it deprives the government of income based on the government's direct ownership of the assets and facilities of the Corporation, the SC resolved, *on* August 4, 2014, to require respondents to file Comment on the petition, not a motion to dismiss, within ten (10) days from notice and to issue, effective immediately and continuing until further orders from the SC, a Temporary Restraining Order (TRO), enjoining the RTC of Makati Branch 132, the private respondent, their representatives, agents or other persons acting on their behalf from implementing the RTC Resolution dated April 30, 2014 in Civil Case No. 13-919.

The Petition is still pending resolution before the SC.

27.4 Dividend Income

This account consists of the following:

	2022	2021
Citra Metro Manila Tollways Corporation	**41,390,239**	32,008,454
Alabang - Sto. Tomas Development, Inc.	**574,328**	303,120
Philippine Long Distance Telephone Company	**0**	161,059
	41,964,567	32,472,633

27.5 Interest Income

This account consists of interest income earned on investments amounting to P24.788 million and P17.247 million in 2022 and 2021, respectively.

28. GAINS

This account consists of the following:

	2022	2021
Gain on sale of unserviceable property	**3,475**	0
Gain from changes in fair value of investment property	**0**	3,301,977,409
	3,475	3,301,977,409

The gain from changes in fair value of investment property in 2021 amounting to P3.302 billion was the average fair values of land and buildings, which had been determined based on the average valuations performed by two independent appraisers every other year.

29. OTHER NON-OPERATING INCOME

This account consists of the following:

	2022	2021 (As restated)
Reversal of impairment loss on receivables	**612,784**	260,018
Other income, net	**1,360,726**	1,809,187
	1,973,510	2,069,205

The reversal of impairment loss on receivables in 2022 refers to the collections made by the Corporation on behalf of its subsidiaries from their debtors and collection of receivables from inactive account and the release of Cash Bond on NLRC Case No. 09-08619-05 (Federico Agaton vs PNCC) in 2021.

The other income, net account in 2022 consists of Ciso's Boodle Fight Restaurant and forfeited security deposit of San Miguel Holdings Corporation (SMHC) amounting to P0.536 million and P0.786 million, respectively. While, in 2021 mainly consists of rental for reasonable use of FCA property by China Dong Feng Motor Distribution, payment for various junk equipment, penalty in withdrawal delay and sale of bid documents.

30. PERSONNEL SERVICES

This account consists of the following:

	2022	2021
Salaries and wages	**28,216,805**	29,665,093
Other compensation	**12,077,968**	11,899,578
Personnel benefit contribution	**3,178,037**	2,555,483
Other personnel benefits	**7,790,572**	5,703,710
	51,263,382	49,823,864

31. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2022	2021
General services	**7,415,463**	6,344,601
Taxes, insurance, and other fees	**6,557,055**	5,753,932
Professional services	**6,538,272**	6,063,418
Supplies and materials	**2,953,712**	1,346,936
Utility	**1,958,999**	1,691,591
Transportation and traveling	**1,886,642**	1,706,401
Litigation expense	**1,666,400**	1,171,977
Communication	**1,371,821**	1,505,213
Repairs and maintenance	**1,228,590**	722,754
Representation expenses	**707,840**	566,089
Training and scholarship	**57,130**	0
Other maintenance and operating expenses	**1,206,338**	729,189
	33,548,262	27,602,101

32. DIRECT COSTS

This account consists of the following:

	2022	2021 (As restated)
Labor	**73,244,385**	44,120,799
Equipment operations costs	**156,732**	190,641
	73,401,117	44,311,440

As stated in Note 27.1, starting October 1, 2015, the Corporation assumed the operations of DCBGSI, a wholly-owned subsidiary of the Corporation.

33. NON-CASH EXPENSES

This account consists of the following:

	2022	2021 (As restated)
Depreciation	**3,621,008**	3,948,594
Loss on sale of property and equipment	**293,344**	0
Impairment Loss-Other Receivable	**0**	6,340,368
Impairment Loss-Other Assets	**0**	1,009,544
Impairment Loss-Inventories	**0**	1,007,007
Impairment Loss-Other Investments	**0**	286,600
Loss on redemption of investment	**0**	77,599
	3,914,352	12,669,712

34. INCOME TAXES

The Corporation's provision for income tax for the year 2022 is P13.011 million computed under the Regular Corporate Income Tax (RCIT).

As of December 31, 2022, the balance of the MCIT is as follows:

Date Incurred	Amount	Application	Expired	Balance	Expiry Date
2022	0	0	0	0	2025
2021	2,417,430	2,417,430	0	0	2024
2020	2,247,949	2,247,949	0	0	2023
2019	4,109,590	0	4,109,590	0	2022
	8,774,969	**4,665,379**	**4,109,590**	**0**	

As of December 31, 2022, and 2021, the following are the temporary differences for which no deferred tax asset was set up because Management believes that it is more likely that no future taxable income is available against which the benefit from deferred tax assets can be offset:

	2022	2021
Allowance for losses on assets for write off	**9,615,422,219**	9,615,422,219
Allowance for impairment losses	**651,927,115**	661,224,151
Allowance for losses on investments	**177,467,411**	177,467,411
Allowance for impairment – other materials and supplies	**3,999,962**	3,999,961
	10,448,816,707	10,458,113,742

As of December 31, 2022, and 2021, the recognized deferred tax assets pertain to the following:

	2022	2021
Carry forward benefit of unapplied tax credits	**24,542,414**	15,767,445
Excess of MCIT over the regular corporate income tax	**0**	8,774,969
	24,542,414	24,542,414

As of December 31, 2022, and 2021, deferred tax liabilities pertain to the following:

	2022	2021
Fair value adjustment of investment property	**9,269,063,652**	9,269,063,652
Revaluation increment in property	**545,353,219**	546,018,250
	9,814,416,871	9,815,081,902

Deferred tax liabilities pertain to the deemed tax on the increase in value of investment property and property and equipment as required by PAS 12, *Income Taxes*.

35. OTHER COMPREHENSIVE INCOME

This account pertains to unrealized gains and losses arising from changes in fair value every reporting period of investments classified as financial assets at fair value through other comprehensive income. The Corporation recognized unrealized gain of P25,000 and P55,000 in 2022 and 2021, respectively, from these investments.

36. TAX MATTERS

The Corporation was assessed by the Bureau of Internal Revenue (BIR) for deficiencies in various taxes. However, no provision for any liability has been made yet in the Corporation's financial statements.

- Deficiency internal revenue taxes for taxable year 1980 (income tax, contractor's tax, and documentary stamp tax) totaling P212.52 million.

  The Corporation sought a reinvestigation of the case on November 8, 1995, and as a consequence, the BIR issued a final decision promulgated on September 9, 2004 ordering PNCC to pay the amount of P101.46 million, the reduction of P111.87 million represent deficiency contractor's tax which the BIR resolved to cancel and withdraw from the assessment it being bereft of merit for lack of legal basis, thus finding the Corporation's contention meritorious.

  The Corporation, in its letter dated February 15, 2005, informed the BIR that it had filed a Petition with the Department of Justice (DOJ) seeking the reversal of the BIR's resolution holding the Corporation still liable for the aforesaid tax deficiencies and has applied for an interim order or measure from the DOJ to suspend or stop the collection of subject amount pending resolution of the Petition.

- Deficiency business tax of P64 million due from the Belgian Consortium, the Corporation's partner in its LRT Project.

- Deficiency internal revenue taxes for taxable year 1992 (income tax, value-added tax, and expanded withholding tax) of P1.04 billion which was reduced to P709 million after the Corporation's written protest.

  PNCC Management, however, requested for a meeting/conference for the clarification of the issue, the reduced amount still being the result of a jeopardy assessment. The BIR has not responded as of date.

- Deficiency internal revenue taxes for taxable year 2002 totaling P72.92 million.

  Management, in close coordination with the concerned BIR officers, presented a more detailed analysis of the accounts. Said presentation and the Corporation's availment of the tax amnesty had substantially reduced the aforesaid deficiency taxes.

- Deficiency taxes for taxable year 2006 amounting to P116.141 million (inclusive of interest of P48.76 million).

Management, in its letter of October 29, 2010 to the BIR, protested the aforesaid proposed deficiency taxes pursuant to Section 203 of the NIRC of 1997 (Prescription of limitation upon assessment and collection) and Revenue Regulations (RR) No.12-99 (which requires discussion between the Corporation and BIR Examiner/s before submission of the report to the BIR Chief concerned).

No discussion happened as the Corporation came to know of the findings on the alleged deficiency taxes only on October 22, 2010, way beyond the three (3)-year prescription period of April 15, 2010.

To date, the Corporation has not received any formal communication from the BIR after its letter on October 29, 2010.

- Deficiency internal revenue taxes for the taxable year 2009 in the amount of P87.414 million (basic tax of P51.957 million and interest/penalty charges of P35.457 million).

  After series of written protests/communications with and presentation of documentary evidences to the BIR, the proposed deficiency taxes of P87.414 million was reduced to P21.147 million (basic tax of P11.384 million and interest/penalty charges of P9.763 million).

  The basic taxes of P6.565 million (expanded withholding tax, withholding tax on compensation, and fringe benefit tax) and P4.819 million (final withholding tax) were paid on November 28, 2013 and on January 10, 2014, respectively.

  On January 10, 2014, the Corporation requested reconsideration for the attendant charges of P9.763 million, in the amount equitable to both the BIR and the Corporation pursuant to Section 204 of the National Internal Revenue Code (NIRC) and the related revenue regulations.

  On November 2, 2016, the Corporation received a Final Decision on Disputed Assessment for expanded withholding tax, withholding tax on compensation, final withholding of VAT and fringe benefit tax for a total assessed amount of P15.425 million (basic tax of P8.934 million and interest/penalty charges of P6.491 million).

  The Corporation, in its letter dated April 10, 2017 to the BIR, requested that the Corporation be allowed to avail of reliefs by way of reduction or abatement of the charges and a favorable consideration/reconsideration from the BIR.

  On July 30, 2018, the Corporation paid P0.893 million representing 10 per cent of the basic tax relative to its application for compromise settlement of its deficiency taxes. A Board Resolution (BD 160-2018) was passed during a meeting of the PNCC Board of Directors on August 15, 2018, wherein, President and CEO Mario K. Espinosa was authorized to enter into a compromise of up to 40 per cent minimum amount of basic tax.

  On September 4, 2018, the Corporation signified its intention to increase the offer of compromise from 10 per cent (P0.893 million) to 40 per cent (P3.574 million) of the basic tax.

The BIR, in its letter dated September 11, 2018 informed PNCC that pursuant to Revenue Regulation (RR) 9-2013, amending certain provisions of RR 30-2002 particularly Section 6, it is expressly stated that:

> *"The compromise offer shall be paid by the taxpayer upon filing of the application for compromise settlement. No application for compromise settlement shall be processed without the full settlement of the offered amount. In case of disapproval of the application for compromise settlement the amount paid upon filing of the aforesaid application shall be deducted from the total outstanding tax liabilities."*

On August 26, 2020, the Corporation received a Certificate of Availment with Certificate No. CAC201700010867, stating that the Compromise Settlement for the 2009 tax deficiencies have been approved by the National Evaluation Board on March 9, 2020.

- On March 26, 2021, the President signed into law Republic Act (RA) 11534 also known as "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" Act which reduced the corporate income tax rates and rationalized the current fiscal incentives by making it time-bound, targeted and performance-based. The law contains amendments to several provisions of the National Internal Revenue Code of 1997 ("Tax Code"), primarily on the reduction of the corporate income tax rate and the introduction of a new title on tax incentives.

  CREATE Act introduces reforms in the areas of corporate income tax, value-added tax, and tax incentives, aside from providing COVID-19 related reliefs to taxpayers.

  The salient provisions of the CREATE Act applicable to the Corporation are as follows:

  1. Existing registered enterprises under the five per cent Gross Income Tax (GIT) may avail of the five per cent GIT for 10 years from the effectivity of the CREATE Act.

  2. Effective July 1, 2020, domestic corporations with total assets not exceeding P100 million and net taxable income of P5 million and below shall be subject to 20 per cent income tax rate while the other domestic corporations and resident foreign corporations will be subject to 25 per cent income tax rate;

  3. Minimum corporate income tax (MCIT) rate is reduced from two per cent to one per cent from July 1, 2020 to June 30, 2023;

  4. Repeal of the improperly accumulated earnings tax.

  As at the end of reporting date December 31, 2020, the CREATE Bill is not considered substantively enacted. As such, current taxes are measured using the applicable gross income tax rate of five per cent for PEZA activities. Nonetheless, the implementation of CREATE Act does not have any impact to the Corporation's income tax provision for December 31, 2022.

37. CONTINGENT LIABILITIES/CONTINGENT ASSETS

PENDING LAWSUITS/LITIGATIONS

Contingent Liabilities

The Corporation has contingent liabilities with respect to claims and lawsuits. Management believes that the final resolution of these issues will materially affect the Corporation's financial position.

- *Asiavest Merchant Bankers (M) Berhad vs. PNCC (Civil Case No.64367)*

  This case arose after Asiavest-CDCP Sdn. Bhd. (Asiavest-CDCP), a corporation organized by both CDCP (now PNCC) and Asiavest Holdings (M) Sdn. Bhd. (Asiavest Holdings), which acted as PNCC's subcontractor in Malaysia, failed to complete the project in Malaysia. Asiavest Merchant Bankers (M) Berhad (AMB), which provided various guarantees and bonds to PNCC in connection with the construction contracts in Malaysia, thus sought reimbursement of the surety bond the former paid to the State of Pahang (Malaysia). The amount involved is Malaysian Ringgit (MYR) 3,915,053.54.

  On April 12, 1994, AMB instituted the case before the Pasig City Regional Trial Court (RTC). PNCC through its legal counsel, Office of the Government Corporate Counsel (OGCC), had filed four (4) motions for extension of time to file answer and/or any responsive pleading. However, PNCC was not able to file its Answer to the Complaint because the transactions were executed in Malaysia and the documents were not then immediately available. Thus, a judgment by default was rendered by the trial court. Efforts were made towards lifting of the default order and reconsideration of the decision, but the same were denied.

  PNCC appealed the case to the Court of Appeals (CA) but was dismissed in its Decision dated June 10, 2005. A Motion for Reconsideration (MR) was filed but the same was denied.

  A Petition for Review on Certiorari was filed before the Supreme Court (SC) which eventually decided against PNCC last April 4, 2016. On April 6, 2016, OGCC received a Motion for issuance of Alias Writ of Execution filed by AMB with RTC. On April 16, 2016, PNCC filed its opposition thereto arguing that the subject claim should be filed first with COA before a Writ of Execution can be issued by RTC.

  The RTC Branch 153 denied Asiavest's Motion for Execution and its subsequent Motion for Reconsideration. Subsequently, Asiavest filed with CA a Petition for Certiorari and Mandamus, to which PNCC filed a Comment and Opposition on May 29, 2018.

  On August 14, 2018, PNCC received the CA Second Division's Notice of Judgment denying and dismissing the above Petition for Certiorari and Mandamus. Asiavest filed a Motion for Reconsideration (MR), a copy of which was received by PNCC on August 30, 2018. On October 8, 2018, PNCC filed its Comments on the subject MR. In a Resolution dated November 29, 2018, the CA Former Second Division denied Asiavest's MR for lack of merit.

On February 8, 2021, Asiavest did not appeal before the Supreme Court but opted to incorporate its arguments and position in their complaint with COA.

- *Asiavest Merchant Bankers (M) Berhad vs. PNCC (Civil Case No. 56368)*

  This case involves the enforcement of a foreign judgment rendered against PNCC in Malaysia for guarantees it issued on various construction projects involving Malaysian Ringgit (MYR) 5,108,290.23. The Pasig City RTC and the Court of Appeals (CA) rendered decisions in favor of PNCC, dated October 14, 1991 and May 19, 1993, respectively.

  In 2001, the SC rendered a decision reversing the decision of the CA and ordered the payment of the foreign award. In 2002, the Pasig City RTC issued a Writ of Execution which was partially satisfied but PNCC later asked for its temporary suspension by moving to quash the writ because of: (a) change of the party's status making the execution inequitable; and, (b) the claim has already prescribed under Malaysian laws. In 2015, the RTC finally denied PNCC's Motion to Quash, including the subsequent MR. PNCC has since filed a Petition for Certiorari which is pending in the CA. In April 2016, AMB's counsel filed for Ex- Parte Motion for Issuance of Alias Writ of Execution to enforce the 2002 Writ of Execution. PNCC has since opposed it, prompting AMB to file its Urgent Motion to Resolve.

  The RTC denied PNCC's Motion to Quash. Because of the denial of the said Motion to Quash, PNCC filed a Petition for Certiorari with the CA on the RTC's Orders. On December 18, 2017, the CA denied the Petition for Certiorari and subsequently, the Motion for Reconsideration was also denied on June 17, 2018. On August 23, 2018, the PNCC filed a Petition for Review on Certiorari with the Supreme Court.

  Asiavest, through counsel, filed a Motion for Execution in both cases with the RTC. OGCC opposed the motion on the ground that the claim of Asiavest should be filed first with the Commission on Audit (COA) before a Writ of Execution can be issued. The RTC denied Asiavest's motion and directed the latter to file its claim against PNCC with COA.

  On May 3, 2021, the Corporation received a copy of the Petition for Money Claim (involving the decision of the RTC in Civil Case No. 64367), filed with COA by Asiavest Equity SDN BHD (in Members' Voluntary Liquidation) allegedly, formerly known as Asiavest Merchant Bankers (M) Berhad. On June 30, 2021, PNCC, through the OGCC, filed its Answer to the said Petition.

- *Superlines Transportation Co. Inc. vs PNCC*

  This case seeks the recovery of personal property (replevin) with damages, the merits of which the SC had already resolved in "Superlines Transportation Company, Inc. (Superlines) vs. Philippine National Construction Company (PNCC)," which ordered that the case be remanded to the lower court for further proceedings. After the matter was remanded to the RTC, trial ensued and the latter issued its assailed Decision, where it recapped the series of events following the Supreme Court 2007 Decision.

  The RTC's Decision dated May 12, 2010 held PNCC and co-defendant Balubal liable. PNCC elevated the case to the Court of Appeals, which affirmed the trial court's finding in its Decision dated May 31, 2014. The Motion for Reconsideration of PNCC was likewise denied by the CA. Hence, PNCC elevated the matter to the SC arguing that the CA: (a) violated the SC ruling in G.R. 169596; (b) gravely erred in failing to consider that SCTI never went to Lopera to seek his permission to have the vehicle released; (c) failed to consider STCI's bad faith in excluding Lopera as party defendant; and (d) erred in holding that PNCC should be held liable for damages.

On June 3, 2019, the SC rendered a Decision denying the petition. The Decision dated May 30, 2014 and the Resolution dated January 13, 2015 of the CA in CA-G.R. CV No. 95429 are Affirmed with Modifications as follows:

> *"WHEREFORE, premises considered, the instant petition DENIED. The Decision dated May 30, 2014 and the Resolution dated January 13, 2015 of the Court of Appeals in CA-GR CV No. 95429 are AFFIRMED with MODIFICATIONS in that* ***the award of lost/unearned income is hereby DELETED****. The amount of* ***exemplary damages and attorney's fees are REDUCED to P100,000 and P30,000.00, respectively****.*
>
> ***The amount of exemplary damages shall earn interest of six percent (6%) per annum from the date of the finality of this judgment until full satisfaction thereof.***
>
> ***All others STAND.***
>
> *SO ORDERED."*

Both parties filed their respective motions for partial reconsideration. The SC however, denied both motions for partial reconsideration.

On April 13, 2021, Superlines filed a Petition for Money Claim with the COA, praying that PNCC be ordered to pay the following:

"a.	*Php2,036,500 -*	*as actual damages pertaining to the cost of acquisition of the Bus No. 719 *subject to 6% per annum interest rate from May 11, 2007*
b.	*Php100,000 -*	*as exemplary damages *subject to 6% per annum interest rate from finality of the Decision dated June 03, 2019 rendered by the Supreme Court in G.R. No. 216569*
c.	*Php30,000 -*	*as attorney's fees"*

On May 17, 2021, PNCC received an Order dated April 22, 2021 from COA, requiring PNCC to submit its Answer within 15 days from receipt thereof. The matter was referred to the OGCC for handling and appropriate action on May 19, 2021.

In view of the foregoing, the Corporation, through its legal counsel, OGCC, shall continue to exhaust all legal options provided by law.

Pending Lawsuits/Litigations

In addition, the Corporation is involved in continuing litigations relating to labor and civil cases. The ultimate outcome of these litigations cannot be determined yet and no provision for any liability that may result can be made in the financial statements.

The labor cases which consist of those filed against the Corporation comprised mostly of claims for illegal dismissal, backwages, separation pay, and unpaid benefits. Most of these cases have been ruled by the Labor Arbiter in favor of the complainant. However, these cases are on appeal by the Corporation before the National Labor Relations Commission, CA and SC.

The civil cases filed against the Corporation consist of cases involving damages, collection of money, and attorney's fees, which are still under litigation before various RTCs. On the other hand, those filed by the Corporation against other individuals or companies consist of suits involving sums of money, damages, and breaches of contract which involve undeterminable amount of money.

38. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key Management includes the board of directors, all members of management and other company officers. Key management compensation totaled P16.297 million and P14.776 million in 2022 and 2021, respectively. A breakdown of these amounts as follows:

	2022	2021
Salaries and wages	**8,063,490**	8,642,472
Per diem	**5,957,432**	3,995,200
Other benefits	**2,276,048**	2,138,030
	16,296,970	14,775,702

39. RESTATEMENT OF ACCOUNTS

The 2022 and 2021 financial statements were restated to reflect the following transactions/adjustments:

CY 2020 errors discovered in 2022

	December 31, 2020 (as previously reported)	**Restatements/ Adjustments**	**January 1, 2021 (As restated)**
STATEMENT OF FINANCIAL POSITION			
Receivables, net	**369,013,272**	**83,609,036**	**452,622,308**
Recognition of 2018-2020 compensation for reasonable use of property by LCDC		83,609,036	
Investment Property	**33,847,159,091**	**(161,243)**	**33,846,997,848**
Recognition of accumulated depreciation-Gulod Property		(161,243)	

Property and Equipment, net	**1,506,988,845**	**112,042**	**1,507,100,8877**
Cost of aircon taken up as repairs & maintenance		243,571	
Depreciation of aircon		(131,529)	
Restatement in total assets – net increase		**83,559,835**	

STATEMENT OF CHANGES IN EQUITY

Retained Earnings	**18,056,096,031**	**83,559,835**	**18,139,655,866**
Correction of prior year's income		83,559,835	
Restatement in Equity- net increase		**83,559,835**	

CY 2021 errors discovered in 2022

	December 31, 2021 (as previously reported)	Restatements/ Adjustments	December 31, 2022 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net	**440,839,023**	**84,089,377**	**524,928,400**
Recognition of prior period adjustments on receivables		83,609,036	
Recognition of 2021 compensation for reasonable use of property by Ciso's Boodle Fight Restaurant		535,714	
Recognition of prior period unbilled receivable from SOMCO services		651,395	
Recognition of over-accrual of MNTC revenue share in 2021		(706,768)	
Investment Property	**37,149,136,500**	**(322,486)**	**37,148,814,014**
Recognition of prior period adjustment on accumulated depreciation-Gulod Property		(161,243)	
Recognition of accumulated depreciation-Gulod Property		(161,243)	
Property and Equipment, net	**2,193,148,442**	**68,199**	**2,193,216,641**
Recognition of prior period adjustment on accumulated depreciation on cost of aircon, net		112,042	
Recognition of 2021 accumulated depreciation of aircon		(43,843)	
Restatement in total assets-net increase		**83,835,090**	
Financial Liabilities	**20,553,781**	**1,278,883**	**21,832,664**
Recognition of separation benefits of SOMCO employees		1,278,883	
Restatement in Statement of Financial Position-net decrease		**(82,556,207)**	

STATEMENT OF COMPREHENSIVE INCOME

Service and Business Income	**287,293,726**	**(55,373)**	**287,238,353**
Recognition of over-accrual of MNTC revenue share in 2021		(706,768)	
Recognition of prior period unbilled receivable of SOMCO services		651,395	
Other non-operating Income	**1,533,491**	**535,714**	**2,069,205**
Recognition of 2021 compensation for reasonable use of property by CISO's Boodle Fight Restaurant		535,714	
Restatement in income-net increase		**480,341**	
Expenses			
Direct costs	**43,032,557**	**1,278,883**	**44,311,440**
Recognition of separation benefits of SOMCO employees		1,278,883	
Non-cash Expenses	**12,464,626**	**205,086**	**12,669,712**
Correction of depreciation of aircon		43,843	
Recognition of depreciation of Gulod Property		161,243	
Restatement in Expenses-net increase		**1,483,969**	
Restatement in Net Income-net decrease		**(1,003,628)**	

The Corporation presented three Statements of Financial Position in compliance with the requirement of Philippine Accounting Standard 1, *Presentation of Financial Statements,* to include a complete set of financial statements as statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk

The Corporation's principal financial instruments comprise of cash and cash equivalents, restructured debt and advances to and from related parties. The main purpose of these financial instruments is to finance the Corporation's operations. The Corporation has various other financial assets and liabilities such as receivables and vouchers payable and accrued expenses (excluding statutory payables), which arise directly from its operations. The main risks arising from the Corporation's financial instruments are credit risk and liquidity risk. The Corporation's Board of Directors (BOD) and Management review and approve the policies for managing each of this risk.

The Corporation monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.

The Corporation's risk management policies are summarized below. The exposure to risk and how they arise, as well as the Corporation's objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior years.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Corporation maintains a level of cash deemed sufficient to finance its cash requirements. Operating expenses and working capital requirements are sufficiently funded through cash collections.

The extent and nature of exposures to liquidity risk and how they arise as well as the Corporation's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2022 and 2021.

The following table summarizes the maturity profile of the Corporation's financial assets and financial liabilities as of December 31, 2022 and 2021, based on contractual undiscounted cash flows:

	2022			
	<1 year	**>1 to <5 years**	**>5 years**	**Total**
Financial Assets				
Cash	17,039,889	0	0	17,039,889
Other Investments	1,895,446,414	0	0	1,895,446,414
Receivables	350,165,233	10,370,868	89,344,513	449,880,614
	2,262,651,536	**10,370,868**	**89,344,513**	**2,362,366,917**
Financial Liabilities				
Accounts payable	3,472,248	0	0	3,472,248
Accrued Expenses	21,633,914	0	0	21,633,914
Other accounts payable	105,432	874,739	0	980,171
Inter-agency payables	12,198,395	0	0	12,198,395
Customers' deposit	0	98,424,915	25,177,608	123,602,523
Deferred credits	0	90,238,139	0	90,238,139
Other financial liabilities	258,002,200	1,032,008,800	9,290,004,616	10,580,015,616
	295,412,189	**1,221,546,593**	**9,315,182,224**	**10,832,141,006**
Liquidity gap	**1,967,239,347**	**(1,211,175,725)**	**(9,225,837,711)**	**(8,469,774,089)**

	2021			
	<1 year	**>1 to <5 years**	**>5 years**	**Total**
Financial Assets				
Cash	53,658,594	0	0	53,658,594
Other Investments	1,485,235,853	0	0	1,485,235,853
Receivables	401,836,384	33,860,739	89,231,277	524,928,400
	1,940,730,831	**33,860,739**	**89,231,277**	**2,063,822,847**
Financial Liabilities				
Accounts payable	4,223,097	0	0	4,223,097
Accrued Expenses	17,109,501	0	0	17,109,501
Other accounts payable	0	500,066	0	500,066
Inter-agency payables	3,751,522	0	0	3,751,522

	2021			
	<1 year	**>1 to <5 years**	**>5 years**	**Total**
Customers' deposit	0	90,000,000	35,635,854	125,635,854
Deferred credits	0	125,340,686	0	125,340,686
Other financial liabilities	258,002,400	1,032,008,800	9,032,002,216	10,322,013,416
	283,086,520	**1,247,849,552**	**9,067,638,070**	**10,598,574,142**
Liquidity gap	**1,657,644,311**	**(1,213,988,813)**	**(8,978,406,793)**	**(8,534,751,295)**

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers and suppliers.

Credit risk management involves dealing only with institutions or individuals for which credit limits have been established, and with suppliers whose paying and performance capabilities are rigorously screened.

The table below shows the maximum exposure to credit risk for the components of the statements of financial position as of December 31, 2022 and 2021:

	2022	2021 (As restated)
Cash	**17,039,889**	53,658,594
Receivables	**449,880,614**	524,928,400
	466,920,503	578,586,994

As of December 31, 2022, and 2021, the aging analysis per class of receivables is as follows:

2022

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Impaired Financial Assets	Total
		<30 days	30-60 days	60-90 days	>90 days		
Accounts Receivable	20,429,886	28,104,950	8,519,277	269,666	326,915	78,178,474	135,829,168
Interests Receivable	8,279,408	0	0	0	0	0	8,279,408
Contrib. and Premiums Receivable	0	0	0	10,295	8,160	0	18,455
Receivables from Joint Ventures	130,218,657	0	0	0	0	0	130,218,657
Lease receivables	3,706,545	0	0	0	0	7,098,281	10,804,826
Due from Nat'l Govt	150,000,000	0	0	0	0	0	150,000,000
Due from subs/assoc/ affiliates	0	0	0	0	0	901,796	901,796
Other receivables	43,583	2,015	32,785	23,400	2,102,156	11,166,039	13,369,978
	312,678,079	28,106,965	8,552,062	303,361	2,437,231	97,344,590	449,422,288
Due from officers and employees	218,160	641	166,650	0	72,875	0	458,326
	312,896,239	**28,107,606**	**8,718,712**	**303,361**	**2,510,106**	**97,344,590**	**449,880,614**

2021

	Neither Past Due Nor Impaired	Past Due But Not Impaired <30 days	30-60 days	60-90 days	>90 days	Impaired Financial Assets	Total
Accounts Receivable	9,839,053	5,462,199	5,355,972	7,479,589	22,452,465	101,386,598	151,975,876
Interests Receivable	3,691,782	0	0	0	0	0	3,691,782
Contrib. and Premiums Receivable	0	0	0	0	0	6,160	6,160
Receivables from Joint Ventures	108,319,087	0	0	0	0	0	108,319,087
Lease receivables	4,789,847	0	0	0	0	7,098,281	11,888,128
Due from Nat'l Govt	150,000,000	0	0	0	0		150,000,000
Due from subs/assoc/ affiliates	0	0	0	0	0	901,796	901,796
Other receivables	84,089,378	0	0	0	0	13,798,027	97,887,405
	360,729,147	5,462,199	5,355,972	7,479,589	22,452,465	123,190,862	524,670,234
Due from officers and employees	0	13,109	0	2,917	239,684	2,456	258,166
	360,729,147	**5,475,308**	**5,355,972**	**7,482,506**	**22,692,149**	**123,193,318**	**524,928,400**

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the statements of financial position as of December 31, 2022 and 2021.

	Carrying Amount **2022**	2021	Fair Value **2022**	2021
Financial assets				
Cash	**17,039,889**	53,658,594	**17,039,889**	53,658,594
Other investments	**1,895,446,414**	1,485,235,853	**1,895,446,414**	1,485,235,853
Receivables	**449,880,614**	524,928,400	**449,880,614**	524,928,400
	2,362,366,917	2,063,822,847	**2,362,366,917**	2,063,822,847
Financial liabilities				
Accounts payable	**3,472,248**	4,223,097	**3,472,248**	4,223,097
Accrued expenses	**21,633,914**	17,109,501	**21,633,914**	17,109,501
Other accounts payable	**980,171**	500,066	**980,171**	500,066
Inter-agency payable	**12,198,395**	3,751,522	**12,198,395**	3,751,522
Customers' deposit	**123,602,523**	125,635,854	**123,602,523**	125,635,854
Unearned income	**90,238,139**	125,340,686	**90,238,139**	125,340,686
Other financial liabilities	**10,580,015,616**	10,322,013,416	**10,580,015,616**	10,322,013,416
	10,832,141,006	10,598,574,142	**10,832,141,006**	10,598,574,142

Cash and Accounts and Other Payables – carrying amounts approximate fair values due to the relatively short-term maturities of these investments.

Receivables – carrying amounts approximate fair values due to the short-term nature of the receivables.

41. SUPPLEMENTARY INFORMATION ON TAXES

In compliance with the requirements set forth by BIR Revenue Regulations 15-2010, the following are the information on taxes, duties, and licenses paid or accrued during the taxable year 2022:

41.1 The Corporation is a VAT-registered corporation with VAT output tax declaration of P60.027 million for the year based on the amount reflected in the Sales Account of P500.227 million.

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

Balance at the beginning of the year	0
Current year's purchases:	
Goods for resale/manufacture or further processing	0
Goods other than for resale or manufacture	600,935
Capital goods subject to amortization	0
Capital goods not subject to amortization	357,000
Services lodged under cost of goods sold	0
Services lodged under other accounts	682,775
Claims for tax credit/refund and other adjustments	0
Balance at the end of the year	1,640,710

41.3 Other taxes and licenses:

Local:	
Real Estate Tax	1,658,731
Mayor's Permit	3,350,692
Philippine Stock Exchange	250,000
Community tax	18,591
	5,278,014

National:	
BIR Annual Registration	500
VAT/Percentage Taxes	572,973
Others (Capital Gains Tax/Doc. Stamp Tax)	0
	573,473

41.4 The amount of withholding taxes paid/accrued for the year amounted to P4.583 million, broken down as follows:

Tax on compensation and benefits	3,787,868
Creditable withholding taxes	795,489
	4,583,357