Fwd: Re: SEC Form 20-IS

From <corpsec@pncc.ph>
To Rose Delivios <rosedelivios@pncc.ph>
Date 2024-09-24 08:04

20IS PNCC PAF#-20240822-11230905 (1).pdf (~165 KB)

-------- Original Message --------
Subject: Re: SEC Form 20-IS
Date: 2024-08-22 11:12
From: MSRD Submission <msrdsubmission@sec.gov.ph>
To: corpsec@pncc.ph
Cc: "Edwin C. Arceo" <ecarceo@sec.gov.ph>

Gentlemen:

We acknowledge receipt of your email and its attachment.

In relation to this, please settle the fees indicated in the attached Payment Assessment Form (PAF) and send us a copy of the proof of payment once available.

Thank you.

Regards,

MARKETS AND SECURITIES REGULATION DEPARTMENT
PHILIPPINE SECURITIES AND EXCHANGE COMMISSION

The SEC Headquarters, 7907 Makati Avenue, Salcedo Village,
Barangay Bel-Air, Makati City 1209

Telephone: +63 2 8818 5703
|

+63 2 8818 6080
|+63 2 8818 7103 |+63 2 8818 7164

Securities and Exchange Commission

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On Thu, Aug 22, 2024 at 8:25 AM <corpsec@pncc.ph> wrote:

> Dear Ma'am / Sir,
>
> Please see attached SEC Form 20-IS Preliminary Information Statement.
> Please confirm receipt.
>
> Thank you.

Links:
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[1] https://www.sec.gov.ph/
[2] https://web.facebook.com/PhilippineSEC/
[3] https://twitter.com/SEC_Philippines
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COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

P	N	C	C		C	O	M	P	L	E	X		K	M		1	5		E	A	S	T		S	E	R	V	I	C
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(Business Address: No. Street City / Town / Province)

JOHN BENEDICK R. DELA CRUZ

Contact Person

8846-0209

Company Telephone Number

1	2

Month

3	1

Day

Fiscal Year

SEC Form 20-IS

FORM TYPE

0	3

Month

4th Tuesday

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document ID

Cashier

STAMPS

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

PROXY

The undersigned stockholder of PHILIPPINE NATIONAL CONSTRUCTION CORPORATION (the "Corporation") hereby constitutes and appoints _____ as proxy to represent the undersigned stockholder, and to vote all the shares registered in the name of the undersigned stockholder in the books of the Corporation at the meeting of the stockholders of the Corporation, and any adjournment thereof to be held on 21 November 2024.

The proxy is authorized to vote on all matters, which may properly be taken in the said meeting of stockholders.

This proxy shall be valid only for the said meeting of the stockholders, unless withdrawn by the undersigned stockholder by written notice filed with the Corporate Secretary of the Corporation. This proxy shall not be valid for meetings where the undersigned stockholder personally registers and attends the aforementioned meeting, and at any adjournment thereof.

Signed this Proxy this ___ day of _____ 2024.

By:

_____

12 August 2024

Dear Stockholder,

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of **PHILIPPINE NATIONAL CONSTRUCTION CORPORATION** will be held at PNCC Compound, KM 15 East Service Road, Bicutan, Paranaque City, on **Thursday, November 21, 2024** at **3:00 o'clock in the afternoon** with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on October 17, 2016
4. Ratification of all previous acts by the Board of Directors
5. Report of the President
6. Amendment of the Third Article of the Amended Articles of Incorporation in compliance with SEC Memorandum Circular No. 9, series of 2015
7. Election of the Board of Directors including Independent Directors
8. Other Matters
9. Adjournment

Only stockholders of record at the close of business hours on 30 September 2024 are entitled to notice, and to vote at this meeting. Registration will start at 2:00 p.m. and will close at exactly 2:45 p.m. Please present any government issued ID as proof of identification such as driver's license, passport, postal ID, or SSS/GSIS ID. Aside from personal identification, representatives of corporate stockholders should present a notarized Secretary's Certificate indicating the representative's authority to represent the corporation. Beneficial owners whose shares are lodged with the Philippine Central Depository (PCD), or registered under the name of a broker, bank, or other fiduciary, must, in addition to the required proof of identification, present a notarized certification from the owner of record that he is the beneficial owner, indicating thereon the number of shares.

Should you be unable to attend the meeting, you may want to execute a proxy in favor of a representative. Proxies must be presented to the Corporate Secretary for inspection, validation, and record, at least three (3) business days prior to the Stockholders' Meeting. We enclose a proxy form for your convenience.

JOHN BENEDICK R. DELA CRUZ
Corporate Secretary

EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS' APPROVAL

1. Call to Order and Certification of Notice and Quorum

   The Corporate Secretary will certify the date the notice of the meeting was sent to all stockholders and the date of publication of the notice in newspaper of general circulation.

   The Corporate Secretary will further certify the existence of a quorum. The stockholders present, in person or by proxy, representing a majority of the outstanding capital stock shall constitute a quorum for the transaction of business.

   The following are the rules of conduct and procedures:

   1. The polls are open for the stockholders to cast their votes manually.
   2. A stockholder may vote manually using the ballot provided to him upon registration and placing the voted ballot in the ballot boxes located at the registration table.
   3. Each outstanding share of stock entitles the registered holder to one vote.
   4. In general, the stockholders act by the affirmative vote of stockholders representing at least a majority of the outstanding and voting capital stock present at the meeting.
   5. For the amendment of the Third Article of the Amended Articles of Incorporation, the affirmative vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock is required.
   6. The Election of the directors shall be by plurality of votes. Every stockholder shall be entitled to cumulate his vote.
   7. The stockholders may cast their votes anytime during the meeting.
   8. Voting shall be by ballot. Each ballot shall be signed by the stockholder voting, and shall state the number of shares voted by him. The votes will be counted manually. All votes received shall be tabulated by the Office of the Corporate Secretary, assisted by the appointed Commission on Election and the results of the tabulation shall be validated by Commission on Audit (COA) – Audit Team.
   9. During the meeting, as the stockholders take up an item on the Agenda, the Corporate Secretary will report the votes already received and tabulated on that item.

2. Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on 17 October 2016

   Copy of the Minutes is posted in the PNCC Website www.pncc.ph. Printed copies are available for examination during office hours at the Office of the Corporate Secretary and included in the Information Statement as posted in the Company's website and in PSE EDGE prior to meeting date.

   The Chairman will present to the stockholders for their approval of the minutes of the previous stockholders' meeting held on 17 October 2016.

   Proposed Resolution:

   "RESOLVED, that the minutes of the stockholders' meeting dated 17 October 2016 is hereby approved."

3. Ratification of all previous acts by the Board of Directors

   The Corporate Secretary will present to the stockholders the previous acts by the Board of Directors.

   A resolution approving the previous acts by the Board will be presented to the stockholders for approval by the affirmative vote of the stockholders representing at least a majority of the outstanding voting stock present at the meeting.

   Proposed Resolution:

   "RESOLVED, that the previous acts by the Board, as they are hereby accepted and approved."

4. Report of the President and Chief Executive Officer (CEO)

   The President & CEO will deliver a report to the stockholders on the performance of the Company in 2023 and the outlook for 2024. Audited Financial Statements (AFS) as of December 31, 2023 (AFS) will be embodied in the Information Statement to be sent to the stockholders at least 15 business days prior to the meeting.

   A resolution noting the report and approving the AFS will be presented to the stockholders for approval by the affirmative vote of the stockholders representing at least a majority of the outstanding voting stock present at the meeting.

Proposed Resolution:

"RESOLVED, that the President's Annual Report and the Audited Financial Statements as of December 31, 2023 be, as they are hereby accepted and approved, and the Corporate Secretary is instructed to file the same as parts of these minutes."

5. Amendment of the Third Article of the Amended Articles of Incorporation to Change the Corporation's Principal Office and Place of Business

A resolution approving the amendment will be presented to the stockholders for approval by the affirmative vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Proposed Resolution:

"RESOLVED, that the amendment of the Third Article of the Amended Articles of Incorporation as follows in compliance with SEC Memorandum Circular No. 9 series of 2015 :

THIRD: That the corporation shall have its principal office and place of business in PNCC Complex, KM 15, East Service Road, Brgy. San Martin de Porres, Paranaque City, Philippines, but may have such branches, agencies and correspondents in the Philippines and in foreign countries as may be necessary for the proper conduct of its business.

is hereby accepted and approved, and the Corporate Secretary is instructed to file the same to the Securities and Exchange Commission."

6. Election of the Board of Directors of the Corporation including the Independent Directors

Any stockholder may submit to the Corporate Governance Committee nominations to the Board not later than 30 September 2024. The Corporate Governance Committee will determine whether the nominees for directors, including the nominees for independent directors, have all the qualifications and none of the disqualifications to serve as members of the Board before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board will be provided in the Information Statement and in the company website for examination by the stockholders.

The directors are elected by plurality of votes using the cumulative voting method. The eleven (11) nominees receiving the highest number of votes will be declared elected as directors of the company.

7. Other Matters

The Chairman will open the floor for comments and questions by the stockholders. Stockholders may raise other matters or issues that may be properly taken up at the meeting.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
[X] Preliminary Information Statement
[ ] Definitive Information Statement

2. Name of Registrant as specified in its charter **PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**

3. **Philippines**
Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **0000030930**

5. BIR Tax Identification Code **000-058-330-000**

6. **PNCC COMPLEX, KM. 15, EAST SERVICE ROAD, BICUTAN, PARAÑAQUE CITY** **1700**
Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 8822-57-25 / (632) 8846-2655**

8. Date, time and place of the meeting of security holders

November 21,2024, 3:00 p.m.
PNCC Complex, Km. 15, East Service Road, Bicutan, Paranaque City

9. Approximate date on which the Information Statement is first to be sent or given to security holders

October 23, 2024

10. *In case of Proxy Solicitations: Not applicable*
Name of Person Filing the Statement/Solicitor:_____
Address and Telephone No.: _____

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares (07/31/2023)	**174,444,759**

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes **X** No _____

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

The Registrant's common shares are listed on the Philippine Stock Exchange.

PART I.

INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

Date: November 21, 2024
Time: 3:00 p.m.
Place: PNCC Complex, Km. 15, East Service Road, Bicutan, Parañaque City

The corporate mailing address of the principal office of the Registrant is PNCC Complex, Km. 15, East Service Road, Bicutan, Parañaque City.

The Information Statement will approximately be sent or given first to stockholders of record on 23 October 2024 or at least fifteen (15) business days before the meeting date.

Item 2. **Dissenters' Right of Appraisal**

There is no item in the agenda that will entitle a shareholder to exercise a right of appraisal as provided under Section 80, Title X, of the Revised Corporation Code of the Philippines ("Corporation Code").

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

None of the members of the Board of Directors or senior management has any substantial interest in the matters to be acted upon by the shareholders in the stockholders' meeting, except for the election of directors. No director has informed the Company that he intends to oppose any action to be taken at the meeting. The following are the incumbent directors for the year 2023-2024 (prior to the 21 November 2024 Annual Stockholders' Meeting):

1. Avancena, Jonathan S.	7. Mercado, Lamberto Jr. B.
2. Averia, Mariano Jesus S.	8. Sembrano, Alex L.
3. Co, Herculano Jr. C.	9. Torres, Ruben D.
4. Constantino, Danilo S.	10. Umali, Miguel E.
5. Escudero, Evelina G.	11. Zaldivar, Oscar T.
6. Luga, Alan R.	

The Board of Directors and senior management, as a group, own 528 common shares which constitute approximately 0.00% of the issued and outstanding common stock. The Board of Directors of the Company is not aware of any party who has indicated an intention to oppose the motions set forth in the Agenda.

Cumulative voting is allowed for the election of the members of the Board of Directors. Each stockholder may vote the number of shares of stock outstanding in his own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his

shares shall equal, or he may distribute them on the same principle among as may candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to elected and provided, however, that no delinquent stock shall be voted.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. **Voting Securities and Principal Holders Thereof**

(a) Number of shares outstanding as of 30 June 2024:

Common:	**174,444,759**
Preferred "D":	**25,500,000**
	199,944,759

(b) Record Date: 30 September 2024

Each common and preferred D share of stock of the Registrant is entitled to one (1) vote. Pursuant to Article IV, section 4.05 of the Registrant's Amended By-Laws, every holder of voting stock may vote for each share of stock standing in his name on the books of the Registrant, unless the law provides otherwise.

Section 6 of Republic Act No. 11232 or the Revised Corporation Code of the Philippines, states that *"Holders of nonvoting shares shall nevertheless be entitled to vote on the following matters: 1] Amendment of the articles of incorporation; 2] Adoption and amendment of bylaws…"*

Also Article IV section 4.07 provides that at all meetings of the Stockholders, a stockholder or by his duly authorized attorney-in-fact, only on forms prescribed by the Board of Directors and sealed with the Corporate Seal that, at his request, shall be furnished to him by the Secretary of the Corporation, who shall keep a record of all stockholders to whom proxy forms have been issued. Such proxies should be acknowledged before the Secretary of the Corporation or a notary public, and shall be filed with the Secretary at least three (3) business days before the meeting.

Shares standing in the name of another corporation may be voted by such officer, agent, or proxy as the By-Laws of such provision, as the Board of Directors of such Corporation may, by resolution determine. A Certificate of the Secretary of such corporation attesting to the vote authority of the officer, agent or proxy to vote the stock standing in its name shall be conclusive on the right to vote said shares.

Shares held by an administrator, executor, guardian or judicial trustee may be voted by him, either in person or by proxy, without a transfer of such shares in his name, upon presentation to the Secretary of the certified true copy of the letters of administration, testamentary guardianship or trusteeship duly issued to him. Share standing in the voting trust or trustee may be voted by him, either in person or by proxy, but no such trustee shall be entitled to vote shares held by him without a transfer of such shares in his name.

Shares standing in the name of a receiver may be voted by such receiver, and shares held or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if his authority to do is contained in an appropriate order to the court by which such receiver was appointed.

A stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred to the name of the pledge; thereafter, the pledge shall be entitled to vote the shares so transferred.

Shares of its own stock belonging to the Corporation or held by it in a fiduciary capacity shall not be voted directly or indirectly at any meeting and shall not be counted in determining the total number of outstanding shares entitled to vote at any time.

Stockholders entitled to vote are also entitled to cumulative voting in the election of directors. Section 24 of the Corporation Code provides, in part, that: "…in stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit…"

a.) Security ownership of certain record and beneficial owners of more than 5.0% of the Registrant's voting securities as of 30 June 2024:

Title of Class	Name and Address of Record/Beneficial Owner	Citizenship	Relationships of the record owner's representative with the issuer and said owner	Amount and Nature of Record / Beneficial Ownership	Percentage of Outstanding Common Stock as of June 30, 2024
Common	**Privatization Management Office** 104 Gamboa St Legaspi Village, Makati City	Filipino	Shareholder	79,271,024	39.64%
Common	**Government Service Insurance System** Roxas Bldv. Pasay City	Filipino	Shareholder	47,490,383	23.75%
Common	**Wellex Petroleum, Inc.** 22/F BDO Tower, 6741 Paseo De Roxas, Makati City	Filipino	Shareholder	26,635,891	13.32%
Common	**PCD Nominee Corporation** 37/F Tower I The Enterprise Center, 1226 Ayala Avenue, Makati City	Filipino	Shareholder	11,840,578	5.92%
Preferred D	**Privatization Management Office** 104 Gamboa St Legaspi Village, Makati City	Filipino	Shareholder	25,500,000	12.75%

By virtue of LOI 1295 (1983) 66.94% of voting equity has been held by various government financial institutions (GFIs), namely: PNB, Phil Guarantee, NDC, DBP, GSIS, and Land Bank, under the mandated debt-to-equity conversion scheme.

Pursuant to Proclamation No. 50, some of the GFIs have actually transferred their equity interests in PNCC to the Asset Privatization Office (APT) now Privatization Management Office.

Only 23.86% of PNCC's voting equity is strictly under private ownership and 5.92% of which is being held by PCD Nominee Corporation. PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Depository & Trust Corporation, a private company organized to implement an automated book entry system of handling securities transactions on the Philippines (PCD). Under the PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, the PCD shall execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares in the principal securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients. As of Record Date, the Registrant is not aware of any investor beneficially owning shares lodged with the PCD which comprise more than five percent (5%) of the Registrant's total outstanding common shares of stock.

Security ownership of Directors and Management as of 30 June 2024:

Title of Class	Name of Beneficial Owner/ Address	Citizenship	Amount/Nature of Record Beneficial Ownership	% to Total Outstanding
BOARD				
Common	**Jonathan S. Avancena**	Filipino	100 (Direct)	00.00%
Common	**Mariano Jesus S. Averia**	Filipino	25 (Direct)	00.00%
Common	**Herculano C. Co, Jr.**	Filipino	12 (Direct)	00.00%
Common	**Danilo S. Constantino**	Filipino	1 (Direct)	00.00%
Common	**Evelina G. Escudero**	Filipino	50 (Direct)	00.00%
Common	**Alan R. Luga**	Filipino	50 (Direct)	00.00%
Common	**Lamberto B. Mercado, Jr.**	Filipino	25 (Direct)	00.00%
Common	**Alex L. Sembrano**	Filipino	50 (Direct)	00.00%
Common	**Ruben D. Torres**	Filipino	100 (Direct)	00.00%
Common	**Miguel E. Umali**	Filipino	1 (Direct)	00.00%
Common	**Oscar T. Zaldivar**	Filipino	101 (Direct)	00.00%
Total			**528**	00.00%

Except as aforementioned, no other officers of the Registrant hold, directly or indirectly, shares in the Registrant.

Changes in Control

The Registrant is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Registrant. No change in control of the Registrant has occurred since the beginning of its last fiscal year.

Item 5. **Directors and Executive Officers of the Registrant**

a) **Directors and Corporate Officers**

The governing Board is primarily responsible for fostering long-term success of the corporation, and sustaining its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

Each director holds office until their successors are elected and qualified in accordance with the By-laws of the corporation except in case of death, resignation, disqualification or removal from office.

The Chairman of the Board and the President are separate individuals. Mr. Herculano C. Co, Jr. serves as Chairman of the Board and Mr. Miguel E. Umali serves as President and Chief Executive Officer (CEO). The members of the Board of Directors and corporate officers of the Corporation as of June 30, 2024 are as follows:

1. HERCULANO C. CO, JR.

Personal Information	**Age**: 64; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: Chairman of the Board; **No. of Years in PNCC**: 5 years **First Election to the Position**; November 16, 2017; **Last Election**: January 26, 2023
Affiliations in Publicly Listed Companies (PLCs)	N/A
Affiliations in Non-PLCs	• Chairman, Herco Agro-Industries, Inc. • Chairman, Alheed International Trading Corporation • Vice Chairman, Aurora Securities, Inc. • Director, Santa Clara Shipping Corporation
Civic/Advisory Board	• President, Philippine Confederation of Grains Associations, Inc. • Founding Member, Philippine Grains Industry Council • Honorary Consul General, Consulate of the Government of Tuvalu (Philippines) • Member, Cereal Sub-committee, National Agricultural and Fishery Council (NAFC) • Member, Business Sector Representative-Gintong Ani Program for rice and corn • Honorary Member, Philippine Military Academy Class '92
Educational Background & Achievements/Awards	• Bachelor of Science in Commerce Major in Marketing, Colegio de San Juan de Letran • Recipient of unit in College of Law of Ateneo de Manila University

2. MIGUEL E. UMALI

Personal Information	**Age**: 59; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: President and CEO; **No. of Years in PNCC**: 5 years **First Election to the Position**; February 6, 2019; **Last Election**: January 26, 2023
Affiliations in Publicly Listed Companies (PLCs)	N/A
Affiliations in Non-PLCs	N/A
Civic/Advisory Board	• Member, Integrated Bar of the Philippines
Educational Background & Achievements/Awards	• Bachelor of Science in Business Management, Ateneo de Manila University • Bachelor of Laws, Ateneo de Manila University

3. JONATHAN S. AVANCEÑA

Personal Information	**Age**: 51; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 6 years **First Election to the Position**; August 15, 2017; **Last Election**: January 26, 2023
Affiliations in Publicly Listed Companies (PLCs)	N/A
Affiliations in Non-PLCs	• Assistant Manager, Netgear/Concentrix
Civic/Advisory Board	N/A
Educational Background & Achievements/Awards	• Bachelor of Science in Computer Science, Ateneo de Davao University

4. MARIANO JESUS S. AVERIA

Personal Information	**Age**: 63; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 1 year **First Election to the Position**; January 26, 2023; **Last Election**: N/A
Affiliations in Publicly Listed Companies (PLCs)	N/A
Affiliations in Non-PLCs	• Partner, MJS Averia Law Firm
Civic/Advisory Board	• Member, Integrated Bar of the Philippines
Educational Background & Achievements/Awards	• Bachelor of Laws, Ateneo de Manila University • Recipient of unit in College of Law of Ateneo de Manila University

5. DANILO S. CONSTANTINO

Personal Information	**Age**: 64; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 1 year **First Election to the Position**; January 26, 2023; **Last Election**: N/A
Affiliations in Publicly Listed Companies (PLCs)	N/A
Affiliations in Non-PLCs	• Security Consultant, SBMA
Civic/Advisory Board	N/A
Educational Background & Achievements/Awards	• Bachelor of Science, Philippine Military Academy • Master in Management, Philippine Christian University

6. EVELINA G. ESCUDERO

Personal Information	**Age**: 81; **Nationality**: Filipino; **Gender**: Female; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 1 year **First Election to the Position**; May 25, 2023; **Last Election**: N/A
Affiliations in Publicly Listed Companies (PLCs)	• Chairperson, National Reinsurance Corp. of the Philippines
Affiliations in Non-PLCs	• Director, Government Service Insurance System • Member, Board of Regents, University of the Philippines
Civic/Advisory Board	• Treasurer, University of the Philippines Alumni Association • Chief Finance Officer, Congressional Spouses Foundation, Inc.
Educational Background & Achievements/Awards	• Bachelor of Science in Home Economics Major in Food and Nutrition, University of the Philippines • Master in Education Administration, University of the Philippines • Doctorate Degree in Philosophy in Education, University of the Philippines

7. ALAN R. LUGA

Personal Information	**Age**: 66; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 6 years **First Election to the Position**; November 16, 2017; **Last Election**: N/A
Affiliations in Publicly Listed Companies (PLCs)	• Director, National Reinsurance Corp. of the Philippines
Affiliations in Non-PLCs	• Trustee, Government Service Insurance System • President and CEO, AFP General Insurance Corporation
Civic/Advisory Board	• Member, Insurance Institute for Asia and the Pacific • Member, Philippine Insurers and Reinsurers Association • Member, Philippine Insurers Club • Member, Philippine Machinery Management Services Corp.
Educational Background & Achievements/Awards	• Bachelor of Science, Philippine Military Academy • Master in Business Administration, Ateneo de Manila University Graduate School of Business • Master's Degree in Military Arts and Science, US Army Command and General Staff College at Fort Leavenworth, Kansas, USA

8. LAMBERTO B. MERCADO, JR.

Personal Information	**Age**: 56; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 7 years **First Election to the Position**; April 17, 2017; **Last Election**: January 26, 2023
Affiliations in Publicly Listed Companies (PLCs)	• Director, Wellex Industries, Inc. • Legal Counsel and Director, Waterfront Philippines, Inc. • Legal Counsel and Director, Forum Pacific, Inc. • Legal Counsel and Director, Mabuhay Vinyl Corporation • Chief Risk Officer and Director, Acesite (Phils.) Hotel Corp.
Affiliations in Non-PLCs	• Vice President for Legal, The Wellex Group, Inc. • Legal Counsel and Director, Air Philippines Corp. • Legal Counsel and Director, Philippine International Airways, Inc. • Legal Counsel and Director, Grand Ilocandia Resort and Development, Inc.

	• Legal Counsel and Director, Metro Alliance Holdings & Equities Corp. • Legal Counsel and Director, Pacific Wide Realty & Development Corp. • Consultant, Divina Law
Civic/Advisory Board	• Member, Integrated Bard of the Philippines
Educational Background & Achievements/Awards	• Bachelor of Science in Commerce Major in Accounting, University of Santo Tomas • Bachelor of Laws, Ateneo de Manila University

9. ALEX L. SEMBRANO

Personal Information	**Age**: 64; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 1 year **First Election to the Position**; January 26, 2023; **Last Election**: N/A
Affiliations in Publicly Listed Companies (PLCs)	N/A
Affiliations in Non-PLCs	• Easy Foods, Inc. • South Point Driving Range, Inc.
Civic/Advisory Board	• Member, PMA Alumni Association, Inc • Member, Alumni Association of AIM, Inc.
Educational Background & Achievements/Awards	• Bachelor of Science, Philippine Military Academy • Master's in Business Management, Asian Institute of Management

10. RUBEN D. TORRES

Personal Information	**Age**: 81; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 2 years **First Election to the Position**; June 8, 2022; **Last Election**: N/A
Affiliations in Publicly Listed Companies (PLCs)	• Lead Independent Director, Philippine Estates Corporation • Director, Wellex Industries, Inc. • Independent Director, Forum Pacific, Inc. • Independent Director, Waterfront Philippines, Inc. • Independent Director, Acesite (Phils.) Hotel Corp.
Affiliations in Non-PLCs	• Chairman & CEO, Universal Matrix Corp. • Senior Partner, Torres Caparas Torres Law Office • Chairman, Alliance Energy Power and Development, Inc. • Director, Waterfront Manila Premier Development, Inc. • Chairman, Taguig Lake City Development Corp. • Chairman, Triton Construction and Development Corp. • Proprietor, Kitsie's Farm • Chief Operating Officer, Optimus Medical Care and Trading Corp. • Chairman and Chief Operating Officer, Service Exporters Risk Management and Consultancy Co.
Civic/Advisory Board	• President, BPO Workers Association • Member, Integrated Bar of the Philippines • Member, Philippine Academy of Professional Arbitrators • Adviser, Tytana Colleges •
Educational Background & Achievements/Awards	• Bachelor of Arts in Political Science, University of the Philippines • Bachelor of Laws, University of the Philippines

11. OSCAR T. ZALDIVAR

Personal Information	**Age**: 66; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 1 year **First Election to the Position**; January 26, 2023; **Last Election**: N/A
Affiliations in Publicly Listed Companies (PLCs)	N/A
Affiliations in Non-PLCs	N/A
Civic/Advisory Board	• Member, Integrated Bar of the Philippines
Educational Background & Achievements/Awards	• Bachelor of Arts, University of the East • Bachelor of Laws, Ateneo de Manila University

The Board of Directors is expected to attend board meetings held by the Corporation which is scheduled before the start of the fiscal year. Absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any 12-month period during such incumbency is a ground for his temporary disqualification in the succeeding election unless the absence is due to serious illness, death in the immediate family or serious accident. All directors complied with the attendance requirement of at least 50% of all board meetings for the year. Below is the list of directors of the corporation and their attendance at board meetings held for the fiscal year 2023.

	Directors Name	No. of Meetings Held during incumbency	No. of Meetings Attended in 2023 *(Total No. of Meetings: 23)*
Chairman	Herculano C. Co, Jr	23	23
President & CEO	Miguel E. Umali	23	22
Member	Carlo Antonio Almirante[1]	8	8
Member	Jonathan S. Avancena	23	22
Member	Mariano Jesus S. Averia	23	23
Member	Danilo S. Constantino	23	23
Member	Evelina G. Escudero	15	15
Member	Alan R. Luga	23	23
Member	Lamberto B. Mercado, Jr.	23	23
Member	Alex L. Sembrano	23	23
Member	Ruben D. Torres	23	22
Member	Oscar T. Zaldivar	23	23

Legend:
1 Replaced by Ms. Evelina G. Escudero on May 25, 2023

b) **The Executive Officers**

As of June 30, 2024, the Executive Officers and Management of the Corporation are the following:

Name	Age	Position	Citizenship
Miguel E. Umali	59	President and Chief Executive Officer	Filipino
John Benedick R. Dela Cruz	33	Corporate Secretary	Filipino
Erika Grace E. Velasco	32	Assistant Corporate Secretary	Filipino
Ilie Lionel B. Gramata	48	Compliance Officer, Head of Corporate Legal Department	Filipino
Rosalyn S. Delivios	53	Assistant Compliance Officer, Head of Management Information System Department	Filipino
Cristy M. Mediavillo	59	Corporate Treasurer	Filipino
Felix M. Erece	63	Head, Human Resource Department	Filipino
Demosthenes F. Faminiano	59	Head, Materials Management Department, concurrent Head, Realty Department	Filipino
Veronica B. Tacderas	62	Head of Controllership Department	Filipino

MIGUEL E. UMALI President and CEO	*Please see profile under Directors and Executive Officers*
JOHN BENEDICK R. DELA CRUZ Corporate Secretary Legal Officer, Legal Department	He joined PNCC on January 9, 2023 as Legal Officer with a rank of Senior Manager. On concurrent capacity, he was appointed as Assistant Corporate Secretary on January 26, 2023. Prior his stint in PNCC, he was engaged into private practice and joined Algarra Law Offices as a Senior Associate Lawyer for four (4) years of litigation work. Prior admission to Bar, he served as an Intern of Public Attorney's Office of Paranaque City from July to August 2016. Atty. Dela Cruz earned his Bachelor's degree in Commerce, Major in Marketing at the University of Santo Tomas in 2011. He earned his Bachelor of Laws from Faculty of Civil Law - University of Santo Tomas in 2017 and was given recognition for UST - Loyalty Awardee. In April 2018, Atty. Dela Cruz was officially admitted to the Philippine Bar.
ERIKA GRACE E. VELASCO Assistant Corporate Secretary Legal Officer, Legal Department Member, Bids and Awards Committee (BAC)	She joined PNCC in June 2017 as Legal Researcher until June 2022. She rejoined PNCC on May 16, 2024 as Legal Officer. On concurrent capacity, she was appointed as Assistant Corporate Secretary on May 22, 2024. Prior her stint in PNCC, she worked for various government and private corporations as: [1] Associate Lawyer, Cesar C. Cruz & Partners Law Offices from 2023 to 2024; [2] Executive Assistant, Office of the Assistant Secretary for Planning – Department of Transportation from 2016 to 2017, [3] Project Technical Staff, Project Management Unit K to 12 (PMU K12), Commission on Higher Education (CHED) from 2016-2017, [4] Project Assistant, Accelerating Work Achievement and Readiness for Employment (Project AWARE), Education Development

	Centre Inc. and [5] Research Assistant, Office of the Assistant Chief for Civil Military Operations, Philippine Army from 2014-2025. Ms. Velasco earned her Bachelor's degree in Political Science at the Dela Salle University in 2013. She earned her Juris Doctor degree in 2022 from San Beda College of Law and admitted to Bar in 2023.
ILIE LIONEL B. GRAMATA Compliance Officer Head, Legal Department Chairman, BA Chairman, Committee on Anti-Red Tape (CART) Chairman, Technical Working Group – Tollways Development Projects (TWG) Member, ISO Core Team Internal Quality Auditor	He joined the company in 2017 as Executive Assistant to the President and later on named as the Head of Corporate Legal Department. He was appointed Compliance Officer on April 18, 2023. Concurrently, Atty. Gramata is the Chairman of Bids and Awards Committee, Chairman of Technical Working Group for Tollway Development Project, ISO Core Team member and Internal Quality Auditor of PNCC's Quality Management System. Prior to PNCC, he had worked with various government agencies and private institutions, among those were: [1] Project Manager of the Revenue Agency Modernization (ORAM) of Department of Finance from 2013 to 2016; [2] detailed from ORAM to the Bureau of Customs as Director of Port Operations Service from November 2013 to July 2015 and as Deputy Collector for Operations; [3] Managing Partner of Valenton Gramata Loseriaga Law Offices from May 2010 to October 2013; [4] Senior Associate of JG Law (Jimenez Gonzales Bello Valdez Caluya and Fernandez Offices from May 2002 to May 2010; [5] Legal Assistant of Gramata & Sarle Law Offices from November 2001 to April 2002, and [6] Paralegal of Integrated Bar of the Philippines in September 2000. He also had been in the academe as Law Professor in San Sebastian College-Recoletos in 2006 and University of Makati from June to October 2007. Atty. Gramata obtained his Bachelor of Laws from San Beda College in 2001 and admitted to the Philippine Bar in May 2002. He earned hi BS in Applied Economics degree in 1996 and Diploma in Financial Engineering in 2014 from De La Salle University Manila.
ROSALYN S. DELIVIOS Assistant Compliance Officer Head, MIS Department Deputy Quality Management Representative Member, CART Consultant, Inventory Committee Internal Quality Auditor	She had served the company for 27 years. She joined PNCC in August 1997 as Systems Analyst – Programmer and rose from the ranks to became the Head of MIS Department from 2006 to present. She was appointed Assistant Compliance Officer on April 18, 2023. Aside from her tasks in MIS Department, she was involved in the Quality Management System (QMS) development and implementation of PNCC from 2007 to 2011 and served as ISO Committee Secretariat, Document Controller and Internal Quality Auditor. She was instrumental to the grant of ISO 9001:2008 Certification for Tollway Operation. At present, she concurrently serves as member of Committee on Anti-Red Tape, Consultant for Inventory Committee, PBB Focal Person, FOI Receiving Officer, Deputy Quality Management Representative of PNCC's QMS in pursuit of ISO 9001:2015 certification and Secretary of Board's PAN (Performance Agreement Negotiation) Committee in charge of monitoring GCG requirement Performance Scorecard.

	Prior her employment with PNCC, she had worked for various private companies: [1] Junior Programmer of The Professional Group Plans, Inc. from May 1993 to December 1996; [2] Programmer of Linea Italia Group from January 1997 to May 1997, and [3] Computer Operator of Philippine Fuji Xerox Corp. from May 1992 to December 1992.
CRISTY M. MEDIAVILLO Corporate Treasurer Head, Treasury Department Member, BAC Member, TWG Member, CART Member, ISO Core Team Lead Internal Quality Auditor	She joined PNCC in March 4, 2019 as Head of Treasury Department. She was appointed Corporate Treasurer on April 18, 2023. On concurrent capacity, she serves as member of the Bids and Awards Committee, member of Technical Working Group for Tollways Development Project, ISO Core Team Member and Lead Internal Quality Auditor for PNCC Quality Management System. Prior to her stint in PNCC, she had 28 years banking career with Philippine Bank of Communications highlighted with 10 years as Senior Field Auditor and 12 years as a Branch Service Officer / Branch cashier. Her starter exposure with PBCom was in tellering and later as a Money Market Clerk. Ms. Mediavillo graduated from the Divine Word College of Legazpi with a degree of Bachelor of Science in Commerce Major in Accounting in 1984. She took 18 Pre-MBA units in 2001 at De La Salle University Greenhills Campus.
FELIX M. ERECE, JR. Head, Human Resources Department Member, BAC Vice Chairman, CART Consultant, Inventory Committee Member, ISO Core Team Internal Quality Auditor	He joined PNCC in 1981. He had served the company for over 43 years, rose from the ranks to become the Head of Human Resources Department. In addition, he was tapped to oversee the operation of manpower supply contract with SOMCO (Skyway Maintenance and Operation). On concurrent capacity, he serves as member of Bids and Awards Committee, ISO Core Member and Internal Quality Auditor for PNCC QMS. Mr. Erece studied in TUP-Manila Technician Institute taking up a three-year Civil Technology course sponsored by PBSP. He also studied Civil Engineering at Feati University, took-up various computer related courses and attended human resources related trainings/seminars to equip him with the knowledge and skills needed in handling bigger responsibilities.
DEMOSTHENES F. FAMINIANO Head, Materials Management Department Head, Realty Department Vice Chairman, BAC Member, TWG Member, CART Member, ISO Core Team Internal Quality Auditor	Head of Materials Management Department and Realty Department, joined PNCC in 1989. He had served the company for more than 35 years, handling various positions such as Head, Technical/Operations Audit Department of Corporate Audit Division, Head, Realty Department and concurrent Head, Materials Management Department. On concurrent capacity, he serves as member of Bids and Awards Committee, ISO Core Member and Internal Quality Auditor for PNCC QMS. Mr. Faminiano graduated from Adamson University with a Bachelor's degree in Civil Engineering. He passed the Civil Engineer Licensure Examination in 1987.

VERONICA B. TACDERAS Head, Controllership Department Member, TWG Member, ISO Core Team Consultant, Inventory Committee Member, ISO Core Team	She joined PNCC in March 2019 as the Head of Controllership Department, a Certified Public Accountant with 37 years of professional experience in various private companies. Prior to her stint in PNCC, she had worked with Brenton International Venture Manufacturing Corporation from September 2018 to February 2019 as Accounting Manager; Tiong Se Academy, Inc. as Chief Finance Officer from November 2015 to August 2018; Philippine Bank of Communications from September 1990 to October 2015 where she had handled various key positions in the Banking Industry from Branch Operations, Finance and Internal Audit as Branch Audit Unit Head prior to her resignation. She also had worked as a Bookkeeper from August 1983 to August 1990 in Fashion Circle Department Store and as an Accounting Clerk from March 1982 to June 1983. Ms. Tacderas earned her degree in Bachelor in Accountancy in 1983 from Polytechnic University of the Philippines. She passed the CPA board examination in 1986.

c) **Identifying Significant Employees**

The Registrant has no other significant employee other than its Executive Officers.

d) **Family Relationships**

Chairman Herculano C. Co, Jr. and Nelvin C. Co, who is a contractual employee of the Corporation, are related by fourth degree of consanguinity. Nelvin is the nephew of Chairman Co. The employment of the latter has been approved through a resolution passed by the Board of Directors.

The Registrant has not had any transaction during the last three (3) years in which any Director or Executive Officer or any of their immediate family members has a direct or indirect interest.

e) **Involvement in Certain Legal Proceedings**

To the knowledge and/or information of the Company, present members of its Board of Directors and its Corporate Officers have not been involved in or subject of, during the past five (5) years up to the latest date, any of the following events that are material to an evaluation of his ability or integrity to serve the Company: a) bankruptcy petition; b) conviction by final judgment in a criminal proceeding; c) order, judgment or decree barring, suspending, or limiting involvement in any type of business, securities, commodities, or banking activities; d) being found by a domestic or foreign court of competent jurisdiction, the Commission or comparable body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

f) **Pending Legal Proceedings**

PNCC 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.

The labor cases which consist of those filed against the PNCC 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 PNCC before the National Labor Relations Commission, Court of Appeals and Supreme Court.

The civil cases filed against the PNCC 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 PNCC against other individuals or companies consist of suits involving sums of money, damages and breach of contract which involve undeterminable amounts of money.

Notable among the cases filed against the Company are the following:

1. Claim of PMO that amounts to ₱5.55 billion. PNCC's debt remains unconverted as it is the Company's position, as supported by the Office of the Solicitor General (OSG) opinion dated August 23, 2007, that based on LOI 1295, which was a special law promulgated to rehabilitate the Company, the debts have effectively been converted to equity and therefore, should no longer incur interest charges.

   On the other hand, the PMO, still considers these unconverted debts as liabilities, claiming the total amount of ₱57.919 billion as of December 31, 2015, inclusive of accumulated interest charges and penalties amounting to ₱52.407 billion.

   These ₱ 52.407 billion accumulated interest charges and penalties have not been recognized in the books of the Company based on the following reasons:

   - 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;
   - The ₱5.55 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 interest and penalties is not warranted.

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

   In view of the differences on the treatment of the ₱5.55 billion unconverted debt to equity, PNCC and the PMO have resolved to submit the matter to the DOJ for arbitration. The DOJ in its February 18, 2014 consolidated decision dismissed PNCC's Petition against PMO. PNCC filed a Motion for

Reconsideration dated March 13, 2014, duly received at the DOJ on March 14, 2014. PNCC prayed that the DOJ consider the consolidation of decision as not proper and for the DOJ to decide on the NDC case separately from the PMO.

- Render judgment declaring that the interest and penalty charges being imposed by PMO on the actual outstanding debt of PNCC to the NG is without basis and violate LOI 1398;
- Declare that PNCC's outstanding debt to the NG is only in the amount of ₱5.55 billion, representing the amount of the unconverted debt-to-equity obligation to the GFIs; and
- Require or direct the debt-to-equity conversion of the ₱5.55 billion debt of PNCC pursuant to the clear and explicit instructions under LOI 1295.

On January 22, 2015, the DOJ denied PNCC's MR. Thereafter, 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 Philippines (OP) and filed the corresponding Appeal Memorandum on July 27, 2015, where the matter is now pending.

The Office of the President (OP) decided the case on 19 May 2022. It affirmed the decision dated 18 February 2014 and Resolution dated 22 January 2015 of the Secretary of Justice in the case OSJ Case 02-2012 and OGCC Arb. Case No. 00-2000. PNCC timely filed a Motion for Reconsideration (MR) on 22 July 2022. Awaiting action of the Office of the President on the MR.

2. 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 Malaysia 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 an extension of time to file an 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 the default order and reconsideration of the decision, but the same was 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 an 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 MR. 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 Judgement denying and dismissing the above Petition for Certiorari and Mandamus. Asiavest filed a 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 its money claim with COA. PNCC, through the GOCC, filed its Answer on June 30, 2021.

On April 2, 2024, Management received COA Decision No. 2023-322 dated October 26, 2023, granting the money claim.

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

This case involves the enforcement of a foreign judgement 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's later asked for its temporary suspension by moving to quash the writ because of: (a) 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 the 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 MR 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 PNCC 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.

g) **Qualification of Directors**

To the knowledge and/or information of PNCC, the above-named directors have all the qualifications and none of the disqualifications as provided in the Company's Manual on Corporate Governance, the revised Securities Regulation Code (SRC) and the Code of Corporate Governance for GOCCs.

h) **Certain Relationships and Related Transactions**

On July 21, 2020, the PNCC Board approved the Company's Policy on Material Related Party Transactions (MRPT) to comply with the Sec Rules on Material Party Transactions for Publicly Listed Companies. The policy establishes the review, approval and reporting of MRPTs which may be entered into between or among PNCC, affiliates, directors, officers and other related parties. Under the new policy, MRPT's shall be reviewed by the Corporate Governance Committee and approved by the Board. The policy also sets the materiality threshold for MRPT at 10% of the total consolidated assets of the company based on its latest Audited Financial Statements. For the year 2023, there are no MRPTs identified.

i) **Election of Directors/Term of Office**

The directors representing the shares of the National Government are appointed by the President of the Philippines while other substantial shareholders appointed their representatives to the Board. Each director holds office until their successors are elected and qualified in accordance with the By-Laws of PNCC except in case of death, resignation, disqualification or removal from office.

The following nominees to the Board of Directors (in alphabetical order) were submitted to and pre-screened by the Corporate Governance Committee of PNCC. They are also the current directors of PNCC.

1. Avanceña, Jonathan S.	*Please see profile under Directors and Corporate Officer*
2. Averia, Mariano Jesus S.	*Please see profile under Directors and Corporate Officer*
3. Co, Herculano Jr. C.	*Please see profile under Directors and Corporate Officer*
4. Constantino, Danilo S.	*Please see profile under Directors and Corporate Officer*
5. Escudero, Evelina G.	*Please see profile under Directors and Corporate Officer*
6. Luga, Alan R.	*Please see profile under Directors and Corporate Officer*
7. Mercado, Lamberto Jr. B.	*Please see profile under Directors and Corporate Officer*
8. Sembrano, Alex L.	*Please see profile under Directors and Corporate Officer*
9. Torres, Ruben D.	*Please see profile under Directors and Corporate Officer*
10. Umali, Miguel E.	*Please see profile under Directors and Corporate Officer*
11. Zaldivar, Oscar T.	*Please see profile under Directors and Corporate Officer*

No Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting due to disagreement with the Registrant on any matter relating to the Registrant's operations, policies or practices.

The composition of the Corporate Governance Committee are as follows:

Chairman :	Herculano C. Co, Jr.	-	Chairman of the Board
Members :	Danilo S. Constantino	-	Director
	Evelina G. Escudero	-	Director
	Alan R. Luga	-	Director
	Ruben D. Torres	-	Director
	Miguel E. Umali	-	Director / President & CEO
	Oscar T. Zaldivar	-	Director

Nomination Procedure:

1. A stockholder may recommend the nominations of an independent director to the Corporate Governance Committee through the Corporate Secretary.
2. The substantial shareholder/s shall recommend the nominations of directors corresponding to their entitled seat based on their shareholdings in the Company.
3. The nominating stockholder shall submit his proposed nomination in writing to the Corporate Governance Committee, together with the acceptance and conformity of the would-be nominee.
4. The Corporate Governance Committee shall screen the nominations of directors and independent directors in accordance with existing laws and regulations and PNCC policies prior to stockholder's meeting and come up with the Final List of Candidates.
5. Only nominees whose names appear in the Final List of Candidates shall be eligible for election as Director and Independent Director.

j) **Independent Directors**

There are no independent directors elected in the Board. The Company has adopted the provisions of Rule 38 of the SRC on nominations and election of independent directors. As of the date of this report, the nominee for independent director is Mr. Edgardo L. Ylo. The nomination was submitted by Ms. Virginia G. Madrona, stockholder of the Corporation, and pre-screened by the Corporate Governance Committee of the Corporation in compliance with SEC Circular No. 16 on the Guidelines on Nomination and Election of Independent Directors. The nominee is not an officer or substantial shareholder of the corporation. His shareholdings in the corporation is less than 2% of the corporation's outstanding capital stock pursuant to Section 38 of the SRC. He is not related to any director, officer or substantial shareholder of PNCC, any of its related companies or any of its substantial shareholder. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister, as provided in 38.2.3 of the 2015 Implementing Rules and Regulation of SRC. The person who nominated the independent director is not related to said nominee. A brief description of the business experiences of Edgardo L. Ylo is included herein. The Certification of the above nominee for Independent Director is attached hereto as Annex "A", as required by SEC Memorandum Circular No. 5, Series of 2017.

The following nominee for Independent Director was submitted to and pre-screened by the Corporate Governance Committee of PNCC.

1. EDGARDO L. YLO

Personal Information	**Age**: 86; **Nationality**: Filipino; **Gender**: Male;
He was appointed Executive Vice President of the Philippine National Construction Corporation from 1997 to 1999. Before then, he served in various capacities in the company, handling various construction activities from 1975 to 1988. He served as Manager of Construction Management Services of San Miguel Corporation from 1988 to 1997. From 1999 to present, he served as Technical Adviser/Consultant of Proconsult, Inc.; 2006 to present, Engineer Consultant for projects undertaken by Superserve Corporation; Consultant of Kajima Corporation in 2007 and Consultant of Manila Golf and Country Club from 2000 to 2003. In 1960, he completed his Bachelor of Science in Chemistry from Adamson University and his Bachelor of Science in Civil Engineering from the Polytechnic Colleges of the Philippines in 1965. He is a candidate for Master of Business Administration in Ateneo de Manila University.	

k) **The Executive Committee and Board Committees**

Executive Committee

The Executive Committee as created in the PNCC By-Laws has the power to pass and upon matters affecting general policy and upon such matters as the Board of Directors may entrust to it for action in between meetings of the Board of Directors. No meeting has been convened for 2023.

Audit Committee

The Audit Committee performs its role by providing independent oversight to the Board of Directors. The purspose of the Committee is to provide a structured,

systematic oversight of the organization's governance, risk management and internal control practices.

For 2023, the Audit Committee, further to compliance with applicable corporate governance law, confirms their accomplishment for the year 2023:

1. The Committee had ten (10) meetings during the year. The meetings of the committee are designed to facilitate and encourage communication among the Committee, the Company, the Company's internat audit functionn and the Company's statutory auditor. The committee in its meetings, reviewed and approved all audit provided by statutory auditor, Audit Team assigned by Commission on Audit;

2. According to its Charter, the primary purpose is to assist the Board of Directors in fulfiling its oversight responsiblities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct;

3. The Committee provides oversigt over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities. The Committee also monitors and evaluates the adequacy and effectiveness of the Corporation's internal controls and risk management system, including financial reporting;

4. The Committee discussed with COA Audit Team all the items required to be discussed by the prevailing applicable Auditing Standard, including the required communications to the Audit Committee on the responsibilities under Philippine Standards in Auditing;

5. As part of the its oversight responsibilities, the Committee reviewed and discussed the audited financial statements of PNCC for the year ended December 31, 2023 with PNCC's management and with COA has expressed its opinion on PNCC's conformity with Philippine Financial Reporting Standards (PFRS);

   Meeting Attendance of Audit Committee for the year 2023

	Name	Date of Election in the Board	Date of Appointment in the Committee	Date of Resignation / Replaced in the Committee	No. of Meetings Held during Incumbency	No. of Meetings Attended	%	Length of Service in the Committee
Member	Almirante, Carlo Antonio	04/10/2018	09/03/2021	05/25/2023	4	2	50%	2.66 years
Member	Avanceña, Jonathan S.	08/15/2017	02/06/2019	N/A	10	9	90%	4.83 years
Member	Averia, Mariano Jesus S.	01/26/2023	01/26/2023	N/A	9	9	100%	0.91 years
Member	Cabatingan, Pedro Jr. B.	03/14/2017	03/14/2017	01/26/2023	1	1	100%	6.75 years
Vice Chairman	Co, Herculano Jr. C.	01/26/2023	01/26/2023	N/A	9	9	100%	0.91 years
Member	Guinomla, Mohamad Taha A.	03/14/2017	03/14/2017	01/26/2023	1	1	100%	6.75 years
Member	Mercado, Lamberto Jr. B.	04/17/2017	04/17/2017	N/A	10	10	100%	6.66 years
Chairman			09/03/2021					
Member	Sembrano, Alex	01/26/2023	01/26/2023	N/A	9	9	100%	0.91 years
Member	Yu, William T.	03/14/2017	03/14/2017	01/26/2023	1	1	100%	6.75 years
Average Attendance for 2023 : 93.33%								

Corporate Governance Committee

The Committee is currently composed of 5 directors. The functions of the Corporate Governance Committee are enumerated as follows:

1. Oversee the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the company's size, complexity and business strategy, as well as its business regulatory environment;

2. Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;

3. Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;

4. Recommends continuing education / training programs for directors, assignment of tasks / projects to board committees, succession plan for the Board members and senior officers, and renumeration packages for corporate and individual performance;

5. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;

6. Proposes and plance relevant trainings for the members of the Board;

7. Determines the nomination and process for the company's directors and has the special duty of defining the general profile of biard members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board;

8. Establishes a formal and transparent procedure to develop policy for determining the remuneration of directors and officers that us consistent with the company's culture and strategy as well as the business environment in which it operates;

9. Ensures the effective implementation of Material Related Party Transactions Policy.

Meeting Attendance of Corporate Governance Committee for 2023

	Name	Date of Election in the Board	Date of Appointment in the Committee	Date of Resignation / Replaced in the Committee	No. of Meetings Held during Incumbency	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Co, Herculano Jr. C.	01/26/2023	01/26/2023	N/A	14	14	100%	0.91 years
Member	Constantino, Danilo S.	01/26/2023	01/26/2023	N/A	14	14	100%	0.91 years
Member	Torres, Ruben D.	06/08/2022	06/08/2022	N/A	14	14	100%	1.5 years
Vice Chairman	Umali, Miguel E.	02/19/2019	02/19/2019	N/A	14	14	100%	4.83 years
Member	Zaldivar, Oscar T.	01/26/2023	01/26/2023	N/A	14	14	100%	0.91 years
Average Attendance for 2023 : 100%								

Finance Committee

The Finance Committee is organized and its member appointed by the Board of Directors to assist the latter in carrying out its responsibilities for policy formulation and for oversight of Company's financial performance, including, among others, the budgeting and financial planning, establishment of investment benchmarks and policy, reviewing and monitoring of investment performance, optimizing returns on the investment at a level of risk that the Company is willing to absorb and authorizing acceptable accounting and disbursement procedures for all funds under jurisdiction of the Company.

It shall also evaluate and recommend to the Board new financial placements and other similar investments, as may be proposed by the Management.

Meeting Attendance of Finance Committee for 2023

	Name	Date of Election in the Board	Date of Appointment in the Committee	Date of Resignation / Replaced in the Committee	No. of Meetings Held during Incumbency	No. of Meetings Attended	%	Length of Service in the Committee
Member	Almirante, Carlo Antonio	04/17/2018	04/17/2018	05/25/2023	2	2	100%	5.08 years
Member	Antonio, Manuel Luis C.	03/06/2019	03/06/2019	01/26/2023	1	1	100%	3.75 years
Member	Calanoy, Salvador IV B.	03/14/2017	03/14/2017	01/26/2023	1	1	100%	5.75 years
Vice Chairman	Co, Herculano, Jr. C.	01/26/2023	01/26/2023	N/A	9	9	100%	0.91 years
Member	Constantino, Danilo S.	01/26/2023	01/26/2023	N/A	9	9	100%	0.91 years
Member	Escudero, Evelina G.	05/25/2023	05/25/2023	N/A	6	6	100%	0.58 years
Chairman	Luga, Alan R.	04/17/2017	04/17/2017	N/A	10	10	100%	6.66 years
Member	Mercado, Lamberto, Jr.	04/17/2017	04/17/2017	01/26/2023	1	1	100%	5.83 years
Member	Umali, Miguel E.	02/19/2019	02/19/2019	N/A	10	10	100%	4.83 years
Average Attendance for CY 2023 : 100%								

Performance Agreement Negotiation (PAN) Committee

The purpose of the Performance Agreement Negotiation Committee is to assist in timely submission of performance report pursuant to commitment in the Performance Agreement.

The Committee shall consist of six (6) members of the Board. The Board shall appoint the members of the Committee, one of whom shall be appointed by the Board as the Chairperson of the Committee, upon consideration of the recommendations of the Corporate Governance Committee of the Board. Members shall qualify for service on the Committee based primarily upon their ability to further the Committee's purposes and to assist the Committee in meeting its duties and responsibilities.

Meeting Attendance of Performance Agreement Negotiation Committee for 2023

	Name	Date of Election in the Board	Date of Appointment in the Committee	Date of Resignation / Replaced in the Committee	No. of Meetings Held during Incumbency	No. of Meetings Attended	%	Length of Service in the Committee
Member	Almirante, Carlo Antonio	04/17/2018	02/23/2023	05/25/2023	2	2	100%	0.33 years
Member	Avanceña, Jonathan S.	08/15/2017	08/15/2017	N/A	12	12	100%	6.33 years
Chairman	Averia, Mariano Jesus S.	01/26/2023	01/26/2023	N/A	11	11	100%	0.91 years
Vice Chairman	Co, Herculano Jr. C.	01/26/2023	01/26/2023	N/A	12	12	100%	0.91 years
Member	Escudero, Evelina G.	05/25/2023	05/25/2023	N/A	10	9	90%	0.58 years
Member	Umali, Miguel E.	02/19/2019	02/19/2019	N/A	12	12	100%	4.83 years
Average Attendance for CY 2023: 98.33%								

Legal and Compliance Committee

The purpose of the Legal and Compliance Committee is to review the legal issues that affect the company. The Committee, together with Management and company's Legal Counsel, reviews legal matters that could have a material impact on the company's financial operations. The Committee also ensures company's compliance with applicable laws and regulations.

Meeting Attendance of Legal and Compliance Committee for 2023

	Name	Date of Election in the Board	Date of Appointment in the Committee	Date of Resignation / Replaced in the Committee	No. of Meetings Held during Incumbency	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Almirante, Carlo Antonio	04/17/2018	01/26/2023	05/25/2023	7	5	71.42%	5.08 years
Member	Antonio, Manuel Luis C.	03/06/2019	03/06/2019	01/26/2023	1	1	100%	3.75 years
Member	Averia, Mariano Jesus S.	01/26/2023	01/26/2023	N/A	23	23	100%	0.91 years
Member	Calanoy, Salvador IV B.	03/14/2017	03/14/2017	01/26/2023	1	1	100%	5.83 years
Vice Chairman	Co, Herculano Jr. C.	01/26/2023	01/26/2023	N/A	22	23	100%	0.91 years
Chairman	Lamberto B. Mercado, Jr.	04/17/2017	04/17/2017	N/A	24	23	95.83%	6.66 years
Member	Torres, Ruben D.	06/08/2022	06/08/2022	N/A	24	23	95.83%	1.5 years
Member	Umali, Miguel E.	02/19/2019	02/19/2019	N/A	24	24	100%	4.83 years
Chairman	Zaldivar, Oscar T.	01/26/2023	01/26/2023	N/A	23	23	100%	0.91 years
Average Attendance for CY 2023 : 95.89%								

Business Development Committee

The Board of Directors has established the Business Development Committee to (1) assist the Board in fulfilling its responsiblities for overseeing and facilitating the development, implementatkion and monitoring of the Company's business strategies and plans and (2) exercise the Board's authority with respect of the revenue, evaluation and approval of certain strategic transactions, subject the limitations and requirements of section 36 of the Corporation Code of the Philippines and the Provisions of the Company's Amended Articles of Incorporation, By-Laws and their Charter.

Strategic Transaction shall mean (1) any transaction pursuant to which the company proposes to secure business agreements for construction, realty, tollways development and related projects and thereby contributes to the total overall organizational revenue and profit; (2) any transaction pursuant to which the Company proposes to issue Shares of its capital stock or other securities, or options, warrants, convertible debt instruments or other securities convertible into or exchangable for any such capital stock or other securities; (3) any proposed acquisition or disposition by the Company, outside of the ordinary cause of business, of a company, asset or group of assets, or business (by merger acquisition, disposition, compbination or other means); (4) any proposed initial or follow-on equity investment by the Company in any third party entity; outside of the ordinary cause of business.

Meeting Attendance of Business Development Committee for 2023

	Name	Date of Election in the Board	Date of Appointment in the Committee	Date of Resignation / Replaced in the Committee	No. of Meetings Held during Incumbency	No. of Meetings Attended	%	Length of Service in the Committee
Vice Chairman	Co, Herculano Jr. C.	01/26/2023	01/26/2023	N/A	14	14	100%	0.91 years
Member	Luga, Alan R.	04/17/2017	01/26/2023	N/A	14	14	100%	0.91 years
Member	Mercado, Lamberto Jr. B.	04/17/2017	01/26/2023	N/A	14	14	100%	0.90 years
Chairman	Sembrano, Alex	01/26/2023	01/26/2023	N/A	14	14	100%	0.91 years
Member	Umali, Miguel E.	02/19/2017	02/19/2017	N/A	14	14	100%	4.83 years
Average Attendance for CY 2023 : 100%								

Item 6. **Compensation of Directors and Executive Officers**

Summary Compensation Table

For the calendar years December 31, 2023 and 2022, the total salaries, allowances and bonuses paid to the directors and executive officers are as follows:

Names	Year	Salaries	Bonus	Others
President/CEO & Top 4				
Miguel E. Umali President & CEO				
Ilie Lionel B. Gramata Vice President for Corporate Legal Department				
Felix M. Erece Assistant Vice President – Human Resources Department				
Cristy M. Mediavillo Corporate Treasurer Head, Treasury Department				
Demosthenes F. Faminiano Head, Materials Management Department / Realty Department				
TOTAL	2024 (Estimate) 2023 2022	15.91M 11.09M 9.013M	2.579M 2.133M 1.558M	1.764M .974M .279M
All other Officers and Directors as a Group Unnamed	2024 (Estimate) 2023 2022	19.378M 8.537M 8.484M	1.897M 1.647M 1.382M	.774M .811M .514M

Standard Arrangement

The Board adopts Executive Order (E.O.) No. 24, prescribing rules to govern the compensation of members of the board of directors/trustees in Government-Owned or Controlled Corporations including Government Financial Institutions (GFIs) and Section 23 of R.A. No. 10149, wherein Governance Commission for GOCCs (GCG) is mandated and empowered to set the limits to the compensation, per diem, allowance, and incentive entitlements of members of the Board of Directors/Trustees of GOCCs.

The Company, under the Authority to Implement CPCS dated 10 August 2023 which was issued by the GCG, was given the classification of Category 3, GOCC Grade 18, Tier 4 and Category 3 Salary Structure. Pursuant to GCG Memorandum Circular 2016-01, the Company is classified "Medium Size" and Section 9 of the same circular provides the maximum *Per Diem* rates of Appointive Directors for Board or Committee meeting for Medium sized GOCCs.

Section 10.2 of the aforesaid GCG Circular provides that Directors may obtain a reimbursement of expenses provided that the amount that may be reimbursed shall not be higher than the monthly Representation Allowance (RA) and Transportation Allowance (TA) of an Undersecretary. Section 5.1. of the DBM Circular No. 593 dated 03 May 2024 provides that the authorized monthly rates for Department Undersecretaries and those equivalent ranks for each type of allowance (Monthly RA and TA).

The entitlement of the members of the Board for actual attendance of meeting are as follows:

Board meetings:	**₱20,000.00** for regular or special meetings actually attended, but not to exceed the amount of ₱480,000.00.
Committee meetings:	**₱12,000.00** for regular and special committee meetings actually attended, but not to exceed the amount of ₱280,000.00.

The Directors furthermore receive the following allowances:

Representation:	**₱12,500.00** per month
Transportation:	**₱12,500.00** per month

Other arrangements

Other than payment of reasonable per diem for directors for every meeting, there are no standard arrangements pursuant to which directors of the company are compensated, or are to be compensated, directly or indirectly by the Company's subsidiaries, for any services provided as a director for 2021, 2022, and 2023.

Employment contract between the company and executive officers

There are no special employment contracts between the company and the named executive officers.

Warrants and options held by the executive officers and directors

There are no outstanding warrants or options held by the Company's CEO, the named executive officers, and all officers and directors as a group.

Item 7. **Independent Public Accountants**

The Corporation has no independent public accountant but is subject to post-audit by the Commission on Audit ("COA"). The aggregate audit fees billed for the assigned COA Audit Team to the Company for the last two calendar years are ₱3,740,987 for CY 2023 and ₱3,627,442 for 2022.

PNCC being a Government Acquired Asset since 1986, is under the audit jurisdiction of the Commission on Audit (COA) and up to now, COA is the independent (external) auditor of PNCC. The assignment of COA Directors/Audit-in-Charge and staff is purely the prerogative/decision of the COA Chairman.

The Audit Engagement is covered by a Term of Reference (TOR) executed by PNCC and COA to the joint Audit and Finance Committee for information/notation.

The appointment, approval or ratification of the registrant's public accountant shall be discussed during the Annual Meeting.

Representatives of COA are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and they are expected to be available to respond to appropriate questions.

There are no changes in or disagreements with accountants on accounting and financial disclosure.

Audit Committee's Approval Policies and Procedures

In relation to the audit of the Registrant's annual financial statements, the Registrant's Revised Corporate Governance Manual provides that the audit committee shall among other activities, (1) review the reports submitted by the internal and external auditors and (2) review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters: any changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, compliance with tax, legal and regulatory requirements. The Audit Committee of the Registrant is composed of Director Lamberto B. Mercado, Jr., Chairman and Directors Herculano C. Co, Jr., Jonathan S. Avancena, Jesus Mariano S. Averia and Alex L. Sembrano as members.

Tax Fees

Except as provided above, the Registrant did not pay any tax fees and other fees to its external auditors.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 11. **Financial and Other Information**

The Management's Discussion and Analysis is attached hereto as Annex "B" and the Company's Audited Financial Statements for fiscal year ended 31 December 2023 and 2022, including Schedule of Financial Assets, Map Showing the Relationships Between and Among the Group, Financial Soundness Indicators, Supplementary Schedules required by Annex 68-J are attached hereto as Annexes "C" to "F". The Company's 2022 Annual Report is available at the Company Website.

The Company's 1st and 2nd Quarter Interim Unaudited Financial Statements with Management Discussion and Analysis was submitted to SEC and PSE on August 15, 2024 and a copy is attached to this Information Statement as Annex "G" and "H". The same is posted in the Company Website. Upon request, a hard copy of the reports attached hereto shall be provided free of charge not later than at least 5 days before October 15, 2024.

All requests may be sent to:

MS. ROSALYN S. DELIVIOS
Assistant Compliance Officer
PNCC Complex, KM 15 East Service Road,
Brgy. San Martin de Porres, Paranaque City, 1713
Email Address: rosedelivios@pncc.ph
pncc@pncc.ph

D. Other Matters

Item 15. **Action with Respect to Reports**

During the scheduled Annual Stockholder's Meeting, the following reports shall be submitted to the stockholders for approval:

1. Approval of the Minutes of the October 17, 2016 Annual Stockholders' Meeting;

2. Approval of the Annual Report of Management and the Audited Financial Statements for the Fiscal Year Ending December 31, 2023;

3. Ratification of all Acts and Resolutions of the Board of Directors, Board Committees during 2023 up to November 21, 2024 as discussed in the Minutes of the Meetings of the Board of Directors and Board Committees which include the approval of contracts, investments or purchases in the ordinary course of business, management reports, interim financial statements of the Corporation, and appointment of corporate officers and corporate signatories.

The Minutes of the 2016 Annual Stockholders' Meeting and a brief summary of relevant resolutions of the Board of Directors for ratification by the stockholders are attached as Annexes "I" and "J".

The company complies with Section 49 of the Revised Corporation Code and SEC MC No. 3 Series of 2020 on sending of notices of the Annual Stockholders' Meeting 21 days prior to the meeting date. The notices for the meeting were distributed to the stockholders through the following: 1) The office of the Corporate Secretary sent notices through courier and registered mail; 2) It was disclosed to the Philippine Stock Exchange (PSE) via PSE EDGE Portal; 3) Uploaded in the Company Website, and (4) Published in print. This complies with the requirements of sending notices at least 21 days prior the annual meeting date and in such manner allowed SEC Notice. The Company likewise follow the same sending of notices.

Item 17. **Amendment of Charter, Bylaws or Other Documents**

At its meeting on August 14, 2024, the Board of Directors of the Corporation approved the amendment to the Amended Articles of Incorporation of the Corporation. Upon ratification by the stockholders, the Amended Articles of Incorporation will be further amended in compliance with SEC MC No. 9, series of 2015.

As proposed to be amended, the Third Article of the Amended Articles of Incorporation shall be read as follows:

> "THIRD: That the corporation shall have its principal office and place of business in PNCC Complex, East Service Road, Brgy. San Martin de Porres, Paranaque City, Philippines, but may have such branches, agencies and correspondents in the Philippines and in

foreign countries as may be necessary for the proper conduct of its business."

The above amendment shall take effect upon approval of the Securities and Exchange Commission (SEC) and in the next Annual Stockholders' Meeting of the Corporation in 2025.

Item 18. **Other Proposed Action**

1. Election of the Board of Directors of the Corporation including the Independent Directors

Item 19. **Voting Procedures**

The following are the rules of conduct and procedures:

1. The polls are open for the stockholders to cast their votes manually.
2. A stockholder may vote manually using the ballot provided to him upon registration and placing the voted ballot in the ballot boxes located at the registration table.
3. Each outstanding share of stock entitles the registered holder to one vote.
4. In general, the stockholders act by the affirmative vote of stockholders representing at least a majority of the outstanding and voting capital stock present at the meeting.
5. For the amendment of the Third Article of the Articles of Incorporation and Section 4.01 of the By-Laws, the affirmative vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock is required.
6. The Election of the directors shall be by plurality of votes. Every stockholder shall be entitled to cumulate his vote.
7. The stockholders may cast their votes anytime during the meeting.
8. Voting shall be by ballot. Each ballot shall be signed by the stockholder voting, and shall state the number of shares voted by him. The votes will be counted manually. All votes received shall be tabulated by the Office of the Corporate Secretary, assisted by the appointed Commission on Election and the results of the tabulation shall be validated by Commission on Audit (COA) – Audit Team.
9. During the meeting, as the stockholders take up an item on the Agenda, the Corporate Secretary will report the votes already received and tabulated on that item.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S SEC FORM 17-A (ANNUAL REPORT) DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

ALL REQUESTS MAY BE SENT TO:

pncc@pncc.ph

or

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
PNCC Complex, KM 15 East Service Road, Brgy. San Martin de Porres, Paranaque City
1713

ATTENTION: ATTY. JOHN BENEDICK R. DELA CRUZ
CORPORATE SECRETARY

PART II.

MANAGEMENT REPORT

I. FINANCIAL STATEMENTS

The Financial Statements of the Registrant as of and for the year ended December 31, 2023 are incorporated herein in the accompanying Index to Financial Statements and Schedules.

II. INFORMATION ON INDEPENDENT ACCOUNTANT

PNCC being a Government Acquired Asset since 1986, is under the audit jurisdiction of the Commission on Audit (COA) and up to now, COA is the independent (external) auditor of PNCC. The assignment of COA Directors/Audit-in-Charge and staff is purely the prerogative/decision of the COA Chairman.

The Audit Engagement is covered by a Term of Reference (TOR) executed by PNCC and COA to the joint Audit and Finance Committee for information/notation. Usually, the audit shall cover transactions for the current year under review and shall include amounting or reporting area as follows:

1. Accounting books record
2. Recorder Financial and property
3. Compliance with the prior year's Audit recommendation

III. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Refer to Annex "B"

IV. NATURE AND SCOPE OF BUSINESS

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 PNCC 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) No. 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 No. 1113 was amended by PD No. 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 PNCC another period of 30 years "from the completion of the project."

On May 7, 1981, Letter of Instruction (LOI) No. 1136 was issued mandating the National Development Company (NDC) to invest in the PNCC by way of capital infusion in the amount of P250 million.

On February 23, 1983, then President Ferdinand E. Marcos issued LOI No. 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 No. 1295, the GFIs became the majority stockholder of CDCP.

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

On December 7, 1983, the SEC approved the increase of the PNCC's authorized capital stock from P1.6 billion to P2.7 billion following LOI No. 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 on the Board of Directors of the PNCC and participated in its management.

In 1986, under Proclamation No. 50, the PNCC 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. Under LOI Nos. 1136 and 1295, 55.72 per cent of the PNCC's equity was held by the APT (now the Privatization Management Office or PMO), which was created on December 8, 1986, under 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 PNCC's equity is under private ownership.

In 1988, under Administrative Order Nos. 14 and 64, the Development Bank of the Philippines (DBP), Philippine National Bank (PNB), Philguarantee, and NDC transferred their interests in the PNCC to the Republic of the Philippines which in

turn conveyed them to the APT (now PMO) for disposition to the private sector according to the government's privatization program.

From 1987 to 2001, the PNCC still engaged in the 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 PNCC 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 PNCC 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, under Executive Order No. 148, the PNCC was attached, "for policy and program coordination and 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 PNCC was placed under and attached to the Department of Trade and Industry (DTI) "pending privatization".

In February 2006, the PNCC entered into a JVA with Malaysian Corporation MTD Manila Expressways, Inc. (MTDME) and formed its joint venture company South Luzon Tollway Corporation (SLTC). Under the STOA entered into with the Toll Regulatory Board (TRB) and the PNCC, 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 tolls 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 PNCC for the O&M of the SLEX. The said authority from TRB, pursuant to its powers under its charter (PD No. 1112), allowed the PNCC 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 PNCC entered into a Memorandum of Agreement (MOA) with CMMTC and PSC where the PNCC was to have been provided P2 million by CMMTC for the PNCC to subscribe to the par value of 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 PNCC, wherein the PNCC subscribed to 12,500 shares from the unissued portion of the 150,000 shares authorized capital stock (with a 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 an increase in capital of ASDI, and in the same year, the PNCC 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 PNCC. The PNCC 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, according 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 PNCC's franchise, the toll assets and facilities of the PNCC 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 PNCC'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 PNCC to the NG. An interim rules and guidelines were issued on March 9, 2012, 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 SLEX, NLEX, and Skyway in accordance with the Francisco Case. The PNCC 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 PNCC'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 2, 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 PNCC 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 PNCC 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 2, 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 PNCC, 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 PNCC is in the process of abolishing the five subsidiaries.

In August 2013, CDCP founder, Rodolfo M. Cuenca, filed a case against the TRB, COA, PNCC, MNTC, and MATES, seeking the remittance of revenues and dividends on the toll road projects to the PNCC 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 PNCC 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 PNCC's Board of Directors from implementing the said Performance Agreement. The PNCC is not impleaded as a party to the case filed by Forum.

Under Republic Act 10149, the PNCC 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 PNCC'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.

Stockholders

There are 4,829 holders of common equity security of the Company as of June 30, 2023 (based on the number of account registered with the Stock Transfer Agent). The following are the top 20 holders of the common securities of the Company:

	Stockholders Name	No. of Common Shares	% (of Common Shares)[1]
1	Republic of the Phils. through the PMO	79,271,024	45.4419%
2	Government Service Insurance System (GSIS)	47,490,383	27.2237%
3	Wellex Petroleum, Inc.	26,635,891	15.2690%
4	PCD Nominee Corp. – Filipino	11,840,578	6.7876%
5	Cuenca Investment Corp.	909,277	0.5212%
6	Land Bank of the Philippines	657,836	0.3771%
7	Unigrowth Development Corp.	630,625	0.3615%
8	Benito, Vicente S.	588,000	0.3371%
9	Gow, Jimmy N.	274,000	0.1571%
10	Cruz, F. F. & Co., Inc.	252,630	0.1448%
11	Blue Chip Assets, Inc.	244,700	0.1403%
12	Adachi, Sueo	184,025	0.1055%
13	Chung, Felix	173,900	0.0997%
14	Alpapara, Johnson	170,000	0.0975%
15	Go, Le Khim S.	150,000	0.0860%
16	Benpres Corporation	140,000	0.0803%
17	Cruz, Felipe F.	135,993	0.0780%
18	Montelibano, A. Hijos, Inc.	120,750	0.0692%
19	Carnet Machineries & Invest. Corp	119,842	0.0687%
20	Filipinas Bag Corporation	106,936	0.0613

[1]based on the total common shares subscribed and issued of 174,444,759

V. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Market Information

Registrant's common shares are listed with the Philippine Stock Exchange. The Registrant was listed on 13 March 1974.

Trading of shares was suspended on May 16, 2008, for this reason, no transaction was recorded for the last three (3) years. Last transaction date was on February 4, 2008, high at ₱6.00 per share and February 11, 2008 and low at ₱3.60 per share.

Dividends

Dividends may be declared annually or often as the Board of Directors may determine. The Board of Directors may declare dividend only from the surplus profits of the Corporation.

With the approval of the stockholders representing two-thirds ($^2/_3$) of all the outstanding capital stock entitled to vote, given at a general meeting or at a special meeting duly called for the purpose, the Board may declare that dividends ne paid in stock.

Recent Sale of Unregistered Securities

None

Stock Options

None

VI. COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

The Board of Directors adopted the Revised Manual on Corporate Governance on May 15, 2017 pursuant to the objectives of Sec Memorandum Circular No. 19, Series of 2016, and consistent with the prescribed provisions of the therein referred to "Code of Corporate Governance for Publicly Listed Companies" as approved by the Securities and Exchange Commission and consistent with commitments made in the 2022 Integrated Annual Corporate Governance Report (IACGR) that was filed by the Company with the SEC and PSE.

Board meetings are held monthly or as often as necessary. The Board maintained the following committees to assist in good governance:

Executive Committee. Has the power to pass and act upon matters affecting general policy and upon such matters as the Board of Directors may entrust to it for action in between meetings of the Board.

Audit & Finance Committee. Worked hand in hand to oversee the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations.

Corporate Governance Committee. Establishes a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates.

Legal and Compliance Committee. Review major issues regarding the status of the Company's compliance with laws and regulations, as well as major legislative and regulatory developments that may have significant impact on the Company.

Performance Agreement Negotiation (PAN) Committee. Responsible for the timely submission of Performance Report pursuant to commitment in the Performance Agreement with the GCG. They also act in an advisory capacity to assess goals, strategies and action plans, which will be reviewed by the full Board. They assist the Board and Management in the development of an effective strategic planning process and planning calendar to realize the vision and accomplish the mission of PNCC.

Business Development Committee. *T*ask to assist the Board in fulfilling its responsibilities for overseeing and facilitating the development, implementation and monitoring of the Company's business strategies and plans.

The company is committed to promote and pursue corporate governance reforms and to continuously observe principles of fairness, accountability and transparency.

The Governance Commission on GOCCs (GCG), established in October 2015 the Corporate Governance Scorecard (CGS) for GOCCs, developed using a methodology benchmarked against the Principles of Corporate Governance of the Organization for Economic Co-operation and Development (OECD) and the ASEAN Corporate Governance Scorecard. The CGS aims to annually assess the Corporate Governance performance of GOCCs to be at par with the ASEAN state-owned enterprises. The CGS assesses each GOCC's governance policies and practices on Stakeholder Relationships, Disclosure and Transparency, and Responsibilities of the Board. For 2022, the Company has a final CGS rating equivalent to "Excellent". The assessment for 2023 is still on-going.

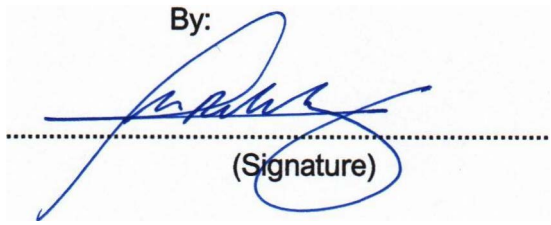
As of December 31, 2023, the Company was not able to fully satisfy the Manual on Corporate Governance because of peculiar circumstances of PNCC as a corporation. The Board is taking the preliminary steps to move towards the adherence to principles and practices of good corporate governance.

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Paranaque on _____

By:



(Signature)

JOHN BENEDICK R. DELA CRUZ / CORPORATE SECRETARY

(Printed Name/Title)

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Edgardo L. Ylo, Filipino, of legal age and a resident of Antipolo, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of PNCC and have been its independent director since N/A (where applicable).

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
None		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of PNCC, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
-N/A-		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in N/A, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

ANNEX "A"

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of PNCC of any changes in the abovementioned information within five days from its occurrence.

Done, this 9 day of Aug. at Antipolo.

Edgardo G. Yco
Affiant

SUBSCRIBED AND SWORN to before me this AUG 21 2024 day of _____ at PARAÑAQUE CITY affiant personally appeared before me and exhibited to me his/her _____ issued at _____ on _____.

Doc. No. 22;
Page No. 06;
Book No. 37;
Series of 2024;

ATTY. JOSE MARI ANGELO A. DIONIO, CPA
Notary Public for Parañaque City
1st Floor, No. 64 Doña Soledad Avenue,
Barangay Don Bosco, Parañaque City
Not. Com. No. 254-2023, Until December 31, 2024
Lifetime Member No. 015111; 06/13/2016; Pasig City
PTR No. 3480417; 01/02/2024; Parañaque City
Roll No. 66641
MCLE No. VII-0022146; 04/14/2025

Management's Discussion and Analysis For Each of the Last Three Fiscal Years

Year End 2023 vs. Year End 2022

Results of Operations

Revenue. Revenue for the year ended December 31, 2023 stood at ₱570.927 million, higher by 58.99% or ₱211.828 million compared to ₱359.099 million for the year ended December 31, 2022. The increase was attributable to the increase in JV Revenue Shares, Rental Income and supply of manpower to SOMCO.

Cost of Services. Cost of services account decreased by 3.57% or ₱2.624 million from ₱73.401 million for the year ended December 31, 2022 to ₱70.777 million for the year ended December 31, 2023 due to decrease in manpower supply from 261 to 243.

General and Administrative Overhead. Overhead account increased by 12.32% or ₱10.448 million from ₱84.827 million for the year ended December 31, 2022 to ₱95.275 million for the year ended December 31, 2023 brought by increase in Personnel cost due to CPCS implementation while the increase in MOOE was due to add'l three (3) Security Guard at Sta Rita property and judgement award on money claims of Superlines Transportation Company and other expenses

Income from Operation. Income from operation for the year ended December 31, 2023 increased by 73.42% or ₱201.380 million from ₱274.272 million as of December 31, 2022 to ₱475.652 million for the year ended December 31, 2023. Said favorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a balance of ₱17.115 billion for the year ended December 31, 2023 compared to ₱64.840 million for the year December 31, 2022. The 26295.51% increase was mainly due to the gain from changes in Fair Value of Investment Property in 2023.

Comprehensive Income (Loss). Net Comprehensive Income for the year ended December 31, 2023 amounted to ₱13.034 billion compared to the net income of ₱68.099 million for the year ended December 31, 2022. The variance was mainly due to the gain from changes in Fair Value of Investment Property brought about by appraisal of Investment Property in 2023.

Financial Position

Current Assets. Current assets increased by 22.95% or ₱551.048 million from ₱2.401 billion as of December 31, 2022 to ₱2.952 billion as of December 31, 2023 mainly due to the cash flows provided by the Company's operating and investing activities.

Current Liabilities. Current liabilities increased by 2.30% or ₱249.276 million from ₱10.832 billion as of December 31, 2022 to ₱11.081 billion as of December 31, 2023

mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB) and inter-agency payables.

Stockholder's Equity. Stockholder's Equity as of December 31, 2023 totalled ₱35.960 billion vis-à-vis the stockholders' equity as of December 31, 2022 in the amount of ₱22.854 billion. The increase in the account is attributable to the comprehensive income in 2023.

Presented hereunder is the discussion of the Company's key performance indicators:

Performance Indicators	As of		Explanation
	12/31/2023	12/31/2022	
Current/Liquidity Ratios ***Current Ratio*** **(Current Assets Divided by Current Liabilities)**	0.27	0.22	This ratio evaluates the ability of the company to pay its current debt promptly. Current ratio of 0.27 as of December 31, 2023 slightly increased from 0.22 as of December 2022 due to cash inflows provided by operating activities.
Solvency Ratios ***Debt to Assets*** **(Total Liabilities Divided by Total Assets)**	41.17%	47.47%	Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts. The ratio decreased to 41.17% as of December 31, 2023 from 47.47% as of December 31, 2022 due to to the gain from changes in Fair Value of Investment Property brought about by appraisal of Investment Property in 2023.
Debt to Equity **(Total Liabilities Divided by Total Equity)**	69.99%	90.36%	Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and stockholders of the business. The ratio decreased to 69.99% as of December 31, 2023 from 90.36% as of December 31, 2022 due to the accrual of the 2% penalty charges on unpaid concession fee to the Toll Regulatory Board (TRB) and the corresponding comprehensive income in 2023.
Asset to Equity Ratio (Total Assets Divided by Total Equity)	169.99%	190.36%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The ratio decreased to 169.99% as of December 31, 2023 from 190.36% as of December 31, 2022 due to to the gain from changes in Fair Value of Investment Property brought about by appraisal of Investment Property in 2023.
Interest Rate Coverage Ratio (Income Before Interest/Penalty/Penalty and Taxes Divided by Interest/Penalty)	51.52	1.26	Determines how easily a company can pay interest on outstanding debt. The ratio increased to 51.52 as of December 31, 2023 from 1.26 as of December 31, 2022 due to recognition of income resulting from the gain in change in fair value of investment property for the year ended 2023.
Profitability Ratios ***Return on Assets*** **(Net Income**	21.32%	0.16%	Measures the Company's earnings in relation to all the resources it had at its disposal.

(Loss) Divided by Total Assets)			The ratio of 21.32% as of December 31, 2023 vis-à-vis the ratio of 0.16% as of December 31, 2022 was the outcome of the income recognition of ₱13.034 billion for 2023 as compared with the recognized comprehensive income of ₱68.099 million for the year ended 2022 brought by the recognition of the gain in change in fair value of investment property in 2023 in the amount of ₱ 16.978 billion.
Return on Equity **(Net Income (Loss) Divided by Total Equity)**	36.24%	0.30%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital. The increase in the ratio from 0.30% to 36.24% is attributable to the increase in stockholder's equity as a result of higher comprehensive income in 2023 brought by the gain in fair value of investment property.

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. Indicate course of action that the Company has taken or proposes to take to remedy the deficiency.

i.a The Company's inability to settle its outstanding obligations with the Toll Regulatory Board and the National Government brought about by the difficulties in collecting its receivables from various government agencies.

i.b Pending labor cases which consists of those filed against the Company involving dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants, pending appeal by the Company before the National Labor Relation Commission (NLRC).

i.c Pending lawsuits/litigations which consists of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various regional Trial Courts (RTC). Discussion is contained under Note 36 of the 2023 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

i.d Pending assessments on deficiency taxes. Discussion is contained under Note 35 of the 2023 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, the Company implemented a program of manpower rightsizing and corporate restructuring in 2001. Also, the Company will continue to pursue and invigorate its revenue share from Joint Venture Companies, earnings from leased FCA property, and the contracted participation in the Joint Venture's C6 Projects, Pasig River Expressway (PAREX) Project, Quezon-Bicol Expressway (QUBEX)/ South Luzon Toll Road 5 (TR5) Project and Greater Capital Region Integrated Expressway Network (GCRIEN) project. Partnership with PT Citra Lamtoro for the implementation of the Metro Manila Expressway of C6 and Metro Manila Skyway Stage 3 and the completion and commercial operation on

revenue sharing basis for both Project Roads. The revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF. Discussion in detail, is presented under Note 2 of the 2023 Audited Financial Statements.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The default in payment of its TRB loan, the recognition of debts to the NG, pending assessments on tax deficiencies and contingent liabilities with respect to claims and lawsuits from Asiavest Merchant Bankers.

(iii) There are no material off-balance sheet transactions, arrangements.

(iv) There are no material commitments for capital expenditures.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

v.a The continued decline in the construction industry resulted to the Company's incurrence of severe losses from the said operation. Thus, to prevent from suffering greater losses as it had experienced for the last several years, Management decided to veer away with the construction business (since 2002) and focus on its tollways operation.

v.b. The turn over of the North Luzon Tollway operations to the MNTC on February 10, 2005 had affected the revenue generating capacity of the Company.

v.c. The hand-over of the South Luzon Tollway operation to the SLTC on May 02, 2010 likewise had an unfavorable impact on the Company's revenue.

v.d The Supreme Court decision, 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 04, 2009), ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC 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 of the toll fees and the net income derived after May 01, 2007 from the toll assets and facilities, including the Company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

Pending TRB's issuance of the Final Implementing Rules and Guidelines relative to the determination of the net income remittable by the Company to the National Government, the Company receives only the following revenue shares based on TRB's interim guidelines: 10% of 6% share on the MNTC(now

NLEX Corporation) gross revenue; 10% of 3.5% share on the CMMTC (now SMC Skyway Corporation) gross revenue; 10% of 3.00% share on the SLTC (now SMC SLEX, Inc.) gross revenue; and 100% of 2.5% share on the CCEC(now SMC Skyway Stage 3 Corporation) gross revenue. It also receives 10% dividend in the equity share from CMMTC(now SMC Skyway Corporation).

(vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.

(vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

(viii) **Material changes to the Company's Statement of Financial Position as of December 31, 2023 compared to December 31, 2022 (increased/decrease of 5% or more)**

*Cash in*creased by ₱88.245 million or 517.88% from ₱17.040 million as of December 31, 2022 to ₱105.285 million as of December 31, 2023 due to the cash flows used in Company's operating activities and investing activities.

Short term investment increased by ₱498.386 million or 26.29% from ₱1.895 billion as of December 31, 2022 to ₱2.394 billion as of December 31, 2023 due to the cash inflows from operating activities.

Accounts Receivable decreased by ₱48.859 million or 10.86% from ₱449.881 million as of December 31, 2022 to ₱401.021 million as of December 31, 2023 mainly due to the collection of receivables from Joint Ventures partner vis-à-vis the increase in Operating Lease receivable from Financial Center Area (FCA) property.

Inventories - increased by ₱0.630 million or 27.34% from ₱2.305 million as of December 31, 2022 to ₱2.935 million as of December 31, 2023 due mainly to the increase in Office Supplies, Fuel and Oil and Materials Inventory.

Other Assets – Prepayments, increased by ₱12.646 million or 35.23% from ₱35.898 million as of December 31, 2022 to ₱48.544 million as of December 31, 2023 due to the increase in Withholding Tax At Source vis-à-vis decrease in Prepaid Registration.

Investment Property - increased by ₱16.978 billion or 45.70% from ₱37.149 billion as of December 31, 2022 to ₱54.127 billion as of December 31, 2023 due mainly to the gain in fair value of investment property.

*Financial Liabilities – Accounts Payable in*creased by ₱6.620 million or 25.38% from ₱26.086 million as of December 31, 2022 to ₱32.707 million as of December 31, 2023 due to unpaid accounts to suppliers of goods and services that are normally settled within twelve (12) months from the reporting period.

Inter-Agency payable increased by ₱31.724 million or 260.07% from ₱12.198 million as of December 31, 2022 to ₱43.923 million as of December 31, 2023 due to increases in income tax payable, SSS, Philhealth and HDMF liabilities.

Deferred credits/Unearned Revenue/Income - decreased by ₱43.814 million or 48.55% from ₱90.238 million as of December 31, 2022 to ₱46.425 million as of December 31, 2023 mainly due to the application of advance rental on the lease of FCA property.

Deferred Tax Liabilities increased by ₱4.268 billion or 43.49% from ₱9.814 billion as of December 31, 2022 to ₱14.083 billion as of December 31, 2023 mainly due to the deemed tax on the increase in value of investment property.

Stockholder's Equity increased by ₱13.106 billion or 57.35% from ₱22.854 billion as of December 31, 2022 to ₱35.960 billion as of December 31, 2023 as a result of higher comprehensive income in 2023 due to the gain in fair value of investment property.

Material changes to the Company's Statement of Income for the year ended December 31, 2023 compared to the year ended December 31, 2022 (increase/decrease of 5% or more)

*Business Income in*creased by ₱280.060 million or 68.23% from ₱410.492 million as of December 31, 2022 to ₱690.552 million as of December 31, 2023 due to increases in Rental, Dividend, Interest Income and share in JVs Revenue.

*Gains in*creased by 488589106.19% or ₱16.978 billion from ₱0.003 million *as of December 31, 2022 t*o ₱16.978 billion as of December 31, 2023 mainly due to the recognition of the gain in change in fair value of investment property in 2023.

*Other Non-operating Income de*creased by 59.90% or ₱1.182 million from ₱1.974 million *as of December 31, 2022 t*o ₱0.791 million as of December 31, 2023 mainly due reversal of impairment loss on receivables from inactive accounts and other miscellaneous income i.e forfeited bid deposits on sale of scrap and service charges in the disposal of TRB assets.

Personnel Services increased by 7.16% or ₱3.671 million from ₱51.263 million for the year ended December 31, 2022 to ₱54.934 million for the year ended December 31, 2023 due to CPCS implementation effective August 2023.

Maintenance and Other Operating Expenses increased by 20.23% or ₱6.786 million from ₱33.548 million for the year ended December 31, 2022 to ₱40.334 million for the year ended December 31, 2023 due to the increase in Training, Supplies, General Services, Taxes/Duties and Imdemnities.

Non-cash Expenses decreased by 33.44% or ₱1.309 million from ₱3.914 million for the year ended December 31, 2022 to ₱2.606 million for the year ended December

31, 2023 due to the decrease in depreciation expense brought about by COAs circular increasing PPE threshold.

Comprehensive Income (Loss) increased by 19039.28% or ₱12.966 billion from ₱68.099 million for the year ended December 31, 2022 to ₱13.034 billion for the year ended December 31, 2023 due to the recognition of gain in change in fair value of investment property in 2023.

Year End 2022 vs. Year End 2021

Results of Operations

Revenue. Revenue for the year ended December 31, 2022 stood at ₱359.099 million, higher by 85.86% or ₱165.892 million compared to ₱193.207 million for the year ended December 31, 2021. The increase was attributable to the increase in JV Revenue Shares, Rental Income and supply of manpower to SOMCO.

Cost of Services. Cost of services account increased by 65.65% or ₱29.090 million from ₱44.311 million for the year ended December 31, 2021 to ₱73.401 million for the year ended December 31, 2022 due to increase in manpower supply from 204 to 261.

General and Administrative Overhead. Overhead account increased by 9.54% or ₱7.386 million from ₱77.426 million for the year ended December 31, 2021 to ₱84.812 million for the year ended December 31, 2022 due to the accrual of Terminal Leaves of SOMCO employees and increases in Maintenance and Other Operating Expenses such as Travelling Expenses (Local), Gasoline and Oil, Utilities Expenses, Legal Services, Other Professional Services, Security Services and Repairs and Maintenance.

Income from Operation. Income from operation for the year ended December 31, 2022 increased by 136.90% or ₱158.507 million from ₱115.781 million as of December 31, 2021 to ₱274.288 million for the year ended December 31, 2022. Said favorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a balance of ₱64.825 million for the year ended December 31, 2022 compared to ₱3.341 billion for the restated year ended balance of December 31, 2021. The 98.06% decrease was mainly due to the gain from changes in Fair Value of Investment Property in 2021.

Comprehensive Income (Loss). Net Comprehensive Income for the year ended December 31, 2022 amounted to ₱68.099 million compared to the net income of ₱4.062 billion for the year ended December 31, 2021. The variance was mainly due to the gain from changes in Fair Value of Investment Property brought about by appraisal of Investment Property in 2021.

Financial Position

Current Assets. Current assets increased by 14.59% or ₱305.559 million from ₱2.095 billion as of December 31, 2021 to ₱2.401 billion as of December 31, 2022 mainly due to the cash flows provided by the Company's operating and investing activities.

Current Liabilities. Current liabilities increased by 2.20% or ₱233.567 million from ₱10.599 billion as of December 31, 2021 to ₱10.832 billion as of December 31, 2022 mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB) and inter-agency payables.

Stockholder's Equity. Stockholder's Equity as of December 31, 2022 totalled ₱22.854 billion vis-à-vis the stockholders' equity as of December 31, 2021 in the amount of ₱22.789 billion. The increase in the account is attributable to the comprehensive income in 2022.

Presented hereunder is the discussion of the Company's key performance indicators:

Performance Indicators	As of		Explanation
	12/31/2022	12/31/2021 (As Restated)	
Current/Liquidity Ratios ***Current Ratio*** **(Current Assets Divided by Current Liabilities)**	0.22	0.20	This ratio evaluates the ability of the company to pay its current debt promptly. Current ratio of 0.22 as of December 31, 2022 slightly increased from 0.20 as of December 2021 due to cash inflows provided by operating activities.
Solvency Ratios ***Debt to Assets*** **(Total Liabilities Divided by Total Assets)**	47.47%	47.26%	Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts. The ratio increased from 47.26% as of December 31, 2021 to 47.47% as of December 31, 2022 brought mainly by the accrual of the 2% penalty charges on unpaid concession fees.
Debt to Equity **(Total Liabilities Divided by Total Equity)**	90.36%	89.59%	Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and stockholders of the business. The ratio increased from 89.59% as of December 31, 2021 to 90.36% as of December 31, 2022 was brought by the accrual of the 2% penalty charges on unpaid concession fee to the Toll Regulatory Board (TRB) and the corresponding comprehensive income in 2022.
Asset to Equity Ratio (Total Assets Divided by Total Equity)	190.36%	189.59%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The increase in ratio from 189.59% as of December 31, 2021 to 190.36% as of December 31, 2022 was due to the comprehensive income in 2022.
Interest Rate Coverage Ratio (Income Before	1.26	16.74	Determines how easily a company can pay interest on outstanding debt.

Interest/Penalty/Penalty and Taxes Divided by Interest/Penalty)			The ratio decreased from 16.74 as of December 31, 2021 to 1.26 as of December 31, 2022 due to recognition of income resulting from the gain in change in fair value of investment property for the year ended 2021.
Profitability Ratios ***Return on Assets (*Net Income (Loss) Divided by Total Assets)**	0.16%	9.40%	Measures the Company's earnings in relation to all the resources it had at its disposal. The ratio of 9.40% as of December 31, 2021 vis-à-vis the ratio of 0.16% as of December 31, 2022 was the outcome of the income recognition of ₱68.099 million for 2022 as compared with the recognized comprehensive income of ₱4.062 billion for the year ended 2021 due to the recognition of the gain in change in fair value of investment property in 2021 in the amount of ₱ 3.302 billion.
***Return on Equity* (Net Income (Loss) Divided by Total Equity)**	0.30%	17.82%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital. The decrease in the ratio from 17.82% to 0.30% is attributable to the increase in stockholder's equity as a result of higher comprehensive income in 2021 (mainly due to the gain in fair value of investment property).

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. Indicate course of action that the Company has taken or proposes to take to remedy the deficiency.

i.a The Company's inability to settle its outstanding obligations with the Toll Regulatory Board and the National Government brought about by the difficulties in collecting its receivables from various government agencies.

i.b Pending labor cases which consists of those filed against the Company involving dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants, pending appeal by the Company before the National Labor Relation Commission (NLRC).

i.c Pending lawsuits/litigations which consists of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various regional Trial Courts (RTC). Discussion is contained under Note 37 of the 2022 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

i.d Pending assessments on deficiency taxes. Discussion is contained under Note 36 of the 2022 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, the Company implemented a program of manpower rightsizing and corporate restructuring in 2001 and has been pursued gradually until this year. Also, the Company will continue to pursue and invigorate

its revenue share from Joint Venture Companies, earnings from leased FCA property, and the contracted participation in the Joint Venture's C6 Projects, Pasig River Expressway (PAREX) Project, Quezon-Bicol Expressway (QUBEX)/ South Luzon Toll Road 5 (TR5) Project and Greater Capital Region Integrated Expressway Network (GCRIEN) project. Partnership with PT Citra Lamtoro for the implementation of the Metro Manila Expressway of C6 and Metro Manila Skyway Stage 3 and the completion and commercial operation on revenue sharing basis for both Project Roads. The revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF. Discussion in detail, is presented under Note 3 of the 2022 Audited Financial Statements.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The default in payment of its TRB loan, the recognition of debts to the NG, pending assessments on tax deficiencies and contingent liabilities with respect to claims and lawsuits from Asiavest Merchant Bankers and Superlines Transportation Co. Inc.

(iii) There are no material off-balance sheet transactions, arrangements.

(iv) There are no material commitments for capital expenditures.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

v.a. The continued decline in the construction industry resulted to the Company's incurrence of severe losses from the said operation. Thus, to prevent from suffering greater losses as it had experienced for the last several years, Management decided to veer away with the construction business (since 2002) and focus on its tollways operation.

v.b. The turn over of the North Luzon Tollway operations to the MNTC on February 10, 2005 had affected the revenue generating capacity of the Company.

v.c. The hand-over of the South Luzon Tollway operation to the SLTC on May 02, 2010 likewise had an unfavorable impact on the Company's revenue.

v.d The Supreme Court decision, 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 04, 2009), ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC 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 of the toll fees and the net income derived after May 01, 2007 from the toll assets and facilities, including the Company's percentage

share in the toll fees collected by the joint venture companies currently operating the tollways.

Pending TRB's issuance of the Final Implementing Rules and Guidelines relative to the determination of the net income remittable by the Company to the National Government, the Company receives only the following revenue shares based on TRB's interim guidelines: 10% of 6% share on the MNTC(now NLEX Corporation) gross revenue; 10% of 3.5% share on the CMMTC (now SMC Skyway Corporation) gross revenue; 10% of 3.00% share on the SLTC (now SMC SLEX, Inc.) gross revenue; and 100% of 2.5% share on the CCEC(now SMC Skyway Stage 3 Corporation) gross revenue. It also receives 10% dividend in the equity share from CMMTC (now SMC Skyway Corporation).

(vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.

(vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

(viii) **Material changes to the Company's Statement of Financial Position as of December 31, 2022 compared to December 31, 2021 (increased/decrease of 5% or more)**

*Cash de*creased by ₱36.619 million or 68.24% from ₱53.659 million as of December 31, 2021 to ₱17.040 million as of December 31, 2022 due to the cash flows used in Company's operating activities and investing activities.

Short term investment increased by ₱410.211 million or 27.62% from ₱1.485 billion as of December 31, 2021 to ₱1.895 billion as of December 31, 2022 due to the cash inflows from operating activities.

Accounts Receivable decreased by ₱75.048 million or 14.30% from ₱524.928 million as of December 31, 2021 to ₱449.881 million as of December 31, 2022 mainly due to the collection of accounts receivable – trade and rental at Financial Center Area (FCA).

Inventories - decreased by ₱0.730 million or 24.06% from ₱3.036 million as of December 31, 2021 to ₱2.305 million as of December 31, 2022 due mainly to the decrease in Office Supplies, Fuel and Oil and Materials Inventory.

*Financial Liabilities – Accounts Payable in*creased by ₱4.254 million or 19.48% from ₱21.833 million as of December 31, 2021 to ₱26.086 million as of December 31, 2022 due to unpaid accounts to suppliers of goods and services that are normally settled within twelve (12) months from the reporting period.

Inter-Agency payable increased by ₱8.447 million or 225.16% from ₱3.752 million as of December 31, 2021 to ₱12.198 million as of December 31, 2022 due to increases in income tax payable, SSS, Philhealth and HDMF liabilities.

Deferred credits/Unearned Revenue/Income decreased by ₱35.103 million or 28.01% from ₱125.341 million as of December 31, 2021 to ₱90.238 million as of December 31, 2022 mainly due to the application of advance rental on the lease of FCA property vis-à-vis the decrease in the recognized value added tax on the sale of services.

Material changes to the Company's Statement of Income for the year ended December 31, 2022 compared to the year ended December 31, 2021 (increase/decrease of 5% or more)

*Service Income in*creased by ₱34.313 million or 63.02% from ₱54.448 million as of December 31, 2021 to ₱88.761 million in December 31, 2022 mainly due to increase in the supply of manpower to Skyway O&M Corporation.

*Business Income in*creased by ₱177.702 million or 76.34% from ₱232.791 million as of December 31, 2021 to ₱410.492 million as of December 31, 2022 due to increases in Rental, Dividend, Interest Income and share in JVs Revenue.

*Gains de*creased by 100.00% or ₱3.302 billion from ₱3.302 billion *as of December 31, 2021 to* ₱0.003 million as of December 31, 2022 mainly due to the recognition of the gain in change in fair value of investment property in 2021.

Maintenance and Other Operating Expenses increased by 21.54% or ₱5.946 million from ₱27.602 million for the year ended December 31, 2021 to ₱33.548 million for the year ended December 31, 2022 due to the increase in Supplies, General Services, Taxes/Duties and Licenses, transportation and Professional Services.

Cost of Services increased by 65.65% or ₱29.090 million from ₱44.311 million for the year ended December 31, 2021 to ₱73.401 million for the year ended December 31, 2022 due to the increase in the supply of manpower to Skyway O&M Corporation.

Non-cash Expenses decreased by 69.10% or ₱8.755 million from ₱12.670 million for the year ended December 31, 2021 to ₱3.914 million for the year ended December 31, 2022 due to the recognition of impairment losses on receivables, inventories and other investment in 2021.

Comprehensive Income (Loss) decreased by 98.32% or ₱3.994 billion from ₱4.062 billion for the year ended December 31, 2021 to ₱68.099 million for the year ended December 31, 2022 due to the recognition of gain in change in fair value of investment property in 2021.

Year End 2021 vs. Year End 2020

Results of Operations

Revenue. Revenue for the year ended December 31, 2021 stood at ₱3.591 billion, higher by 1580.90% or ₱3.377 billion compared to ₱213.624 million for the year ended December 31, 2020. The increase was mainly attributable to the gain from changes in Fair Value of Investment Property in 2021.

Cost of Services. Cost of services account increased by 5.56% or ₱2.266 million from ₱40.766 million for the year ended December 31, 2020 to ₱43.033 million for the year ended December 31, 2021 due to increase in manpower supply from 168 to 204.

General and Administrative Overhead. Overhead account increased by 5.64% or ₱4.797 million from ₱85.102 million for the year ended December 31, 2020 to ₱89.899 million for the year ended December 31, 2021 due to the recognition of impairment losses on receivables, inventories and other investment.

Income from Operation. Income from operation for the year ended December 31, 2021 increased by P3.370 billion, higher by 3837.97% or ₱3.458 billion as of December 31, 2021 compared to ₱87.810 million as of December 31, 2020. Said favorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a balance of ₱1.533 million for the year ended December 31, 2021 compared to the amount of ₱1.309 million for the restated year ended balance of December 31, 2020. The 17.12% increase was mainly due to the income from reasonable use of property at FCA property.

Comprehensive Income (Loss). Net Comprehensive Income for the year ended December 31, 2021 amounted to ₱.063 billion compared to the net loss of ₱170.192 million for the year ended December 31, 2020. The variance was due to the changes in Fair Value of Investment Property brought about by appraisal of Investment Property in 2021.

Financial Position

Current Assets. Current assets increased by 14.58% or ₱255.750 million from ₱ 1.755 billion as of December 31, 2020 to P2.011 billion as of December 31, 2021 mainly due to the cash flows provided by the Company's operating and investing activities.

Current Liabilities. Current liabilities increased by 2.61% or ₱267.724 million from ₱10.239 billion as of December 31, 2020 to ₱10.506 billion as of December 31, 2021 mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB) and inter-agency payables.

Stockholder's Equity. Stockholder's Equity as of December 31, 2021 totalled ₱22.707 billion vis-a-vis the stockholders' equity as of December 31, 2020 in the

amount of ₱18.056 billion. The increase in the account is attributable to the comprehensive income in 2021.

Presented hereunder is the discussion of the Company's key performance indicators:

Performance Indicators	As of 12/31/2021	As of 12/31/2020 (As Restated)	Explanation
Current/Liquidity Ratios			
Current Ratio **(Current Assets Divided by Current Liabilities)**	0.19	0.17	This ratio evaluates the ability of the company to pay its current debt promptly. Current ratio of 0.19 as of December 31, 2020 slightly increased from 0.17 as of December 2020 due to cash inflows provided by operating activities.
Solvency Ratios			
Debt to Assets **(Total Liabilities Divided by Total Assets)**	47.34%	53.67%	Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts. The ratio increased from 53.67% as of December 31, 2020 to 47.34% as of December 31, 2021 brought by the changes in fair value of investment property as offset by accrual of the 2% penalty charges on unpaid concession fees.
Debt to Equity **(Total Liabilities Divided by Total Equity)**	89.91%	115.83%	Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and stockholders of the business. The ratio of 115.83% as of December 31, 2020 vis-à-vis the ratio of 89.91% as of December 31, 2021 resulted mainly from the comprehensive income in 2021.
Asset to Equity Ratio (Total Assets Divided by Total Equity)	189.91%	215.83%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The increase in ratio from 215.83% as of December 31, 2020 to 189.91% as of December 31, 2021 was due to the comprehensive income in 2021 .
Interest Rate Coverage Ratio (Income Before Interest/Penalty/Penalty and Taxes Divided by Interest/Penalty)	13.40	0.34	Determines how easily a company can pay interest on outstanding debt. The ratio increase from 0.34 as of December 31, 2020 to 13.40 as of December 31, 2021 due to recognition of income resulting from the gain in change in fair value of investment property for the year ended 2021.
Profitability Ratios ***Return on Assets*** **(Net Income (Loss) Divided by Total Assets)**	9.42%	-0.44%	Measures the Company's earnings in relation to all the resources it had at its disposal. The ratio of 9.42% as of December 31, 2021 vis-à-vis the negative ratio of 0.44% as of December 31, 2020 resulted from the incurrence of loss of ₱170.192 million for 2020 compared with the recognized comprehensive income of ₱ 4.063 billion for the year ended 2021 due to the recognition of the gain in change in fair value of investment property in 2021 in the amount of ₱ 3.302 billion and ₱ 0.863 million income tax benefit.
Return on Equity **(Net Income (Loss) Divided by Total Equity)**	17.89%	-0.94%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital. The increase in the ratio from negative ratio 0.94% to 17.89% is attributable to comprehensive income for the year ended December 31, 2021.

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. Indicate course of action that the Company has taken or proposes to take to remedy the deficiency.

i.a The Company's inability to settle its outstanding obligations with the Toll Regulatory Board and the National Government brought about by the difficulties in collecting its receivables from various government agencies.

i.b Pending labor cases which consists of those filed against the Company involving dismissal backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants, pending appeal by the Company before the National Labor Relation Commission (NLRC).

i.c Pending lawsuits/litigations which consists of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various regional Trial Courts (RTC). Discussion is contained under Note 37 of the 2021 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

i.d Pending assessments on deficiency taxes. Discussion is contained under Note 36 of the 2021 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, the Company implemented a program of manpower rightsizing and corporate restructuring in 2001 and has been pursued gradually until 2011. Also, the Company will continue to pursue and invigorate its revenue share from Joint Venture Companies, earnings from leased FCA property, and the contracted participation in the Joint Venture's Skyway Stage 3, C6 Projects, Pasig River Expressway (PAREX) Project, Quezon-Bicol Expressway (QUBEX)/ South Luzon Toll Road 5 (TRS) Project and Greater Capital Region Integrated Expressway Network (GCRIEN) project. Partnership with PT Citra Lamtoro for the implementation of the Metro Manila Expressway of C6 and Metro Manila Skyway Stage 4 and the completion and commercial operation on revenue sharing basis for both Project Roads. The revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF. Discussion in detail, is presented under Note 3 of the 2021 Audited Financial Statements.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The default in payment of its TRB loan, the recognition of debts to the NG, pending assessments on tax deficiencies and contingent liabilities with respect to claims and lawsuits from Asiavest Merchant Bankers and Superlines Transportation Co. Inc.

(iii) There are no material off-balance sheet transactions, arrangements.

(iv) There are no material commitments for capital expenditures.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

v.a The continued decline in the construction industry resulted to the Company's incurrence of severe losses from the said operation. Thus, to prevent from suffering greater losses as it had experienced for the last several years, Management decided to veer away with the construction business (since 2002) and focus on its tollways operation.

v.b. The turnover of the North Luzon Tollway operations to the MNTC on February 10, 2005 had affected the revenue generating capacity of the Company.

v.c. The hand-over of the South Luzon Tollway operation to the SLTC on May 02, 2010 likewise had an unfavorable impact on the Company's revenue.

v.d The Supreme Court decision, in Ernesto 8. 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 04, 2009), ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC 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 of the toll fees and the net income derived after May 01, 2007 from the toll assets and facilities, including the Company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

Pending TRB's issuance of the Final Implementing Rules and Guidelines relative to the determination of the net income remittable by the Company to the National Government, the Company receives only the following revenue shares based on TRB's interim guidelines: 10% of 6% share on the MNTC gross revenue; 10% of 3.5% share on the CMMTC gross revenue; 10% of 3.00% share on the SL TC gross revenue; and 100% of 2.5% share on the CCEC gross revenue. It also receives 10% dividend in the equity share from CMMTC.

(vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.

(vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

(viii) **Material changes to the Company's Statement of Financial Position as of December 2021 compared to December 31, 2020 (increased/decrease of 5% or more)**

Cash increased by ₱31.047 million or 137.30% from ₱22.612 million as of December 31, 2020 to ₱53.659 million as of December 31, 2021 due to the cash flows provided by the Company's operating activities.

Short term investment increased by ₱152.170 million or 11.40% from ₱1.333 billion as of December 31, 2020 to ₱1.485 billion as of December 31, 2021 due to the cash inflows from operating activities.

Accounts Receivable - Loans and Receivable Accounts increased by ₱98.646 million or 59.66% from ₱165.347 million as of December 31, 2020 to ₱263.993 million as of December 31, 2021 mainly due to the increased in uncollected revenue from supply of manpower to Skyway O&M Corporation.

Accounts Receivable - lease receivables decreased by ₱23.776 million or 66.67% from ₱35.664 million as of December 31, 2020 to ₱11.888 million as of December 31, 2021 due mainly to the decreased in uncollected rental at Financial Center Area (FCA) and Porac Pampanga.

Accounts Receivable - other receivables decreased by ₱3.044 million or 17.80% from ₱17.100 million as of December 31, 2020 to ₱14.056 million as of December 31, 2021 due to the decreased in receivable from Officers & Employees and Other receivable offset by an increase in allowance for impairment losses.

Inventories - decreased by ₱0.740 million or 19.60% from ₱3.776 million as of December 31, 2020 to ₱3.036 million as of December 31, 2021 due mainly to the increase in allowance for impairment losses.

Other Current Assets - increased by ₱1.449 million or 5.42% from ₱26.704 million as of December 31, 2020 to ₱28.153 million as of December 31, 2021 due to the increases in withholding tax at source, prepaid registration and prepaid insurance.

Financial Assets - decreased by ₱0.296 million or 28.37% from ₱ 1.043 million as of December 31, 2020 to ₱0.747 million as of December 31, 2021 due to the redemption of PLDT investments offset by increase in market adjustment of Architectural Centre, Inc.

Other Investments - decreased by ₱0.286 million or 11.16% from ₱2.562 million as of December 31, 2020 to ₱2.276 million as of December 31, 2021 due to the recognition of impairment losses for various other investment.

Investment Property - increased by ₱3.302 billion or 9.76% from ₱33.847 billion as of December 31, 2020 to ₱37.149 billion as of December 31, 2021 due to the change in fair value of investment property brought about by appraisal increase in 2021.

Property and Equipment - increased by ₱86.160 million or 45.52% from ₱1.507 billion as of December 31, 2020 to ₱2.193 billion as of December 31, 2021 due to the additional PPE and appraisal increase in 2021.

Deferred tax assets decreased by ₱9.347 million or 27.58% from ₱33.889 million as of December 31, 2020 to ₱24.542 million as of December 31, 2021 due to the decreases

in carry forward benefit of unapplied tax credits and MCIT over regular corporate income tax.

Other Non-Current Assets - decreased by ₱78.356 million or 44.80% from ₱174.905 million as of December 31, 2020 to ₱96.549 million as of December 31, 2021 due to the release of P86.156 million restricted cash held by LBP offset by increase in deferred charges.

Financial Liabilities - Accounts Payable increased by ₱1.321 million or 6.87% from ₱19.233 million as of December 31, 2020 to ₱20.554 million as of December 31, 2021 due to unpaid accounts to suppliers of goods and services that are normally settled within twelve (12) months from the reporting period.

Inter-Agency payable increased by ₱2.600 million or 225.69% from ₱1.152 million as of December 31, 2020 to ₱3.752 million as of December 31, 2021 due to increases in income tax payable, SSS, Philhealth and HDMF liabilities.

Deferred credits increased by ₱5.715 million or 19.29% from ₱229.626 million as of December 31, 2020 to ₱235.341 million as of December 31, 2021 due to the increase in value added tax on the sale of services.

Deferred tax liabilities decreased by ₱766.000 million or 7.24% from ₱10.581 billion as of December 31, 2020 to ₱9.815 billion as of December 31, 2021 due to the decrease in the tax on the fair value adjustment of investment property as offset by the tax on revaluation increment in property.

Equity increased by ₱4.651 billion or 25.76% from ₱18.056 billion as of December 31, 2020 to ₱22.707 billion as of December 31, 2021 due to the comprehensive income in 2021.

Material changes to the Company's Statement of Income for the year ended December 31, 2021 compared to the year ended December 31, 2020 (increase/decrease of 5% or more)

Service Income increased by ₱23.641 million or 7.26% from ₱50.155 million as of December 31, 2020 to ₱53.796 million in December 31, 2021 due to increase in the supply of manpower to Skyway O&M Corporation from 168 to 204 in 2020 and 2021, respectively.

Dividends increased by ₱10.011 million or 44.57% from ₱22.462 million as of December 31, 2020 to ₱32.473 million as of December 31, 2021 due to PLDT dividends and increase in CMMTC's declaration of dividends.

Interest Income decreased by ₱8.232 million or 32.31 % from ₱25.479 million as of December 31, 2020 to '217.247 million in December 31, 2021 due to lower interest rates.

Revenue share in Joint Venture increased by ₱69. 960 million or 84. 83% from ₱82.471 million as of December 31, 2020 to ₱152.431 million in December 31, 2021 due to increases in Toll revenue brought about by easing of pandemic restrictions and opening of Skyway Stage 3 in July 2021.

Other Non-operating Income increased by 17.11% or ₱0.224 million from ₱1.309 million as of December 31, 2020 to ₱1.533 million as of December 31, 2021 primarily due to the payment of rental for the reasonable use of the property in FCA by Dong Feng Motor and various bid deposits offset by reversal of impairment loss on receivable brought about by collection of receivable from inactive accounts and the released of Cash Bond on NLRC case.

Maintenance and Other Operating Expenses decreased by 6.69% or ₱1.980 million from ₱29.582 million for the year ended December 31, 2020 to ₱27.602 million for the year ended December 31, 2021 due to the decrease in General services, taxes, transportation, litigation, communication and training Expenses.
Non-cash Expenses increased by 61.72% or ₱4.757 million from ₱7.708 million for the year ended December 31, 2020 to ₱12.465 million for the year ended December 31, 2021 due to the recognition of impairment losses on receivables, inventories and other investment.

Comprehensive Income (Loss) increased by 2487.30% or ₱4.233 billion from net loss of ₱170.192 million for the year ended December 31, 2020 to ₱ 4.063 billion for the year ended December 31, 2021 due to the recognition of gain in change in fair value of investment property in 2021.

Discussion and Analysis of Material events and Uncertainties

1. There are no known trends, events and uncertainties that will have a material impact on liquidity after the balance sheet date.

2. There are no material off-balance sheet transactions, arrangements, and obligations of the Company with unconsolidated entities during the reporting period.

3. All of the Company's income was earned in the ordinary course of business.

4. The Company's financial risk management objectives and policies are discussed in Note 38 of the December 31, 2023 Notes to Financial Statements.

5. There are no other known trends, events and uncertainties that will have a material impact on the Company's liquidity.

ANNEX "C"

Fwd: Memorandum Circular 28 Submission Portal-Amendment

From <corpsec@pncc.ph>
To Rose Delivios <rosedelivios@pncc.ph>
Date 2024-07-18 10:03

-------- Original Message --------
Subject: Memorandum Circular 28 Submission Portal-Amendment
Date: 2024-07-17 15:09
From: <no-reply@sec.gov.ph>
To: <CORPSEC@PNCC.PH>

The amendment of MC28 for PHILIPPINE NATIONAL CONSTRUCTION CORPORATION with reference number MC28-20240717-0706854-82 has been submitted and will be reviewed and verified by the Company Registration and Monitoring Department. Please regularly check your registered official email address for the result of the review and verification.

Thank you.
(This is a system-generated message. Please do not reply directly to this email.)

ANNEX "C"

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, 2023 and 2022

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.

Before 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.

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MARILOU S. VALLES
Chief, LTDPQAD

FINANCIAL HIGHLIGHTS

I. Comparative Financial Position
(In thousand pesos)

	2023	2022	Increase/ (Decrease)
Assets	61,128,012	43,504,217	17,623,795
Liabilities	25,167,878	20,650,347	4,517,531
Equity	35,960,134	22,853,870	13,106,264

CERTIFICATION P100.00
DOC. STAMP P30.00
REFERENCE NO. 2468 7057
DATE 07-11-24



II. Comparative Results of Operations
(In thousand pesos)

	2023	2022	Increase/ (Decrease)
Income	17,759,126	501,229	17,257,897
Personnel services	54,934	51,263	3,671
Operating expenses	371,726	368,881	2,845
Income before tax	17,332,466	81,085	17,251,381
Income tax expense	4,298,854	13,011	4,285,843
Net income	13,033,612	68,074	12,965,538

SCOPE 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, 2023, 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, 2023, and 2022. Also, we conducted our audits to assess compliance with pertinent laws, rules, and regulations, as well as adherence to prescribed policies and procedures.

AUDITOR'S OPINION

We rendered an adverse opinion on PNCC's financial statements due to the recognition of the unconverted debts as equity, instead of liability, and the non-recognition of interests and other charges thereon resulting in the understatement of total liabilities and overstatement of total equity both by P78.250 billion as of December 31, 2023 and by P76.789 billion as of December 31, 2022. There should have been a deficit of P46.254 billion and P57.828 billion instead of retained earnings of P26.444 billion and P13.409 billion as of December 31, 2023 and 2022, 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 P72.698 billion as of December 31, 2023, unless the Office of the President of the Republic of the Philippines reconsiders its decision on the matter.

OTHER SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. The unrecorded service concession assets pertaining to Metro Manila Skyway projects of the PNCC resulted in the understatement of assets and liabilities, contrary to Philippine Accounting Standard (PAS) 1.

   We recommended that Management:

   a) Adopt the applicable accounting standard for the service concession agreement where the grantor is the government;

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Chief, LTDPQAD

b) Determine the fair value of the service concession assets to be recognized in the books of accounts; and

c) Recognize in the books of accounts the service concession assets and the related liability.

2. The completeness of PNCC's revenue share amounting to P356.684 million for CY 2023, remitted by the JV Companies operating the SLEX, NLEX, Skyway, and Skyway Stage 3, could not be ascertained due to lack of verifiable data/information, as the basis for the computation of such share.

   We reiterated our previous years' recommendation that Management pursue persistent efforts to obtain the documents used as the basis in the computation of the revenue share of PNCC and validate the same. Further, furnish the Audit Team with the subject documents and results of validation.

3. The non-payment of concession fees to the National Government amounting to P7.334 billion (principal of P1.060 billion plus penalty charges aggregating P6.274 billion), is not in compliance with Clause 2 of the Toll Operation Agreement (TOA), resulting in the incurrence of annual penalty charges of at least P258 million.

   We reiterated our prior year's recommendations that Management:

   a) Develop a payment plan duly approved by the Board of Directors, for the settlement of unpaid concession fees to the NG; and

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

4. Non-recognition of the provision arising from judgment award for a money claim against PNCC resulted in the understatement of liabilities, contrary to Paragraph 14 of PAS No. 37.

   We recommended that Management recognize a provision for a money claim against PNCC as decided under COA CP Decision No. 2023-322 dated October 26, 2023, in relation to the Supreme Court decision which became final and executory on June 2, 2016.

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2023, 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	4	172.468
NDs affirmed in the decision rendered by the COA CGS Cluster Director. Petition for Review filed with the COA Commission Proper	18	152.206
NDs with Notice of Finality of Decision and COA Order of Execution	15	143.877
Total	**37**	**468.551**

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 47 prior years' recommendations, 26 were implemented/reconsidered and the remaining 21 were not implemented but reiterated in Part II of this Report. Details are presented in Part III of this Report.

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MARILOU S. VALLES
Chief, LTDPQAD

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MARILOU S. VALLES
Chief, LTDPOAD

PART I

AUDITED FINANCIAL STATEMENTS

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MARILOU S. VALLES
Chief, LTDPQAD

PART II

OBSERVATIONS AND RECOMMENDATIONS

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

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, 2023, and 2022, 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, 2023 and 2022, 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 P78.250 billion and P76.789 billion as of December 31, 2023, and 2022, respectively, as shown in the Statement of Accounts issued by Privatization and Management Office (PMO) and the Status of Bureau of Treasury (BTr) Advances issued by the BTr both as of December 31, 2023, and 2022. 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 P78.250 billion as of December 31, 2023, and by P76.789 billion as of December 31, 2022. Further, there should have been a deficit of P46.254 billion and P57.828 billion instead of retained earnings of P26.444 billion and P13.409 billion as of December 31, 2023, and 2022, respectively.

We conducted our audits in accordance with the 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 Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our 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 an adverse opinion.

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MARILOU S. VALLES
Chief, LIDPOAD

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 in debts were not converted into equity due to insufficient authorized capital. These debts were eventually transferred to the National Government (NG) through the Asset Privatization Trust, now PMO, pursuant to Proclamation No. 50 issued in 1986 and serviced by the 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 Republic of the Philippines on July 27, 2015. On May 19, 2022, the OP of the Republic of the Philippines 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 of the Republic of the Philippines, which to date, is still pending with the OP of the Republic of the Philippines.

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 was 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.

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MARILOU S. VALLES
Chief, LTDPOAD

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, 2023, 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, 2023, 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.

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MARILOU S. VALLES
Chief, LIDPQAD

- 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 required under Revenue Regulation No. 15-2010 in Note 39 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

Atty. DENNIS CRC DE LEON
OIC-Supervising Auditor

May 14, 2024

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MARILOU S. VALDEZ
Chief, LIDAD-QAD

ANNEX "C"

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, 2023 and 2022, 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 MAY 14 2024 day of _____ 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

Doc. No. 509
Page No. 102
Book No. XXXIX
Series of 2024

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MARILOU S. VALLES
Chief, LTDPQAD

ATTY. IRENE S. PRECION
Notary Public for Taguig City
Appointment No. 23 (2023-2024)
Roll No. 69281 / IBP No. 257476/12.29.23
PTR No. A-81 / Taguig City
MCLE Compliance No. ... valid until 04-14-25
Ground Floor FTI Cle... Bldg. FTI Complex, Taguig City
... 09989534545

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022
(In Philippine Peso)

	Notes	2023	2022
ASSETS			
Current Assets			
Cash	3.3, 6	**105,285,346**	17,039,889
Other investments	7	**2,393,832,366**	1,895,446,414
Receivables, net	3.3, 8	**401,021,251**	449,880,614
Inventories	3.8, 9	**2,935,458**	2,305,270
Other current assets	10	**48,543,866**	35,898,048
		2,951,618,287	2,400,570,235
Non-Current Assets			
Financial Assets	3.10, 11	**771,970**	771,970
Investments in Subsidiaries	3.10, 12	**61,200,000**	61,200,000
Investments in Joint Venture	3.10, 13	**1,485,816,700**	1,485,816,700
Other Investments	3.10, 14	**2,275,883**	2,275,883
Receivables	3.3, 8	**98,491,690**	98,469,394
Investment property	3.11, 15	**54,126,958,000**	37,148,652,772
Property and equipment, net	3.12, 16	**2,288,066,955**	2,194,163,820
Deferred tax assets	3.21, 33	**24,542,414**	24,542,414
Other non-current assets, net	17	**88,269,913**	87,754,118
		58,176,393,525	41,103,647,071
TOTAL ASSETS		**61,128,011,812**	43,504,217,306
LIABILITIES			
Current Liabilities			
Financial liabilitiles	18	**32,706,528**	26,086,333
Other financial liabilities	19	**10,838,018,016**	10,580,015,616
Inter-agency payables	20	**43,922,648**	12,198,395
Trust liabilities	21	**120,345,199**	123,602,523
Deferred credits/unearned income	22	**46,424,528**	90,238,139
		11,081,416,919	10,832,141,006
Non-Current Liabilities			
Deferred tax liabilities	3.21,33	**14,082,671,258**	9,814,416,871
Trust liabilities	21	**3,789,629**	3,789,629
		14,086,460,887	9,818,206,500
TOTAL LIABILITIES		**25,167,877,806**	20,650,347,506
EQUITY		**35,960,134,006**	22,853,869,800
TOTAL LIABILITIES AND EQUITY		**61,128,011,812**	43,504,217,306

The notes on pages 10 to 84 form part of these financial statements.

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MARILOU S. VALLES
Chief, LIDFQAD

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Notes	2023	2022
Income			
Service and business income	3.17, 26	**779,859,698**	499,252,647
Gains	27	**16,978,474,916**	3,475
Other non-operating income	3.17, 28	**791,444**	1,973,510
		17,759,126,057	501,229,632
Expenses			
Personnel services	3.18, 29	**54,933,955**	51,263,382
Maintenance and other operating expenses	3.18, 30	**40,333,927**	33,548,262
Financial expenses			
Penalty charges on unpaid concession fee	3.19, 19	**258,002,400**	258,002,200
Bank charges	3.18	**7,210**	15,281
Direct costs	3.18, 31	**70,777,142**	73,401,117
Non-Cash Expenses	32	**2,605,517**	3,914,352
		426,660,151	420,144,594
Income Before Tax		**17,332,465,906**	81,085,038
Income tax expense	3.21	**4,298,854,050**	13,011,277
Net Income		**13,033,611,856**	68,073,761
Other Comprehensive Income	34	**0**	25,000
Total Comprehensive Income		**13,033,611,856**	68,098,761

The notes on pages 10 to 84 form part of these financial statements.

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MARILOU S. VALLES
Chief, LTDPQAD

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Note	Share Capital (Notes 3.16, 23)	Share Premium (Note 3.16)	Equity Adjustment-Loans Transferred to National Gov't (Note 25)	Subscriptions Receivable (Note 24)	Treasury Stock (Notes 3.16, 23)	Revaluation Surplus (Note 3.12)	Retained Earnings (Note 3.16)	Accumulated Other Comprehensive Income (loss)	TOTAL
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 income for the year		0	0	0	0	0	0	68,073,761	0	68,073,761
Other comprehensive income										
Unrealized loss on financial asset at FVOCI		0	0	0	0	0	0	0	25,000	25,000
Other adjustments										
Expiration of 2019 minimum corporate income ta		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
Changes in equity for 2023										
Add (Deduct):										
Comprehensive income for the year		0	0	0	0	0	0	13,033,611,856	0	13,033,611,856
Other comprehensive income for the year										
Movement in revaluation increment, net of tax		0	0	0	0	0	72,217,590	0	0	72,217,590
Other adjustments										
Piecemeal realization of revaluation increment		0	0	0	0	0	(1,739,040)	1,739,040	0	0
Reduction in deferred tax liability		0	0	0	0	0	434,760	0	0	434,760
Balance at December 31, 2023		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,706,972,962	26,444,446,923	(49,000)	35,960,134,006

The notes on pages 10 to 84 form part of these financial statements.

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MARILOU S. VALLES
Chief, LTDPQAD

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Notes	2023	2022
CASH INFLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of income/revenue		**590,584,797**	373,558,809
Collection of receivable		**122,627,847**	154,032,494
Trust receipts		**0**	914,750
Other receipts		**3,543,413**	1,639,134
Total Cash Inflows		**716,756,057**	530,145,187
Cash Outflows			
Payment of expenses		**126,852,161**	122,350,020
Release of inter-agency fund transfers		**91,286,304**	58,618,011
Remittance of personnel contribution and mandatory deductions		**27,718,977**	25,124,771
Purchase of inventories		**2,537,028**	2,249,433
Grant of cash advances		**2,382,932**	2,650,498
Prepayments		**944,688**	2,282,643
Other disbursements		**629,033**	1,021,955
Total Cash Outflows		**252,351,123**	214,297,331
Net Cash Provided by Operating Activities		**464,404,934**	315,847,856
CASH INFLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from redemption of Investment		**321,568,653**	257,959,004
Receipt of cash dividends	26.4	**50,245,512**	41,964,567
Proceeds from sale of other assets		**9,460**	90,750
Receipt of interest earned		**16,899**	21,279
Total Cash Inflows		**371,840,524**	300,035,600
Purchase of investments		**748,000,000**	648,000,000
Purchase of property and equipment		**0**	4,502,161
Total Cash Outflows		**748,000,000**	652,502,161
Net Cash Used in Investing Activities		**(376,159,476)**	(352,466,561)
NET INCREASE/(DECREASE) IN CASH		**88,245,458**	(36,618,705)
CASH AT BEGINNING OF THE YEAR		**17,039,888**	53,658,594
CASH AT END OF YEAR	6	**105,285,346**	17,039,889

The notes on pages 10 to 84 form part of these financial statements.

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MARLOU S. VALLES
Chief, LTDPQAD

b) Determine the fair value of the service concession assets to be recognized in the books of accounts; and

c) Recognize in the books of accounts the service concession assets and the related liability.

2. The completeness of PNCC's revenue share amounting to P356.684 million for CY 2023, remitted by the JV Companies operating the SLEX, NLEX, Skyway, and Skyway Stage 3, could not be ascertained due to lack of verifiable data/information, as the basis for the computation of such share.

   We reiterated our previous years' recommendation that Management pursue persistent efforts to obtain the documents used as the basis in the computation of the revenue share of PNCC and validate the same. Further, furnish the Audit Team with the subject documents and results of validation.

3. The non-payment of concession fees to the National Government amounting to P7.334 billion (principal of P1.060 billion plus penalty charges aggregating P6.274 billion), is not in compliance with Clause 2 of the Toll Operation Agreement (TOA), resulting in the incurrence of annual penalty charges of at least P258 million.

   We reiterated our prior year's recommendations that Management:

   a) Develop a payment plan duly approved by the Board of Directors, for the settlement of unpaid concession fees to the NG; and

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

4. Non-recognition of the provision arising from judgment award for a money claim against PNCC resulted in the understatement of liabilities, contrary to Paragraph 14 of PAS No. 37.

   We recommended that Management recognize a provision for a money claim against PNCC as decided under COA CP Decision No. 2023-322 dated October 26, 2023, in relation to the Supreme Court decision which became final and executory on June 2, 2016.

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MARILOU S. VALLES
Chief, LTDPQAD

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   We recommended that Management recognize a provision for a money claim against PNCC as decided under COA CP Decision No. 2023-322 dated October 26, 2023, in relation to the Supreme Court decision which became final and executory on June 2, 2016.

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MARILOU S. VALLES
Chief, LIDPQAD

- 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 required under Revenue Regulation No. 15-2010 in Note 39 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

Atty. DENNIS CRC DE LEON
OIC-Supervising Auditor

May 14, 2024

ANNEX "C"

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, 2023 and 2022, 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 MAY 14 2024 day of _____ 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

Doc. No. 509
Page No. 102
Book No. XXXIX
Series of 2024

ATTY. ISIDRO S. PRECION
Notary Public for Taguig City
Appointment No. 23 (2023-2024)
Roll No. 69281/08.31.17 / IBP No. 257478/12.29.23
PTR No. A-61 [illegible] 01.02.24/Taguig City
MCLE Compliance No. VII-0020815 valid until 04-14-25
Ground Floor FTI Old Admin. Bldg. FTI Complex, Taguig City
[illegible] 09988534549

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022
(In Philippine Peso)

	Notes	**2023**	2022
ASSETS			
Current Assets			
Cash	3.3, 6	**105,285,346**	17,039,889
Other investments	7	**2,393,832,366**	1,895,446,414
Receivables, net	3.3, 8	**401,021,251**	449,880,614
Inventories	3.8, 9	**2,935,458**	2,305,270
Other current assets	10	**48,543,866**	35,898,048
		2,951,618,287	2,400,570,235
Non-Current Assets			
Financial Assets	3.10, 11	**771,970**	771,970
Investments in Subsidiaries	3.10, 12	**61,200,000**	61,200,000
Investments in Joint Venture	3.10, 13	**1,485,816,700**	1,485,816,700
Other Investments	3.10, 14	**2,275,883**	2,275,883
Receivables	3.3, 8	**98,491,690**	98,469,394
Investment property	3.11, 15	**54,126,958,000**	37,148,652,772
Property and equipment, net	3.12, 16	**2,288,066,955**	2,194,163,820
Deferred tax assets	3.21, 33	**24,542,414**	24,542,414
Other non-current assets, net	17	**88,269,913**	87,754,118
		58,176,393,525	41,103,647,071
TOTAL ASSETS		**61,128,011,812**	43,504,217,306
LIABILITIES			
Current Liabilities			
Financial liabilitiles	18	**32,706,528**	26,086,333
Other financial liabilities	19	**10,838,018,016**	10,580,015,616
Inter-agency payables	20	**43,922,648**	12,198,395
Trust liabilities	21	**120,345,199**	123,602,523
Deferred credits/unearned income	22	**46,424,528**	90,238,139
		11,081,416,919	10,832,141,006
Non-Current Liabilities			
Deferred tax liabilities	3.21,33	**14,082,671,258**	9,814,416,871
Trust liabilities	21	**3,789,629**	3,789,629
		14,086,460,887	9,818,206,500
TOTAL LIABILITIES		**25,167,877,806**	20,650,347,506
EQUITY		**35,960,134,006**	22,853,869,800
TOTAL LIABILITIES AND EQUITY		**61,128,011,812**	43,504,217,306

The notes on pages 10 to 84 form part of these financial statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Notes	**2023**	2022
Income			
Service and business income	3.17, 26	**779,859,698**	499,252,647
Gains	27	**16,978,474,915**	3,475
Other non-operating income	3.17, 28	**791,444**	1,973,510
		17,759,126,057	501,229,632
Expenses			
Personnel services	3.18, 29	**54,933,955**	51,263,382
Maintenance and other operating expenses	3.18, 30	**40,333,927**	33,548,262
Financial expenses			
Penalty charges on unpaid concession fee	3.19, 19	**258,002,400**	258,002,200
Bank charges	3.18	**7,210**	15,281
Direct costs	3.18, 31	**70,777,142**	73,401,117
Non-Cash Expenses	32	**2,605,517**	3,914,352
		426,660,151	420,144,594
Income Before Tax		**17,332,465,906**	81,085,038
Income tax expense	3.21	**4,298,854,050**	13,011,277
Net Income		**13,033,611,856**	68,073,761
Other Comprehensive income	34	**0**	25,000
Total Comprehensive Income		**13,033,611,856**	68,098,761

The notes on pages 10 to 84 form part of these financial statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Note	Share Capital (Notes 3.16, 23)	Share Premium (Note 3.16)	Equity Adjustment-Loans Transferred to National Gov't (Note 25)	Subscriptions Receivable (Note 24)	Treasury Stock (Notes 3.16, 23)	Revaluation Surplus (Note 3.12)	Retained Earnings (Note 3.16)	Accumulated Other Comprehensive Income (loss)	TOTAL
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 income for the year		0	0	0	0	0	0	68,073,761	0	68,073,761
Other comprehensive income										
Unrealized loss on financial asset at FVOCI		0	0	0	0	0	0	0	25,000	25,000
Other adjustments										
Expiration of 2019 minimum corporate income ta		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
Changes in equity for 2023										
Add (Deduct):										
Comprehensive income for the year		0	0	0	0	0	0	13,033,611,856	0	13,033,611,856
Other comprehensive income for the year										
Movement in revaluation increment, net of tax		0	0	0	0	0	72,217,590	0	0	72,217,590
Other adjustments										
Piecemeal realization of revaluation increment		0	0	0	0	0	(1,739,040)	1,739,040	0	0
Reduction in deferred tax liability		0	0	0	0	0	434,760	0	0	434,760
Balance at December 31, 2023		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,706,972,962	26,444,446,923	(49,000)	35,960,134,006

The notes on pages 10 to 84 form part of these financial statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Notes	**2023**	2022
CASH INFLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of income/revenue		**590,584,797**	373,558,809
Collection of receivable		**122,627,847**	154,032,494
Trust receipts		**0**	914,750
Other receipts		**3,543,413**	1,639,134
Total Cash Inflows		**716,756,057**	530,145,187
Cash Outflows			
Payment of expenses		**126,852,161**	122,350,020
Release of inter-agency fund transfers		**91,286,304**	58,618,011
Remittance of personnel contribution and mandatory deductions		**27,718,977**	25,124,771
Purchase of inventories		**2,537,028**	2,249,433
Grant of cash advances		**2,382,932**	2,650,498
Prepayments		**944,688**	2,282,643
Other disbursements		**629,033**	1,021,955
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Net Cash Provided by Operating Activities		**464,404,934**	315,847,856
CASH INFLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from redemption of Investment		**321,568,653**	257,959,004
Receipt of cash dividends	26.4	**50,245,512**	41,964,567
Proceeds from sale of other assets		**9,460**	90,750
Receipt of interest earned		**16,899**	21,279
Total Cash Inflows		**371,840,524**	300,035,600
Purchase of investments		**748,000,000**	648,000,000
Purchase of property and equipment		**0**	4,502,161
Total Cash Outflows		**748,000,000**	652,502,161
Net Cash Used in Investing Activities		**(376,159,476)**	(352,466,561)
NET INCREASE/(DECREASE) IN CASH		**88,245,458**	(36,618,705)
CASH AT BEGINNING OF THE YEAR		**17,039,888**	53,658,594
CASH AT END OF YEAR	6	**105,285,346**	17,039,889

The notes on pages 10 to 84 form part of these financial statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
NOTES TO 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 PNCC 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) No. 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 No. 1113 was amended by PD No. 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 PNCC another period of 30 years "from the completion of the project."

On May 7, 1981, Letter of Instruction (LOI) No. 1136 was issued mandating the National Development Company (NDC) to invest in the PNCC by way of capital infusion in the amount of P250 million.

On February 23, 1983, then President Ferdinand E. Marcos issued LOI No. 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 No. 1295, the GFIs became the majority stockholder of CDCP.

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

On December 7, 1983, the SEC approved the increase of the PNCC's authorized capital stock from P1.6 billion to P2.7 billion following LOI No. 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 on the Board of Directors of the PNCC and participated in its management.

In 1986, under Proclamation No. 50, the PNCC 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.

Under LOI Nos. 1136 and 1295, 55.72 per cent of the PNCC's equity was held by the APT (now the Privatization Management Office or PMO), which was created on December 8, 1986, under 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 PNCC's equity is under private ownership.

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

From 1987 to 2001, the PNCC still engaged in the 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 PNCC 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 PNCC 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, under Executive Order No. 148, the PNCC was attached, "for policy and program coordination and 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 PNCC was placed under and attached to the Department of Trade and Industry (DTI) “pending privatization”.

In February 2006, the PNCC entered into a JVA with Malaysian Corporation MTD Manila Expressways, Inc. (MTDME) and formed its joint venture company South Luzon Tollway Corporation (SLTC). Under the STOA entered into with the Toll Regulatory Board (TRB) and the PNCC, 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 tolls 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 PNCC for the O&M of the SLEX. The said authority from TRB, pursuant to its powers under its charter (PD No. 1112), allowed the PNCC 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 PNCC entered into a Memorandum of Agreement (MOA) with CMMTC and PSC where the PNCC was to have been provided P2 million by CMMTC for the PNCC to subscribe to the par value of 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 PNCC, wherein the PNCC subscribed to 12,500 shares from the unissued portion of the 150,000 shares authorized capital stock (with a 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 an increase in capital of ASDI, and in the same year, the PNCC 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 PNCC. The PNCC 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, according 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 PNCC's franchise, the toll assets and facilities of the PNCC 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 PNCC'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 PNCC to the NG. An interim rules and guidelines were issued on March 9, 2012, 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 SLEX, NLEX, and Skyway in accordance with the *Francisco Case*. The PNCC 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 PNCC'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 2, 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 PNCC 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 PNCC 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 2, 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 PNCC, 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 PNCC is in the process of abolishing the five subsidiaries.

In August 2013, CDCP founder, Rodolfo M. Cuenca, filed a case against the TRB, COA, PNCC, MNTC, and MATES, seeking the remittance of revenues and dividends on the toll road projects to the PNCC 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 PNCC 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 PNCC’s Board of Directors from implementing the said Performance Agreement. The PNCC is not impleaded as a party to the case filed by Forum.

Under Republic Act 10149, the PNCC 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 PNCC’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 PNCC is Km. 15, East Service Road, Bicutan, Parañaque City.

2. NEW PROJECTS AND OTHER SIGNIFICANT INFORMATION

The PNCC holds updated partnerships for new Toll Road projects. The projects will enable the PNCC 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 that 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 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 (km)
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 PNCC submitted to TRB an Updated Joint Venture Investment Proposal for the said project under 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 the MMS Stage 3 Project.

On January 9, 2012, CITRA and the PNCC 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 PNCC 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 PNCC and can never be diluted; while the other 10 per cent is to be paid for. In case of the PNCC's inability to fund the 10 per cent, CITRA needs to get the PNCC'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 PNCC 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 the 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 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 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

   Section 2 of the project (C-5/Diego Silang to C-6/Taguig) designed alignment was changed and realigned due to the 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 a 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 PNCC with the following:

- 20 per cent equity in CITI, 10 per cent of which is “Free Carry” i.e. not paid for by the PNCC and can never be diluted. In case of the PNCC’s inability to fund the 10 per cent, CITRA needs to get the PNCC’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 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 the Department of Public Works and Highways (DPWH).

Project Status as of December 2023:

- Overall Percentage Completion (Section 1: Skyway FTI to C5/Diego Silang) = 3.28%
- Workable area along C5 (Section 1: Pier 61 to 66) = 99% completed
- Additional workable area (with Right of Way) = Section 1: Pier 67 to 71
- Ongoing ROW acquisition by DPWH
- Detailed Engineering Design (DED) for Section 1A Realignment approved by TRB. No available workable area for construction activities.
- DED for Section 2 Realignment = 97% accomplishment
  - Highway Drawing submitted to TRB, as approved by Independent Consultant (IC)
  - Structural DED partially approved by IC, with ongoing revisions

Revenue Shares from MMS Stage 3 and MME Stage 4 Projects

The PNCC 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 the 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 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 was 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 PARExp Project.

PNCC, SMHC, and the Government through the TRB negotiated the terms and conditions of the 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, 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 as of December 2023:

- Ongoing DED Services at 88.98% accomplishment
- Granted 6 months extension of DED submission
- On-going Environment Compliance Certificate (ECC) application
- Notice of Award (NOA) issued to Pertconsult International as an Independent Consultant

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

The Qubex or TR5 Project starts at the endpoint 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 under 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, 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 as of December 2023:

- On-going DED Services for Segment 1 (Lucena to Gumaca) at 98.50% accomplishment

- Granted 1-year extension for DED submission
- On-going ROW Research and Survey

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 extends towards Valenzuela, Malabon, Navotas, Obando, and Bulakan, approximately traversing the alignment of the 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.

- Approximately 136.4 km expressway
- Mixed at-grade and elevated viaduct
- Northern Access to NMIA: from Metro Manila Skyway Stage 3 (MMSS3) in Balintawak in Caloocan to Tarlac City (with access to TPLEX).

Phase 1	**MMSS3 Balintawak to Tarlac City**	
Section 1:	MMSS3 Balintawak to NMIA (elevated)	19.4 km
Section 2:	NMIA to Tarlac City (TPLEX) (at-grade)	117 km
***Phase 2**	**Masantol to Tarlac City**	69.2 km

**Note: Demand-driven expansion*

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

- Mixed Elevated Viaduct and embankment
- Approximate 40.62 km in length
- CAVITEX/NAIAX to NMIA via Western Shoreline, with connection to PAREX and MMSS3: through Buendia, Quirino, and C3 (Sgt. Rivera)

Section 1	**MMSS3 (C3/Sgt. Rivera) to R10**	4.49 km
Section 2		
Segment 1A:	NMIA to PAREX	16.42 km
Segment 1B:	PAREX to CAVITEX (via Ayala Bridge)	8.87 km
Segment 2:	Quirino (connection to MMSS3)	1.97 km
Segment 3:	Buendia (NAIAX-MMSS3-EDSA)	8.87 km
TOTAL		40.62 km

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 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 was 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, Executive Secretary Salvador Medialdea informed TRB Executive Director Alvin A. Carullo that the STOA covering the proposed NALEX and SALEX Projects respectively has been approved by the President of the Republic of the Philippines.

Project Status as of December 2023:

Northern Access Link Expressway:

- Independent Consultant (IC) Contract awarded to Renardet-UICI Joint Venture
- On-going Detailed Engineering Design (DED) and Studies at 29.41% accomplishment
- Granted extension for DED submission
    - Phase 1 Section 1: 6 months
    - Phase 1 Section 2: 1 year
- On-going ROW Research and Survey
- On-going Advance Works (15 Piers: Metro Manila Skyway Stage 3 MMSS3 to Tullahan)
    - Detailed Engineering Design completed
    - Substructure completion (foundation to coping beam)
    - 80.1% accomplishment (substructure to superstructure works)
    - Installed UB Girders from Span 00 to Span 02

North Luzon Expressway (NLEX) issued a No Objection to resume works in the Balintawak area.

Southern Access Link Expressway:

- On-going DED Services at 86.37% accomplishment
- Granted 1-year extension for DED submission

- Advance works along Radial Road 10:
    - Completed 20/20 bored piles and columns
    - To construct an additional 10 bored piles along Navotas
- Approved Independent Consultant by TRB: TCGI Engineers
- On-going ROW Research and Survey

10 per cent Revenue Share from Toll Fee Collections and 10 per cent share in Declared Dividends from Joint Venture Companies (JVCs)

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

The PNCC 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 PNCC earned total revenue shares from the abovementioned JVCs in the amounts of P352.951 million and P284.272 million in 2023 and 2022, respectively (Note

26.3), while it earned dividends from CMMTC amounting to P49.668 million and P41.390 million in 2023 and 2022, respectively (Note 26.4).

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 PNCC 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 P160.714 million and P54.783 million in 2023 and 2022, respectively (Note 26.2).

On August 1, 2023, the PNCC took over the lease and maintenance of the FCA Seaside Dampa Market and Restaurant with varied rates ranging from P200 to P3,220 daily. Total rent income amounted to P36.631 million.

Equity Participation in CMMTC

It is the position of the PNCC that it has equity participation in CMMTC based on PD No. 1894 and pursuant to the provisions of the SMMS STOA dated November 27, 1995, which

was approved by then President Fidel V. Ramos. While the PNCC's franchise expired on May 1, 2007, Section 2 of PD No. 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 the 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 No. 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 No. 1894 assets, facilities, and shares are still held by PNCC." It is also the opinion of the Department of Justice (DOJ) that the PNCC still has a subsisting non-exclusive legislative franchise under PD No. 1894 and that only assets "that are related to its franchise under PD No. 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 in February 2012. However, in 2013, after having secured the opinions of both the OGCC and the DOJ regarding the validity of PD No. 1894, the PNCC 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, which has referred the matter to their legal counsel. On the other hand, the Department of Finance (DOF) has requested clarification on the matter from the DOJ. Meanwhile, the shares remain in the name of the PNCC.

The PNCC shares in CMMTC are worth P551.87 million which is equivalent to 8.11 per cent of the total outstanding shares of CMMTC. The dividends and revenue shares from 2008 to 2023 amount to P6.412 billion of which the PNCC received 10 per cent or P641.164 million pursuant to the interim rules and guidelines issued by the TRB. However, it is the position of the PNCC that all revenue and dividends arising from its investment in CMMTC belong to the PNCC.

<u>Issuance of Final Implementing Rules and Guidelines (IRG) by the TRB</u>

A Supreme Court Resolution clarifying the automatic remittance to the NG of the toll fees and net income derived from the PNCC's toll assets and facilities was issued in relation to the *Francisco Case*. The Resolution directed the TRB, with the assistance of the Commission on Audit (COA), to "prepare and finalize the IRG 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 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 PNCC 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 PNCC while 90 per cent goes to the National Treasury. The IRG also stated that if the 10 per cent is more than what is allowed by the guidelines, the PNCC 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 PNCC that the “determination of the net income remittable by it to the National Government” should deduct penalty charges on unpaid concession fees amounting to P258 million per year as part of its administrative expenses.

In March 2013, the PNCC proposed to TRB that overhead and administrative expenses plus the penalty charges be deducted from gross revenue from the Joint Venture Agreements Income 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 PNCC’s position on the computation of the net income to be remitted to the NG was sent. The PNCC has booked penalty charges on unpaid concession fees from 2010 to 2023 amounting to P6.274 billion.

The PNCC is still awaiting the issuance of the Final IRG from TRB.

Debt of P5.552 Billion Remained Unconverted to Equity

The PNCC’s debt of P5.552 billion which remained unconverted to equity is treated as part of equity in the PNCC’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 P72.698 billion and P71.237 billion as of December 31, 2023 and 2022 were not taken up in the PNCC’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) No. 1295 confirming that the P5.552 billion is no longer a debt but equity. The Office of the Solicitor General (OSG) and the OGCC have concurred with this ruling.

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

On February 18, 2014, the DOJ dismissed the PNCC’s petition against the PMO. The PNCC 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 PNCC 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 PNCC filed a Notice of Appeal with the Office of the President (OP) of the Republic of the Philippines and filed the corresponding Appeal Memorandum on July 27, 2015.

On May 19, 2022, the OP of the Republic of the Philippines promulgated its Decision ruling in favor of the PMO, ordering the PNCC to pay the principal amount plus accrued interests and penalties and to reimburse the amount of the mortgage loan including interest thereon. The PNCC filed an MR of the Decision on July 22, 2022.

On February 16, 2023, the PNCC filed a Supplemental MR.

Awaiting resolution/action of the OP of the Republic of the Philippines on PNCC’s MR.

Payment of PNCC's Obligation to the National Government

The PNCC sent a letter dated July 21, 2015, to the OP of the Republic of the Philippines 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 PNCC is awaiting the decision of the OP of the Republic of the Philippines.

In December 2016, the PNCC 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 19.3).

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Presentation of Financial Statements

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

3.2 Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the PNCC 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 for the years ended December 31, 2023, and 2022, were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on February 8, 2024.

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

The PNCC 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 the observable market, the PNCC 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 the 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 PNCC determines the appropriate method of recognizing the ‘Day 1’ difference amount.

Financial Assets

The PNCC 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 PNCC’s cash, other investments, and receivables are included under this category (Notes 6, 7, and 8).

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 expenses 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 the inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

Financial Liabilities

The PNCC classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The PNCC 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 the 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 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 the amortization process.

This accounting policy applies primarily to financial liabilities (other than statutory liabilities), long-term debt, and other noncurrent liabilities (Notes 18, 19, 20, and 21).

3.4 Impairment of Financial Assets at Amortized Cost and FVOCI

The PNCC records an allowance for “expected credit loss” (ECL). ECL is based on the difference between the contractual cash flows due to the contract and all the cash flows that the PNCC expects to receive. The difference is then discounted at an approximation to the asset’s original effective interest rate.

For trade receivables, the PNCC has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The PNCC 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 PNCC 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.

3.5 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 PNCC 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 PNCC 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 PNCC 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 PNCC’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 PNCC could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, canceled, 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 PNCC could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and the 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 cases, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

3.6 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 an 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 as gross in the statements of financial position.

3.7 Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as a 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 PNCC; 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 PNCC 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.

3.8 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.

3.9 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.

3.10 Investments

The PNCC 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 PNCC 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 an accumulated deficit. In 2015, the PNCC 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.

3.11 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 flow to the entity and the cost of the property can be measured reliably.

Investment property is initially measured at cost. After 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 the 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 the commencement of the owner-occupation or commencement of development with a view to selling.

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

3.12 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 the "Retained Earnings" account.

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.

3.13 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 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 an 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.

3.14 Fair Value Measurement

The PNCC measures some 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 PNCC.

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 PNCC 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 PNCC 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 PNCC has determined classes of assets and liabilities on the basis of the nature, characteristics, and risks of the asset or liability.

3.15 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.

3.16 Equity

Share Capital and Share Premium

The PNCC 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 PNCC after deducting dividends declared. Retained earnings may also include the effect of changes in accounting policy and prior period adjustments.

Treasury Shares

Treasury shares are own equity instruments that are reacquired, carried at cost, and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance, or cancellation of the PNCC's 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.

3.17 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the PNCC 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 PNCC 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 based on the percentage of completion method.

Lease Income

Lease income from operating leases, wherein substantially all the risks and rewards of ownership are retained by the PNCC as a lessor, is recognized on a straight-line basis over the term of the relevant lease. The lease income is derived from the PNCC'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)

Under the Supreme Court En Banc Decision, as discussed in Note 1, the PNCC 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 PNCC for its administrative expenses, the PNCC 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 PNCC'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.

3.18 Costs and Expenses

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decreases 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.

3.19 Borrowing Costs

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

3.20 Leases

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 whether 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 that 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.

3.21 Income Taxes

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 the 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 with respect to 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 associates, where the timing of the reversal of the temporary differences can be controlled and, probably, the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT), and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that taxable profit will probably 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 associates, 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 PNCC takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The PNCC 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 PNCC 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 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.

3.22 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.

3.23 Creditable Withholding Taxes

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

3.24 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 like transactions with non-related parties.

3.25 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 PNCC, 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 PNCC 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 of December 31, 2023, and 2022, the PNCC has no dilutive equity instruments.

3.26 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 is disclosed when an inflow of economic benefits is probable.

3.27 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 PNCC’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.

4. CHANGES IN ACCOUNTING POLICIES

Adoption of New and Amended PFRS

a. Effective in 2023 that are relevant to the PNCC

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the PNCC adopted effective for annual periods beginning on or after January 1, 2023:

- Amendments to Philippine Accounting Standard (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 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.

b. New and amended PFRS issued but not yet effective

The new and amended PFRS which are not yet effective for the year ended December 31, 2023, and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS 16, Lease Liability in a Sale and Leaseback – The amendments pertain to the addition of subsequent measurement requirements for sale and leaseback transactions.

- Amendments to PAS 1, Non-current Liabilities with Covenants - The amendments improve the information an entity provides when its right to defer settlement of liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.

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

- Amendments to PFRS 17, Insurance Contracts – 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.

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 PNCC.

5. 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 PNCC's accounting policies, Management has made the following judgments, apart from those involving estimations, which affect the amounts recognized in the financial statements:

Operating Lease Commitments - The Corporation as a Lessor/Lessee. The PNCC has entered into various lease agreements either as a lessor or a lessee. The PNCC 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 P199.446 million and P59.468 million in 2023 and 2022, respectively (Note 26.2).

Rent expenses recognized in profit or loss amounted to nil and P31,915 in 2023 and 2022, respectively.

Contingencies. The PNCC is currently involved in various pending claims and lawsuits that could be decided in favor of or against the PNCC. The PNCC'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 PNCC 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 the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings (Note 36).

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at reporting dates that have a 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 PNCC 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 based on 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 PNCC reviews the age and status of receivables and identifies accounts that are to be provided with allowances on a continuous basis. The PNCC provides a full allowance for receivables that it deems uncollectible.

The amount and timing of recorded expenses for any period would differ if the PNCC 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.

6. CASH

This account consists of:

	2023	2022
Cash in bank – local currency	**104,950,346**	16,514,889
Cash with collecting/disbursing officer	**335,000**	525,000
	105,285,346	17,039,889

Cash in bank earns interest at the prevailing bank deposit rates. Interest earned on cash in banks amounted to P16,900 and P34,321 in 2023 and 2022, respectively.

7. OTHER INVESTMENTS-CURRENT

This account consists of money placements in LBP and DBP in the amount of P2.394 billion and P1.895 billion in 2023 and 2022, respectively, with varying periods of 107 days or more depending on the immediate cash requirements of the PNCC and earn interest at the prevailing short-term investment rates ranging from 5.25 per cent to 6.03 per cent.

Interest earned on these investments amounted to P87.910 million and P24.788 million in 2023 and 2022, respectively (Note 26.5).

8. RECEIVABLES

This account consists of the following:

	2023	2022
Current:		
Loans and receivables	**359,384,183**	446,646,295
Lease receivables	**51,171,388**	10,804,826
Inter-agency receivables	**150,955,610**	150,901,796
Other receivables	**34,223,907**	36,241,534
	595,735,088	644,594,451
Allowance for impairment losses	**(194,713,837)**	(194,713,837)
	401,021,251	449,880,614
Non-Current:		
Accounts receivables	**50,879,182**	50,879,182
Receivables from former officers and employees	**52,433,459**	52,411,163
	103,312,641	103,290,345
Allowance for impairment losses	**(4,820,951)**	(4,820,951)
	98,491,690	98,469,394

Allowance for impairment losses is provided for receivables as follows:

	2023	2022
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:

	2023	2022
Accounts receivable	**277,072,510**	307,966,276
Interests receivable	**24,374,070**	8,442,907
Contributions and premiums receivable	**2,800**	18,455
Receivables from Joint Ventures	**57,934,803**	130,218,657
	359,384,183	446,646,295

8.1 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 PNCC 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 a money claim with the Commission on Audit (COA) on behalf of the PNCC. 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 the 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 (MR) of the said Decision on April 15, 2021.

  On March 19, 2024, PNCC received COA Decision No. 2023-259 dated July 27, 2023, granting PNCC's MR.

- Billed and unbilled receivables from the Skyway Operations and Maintenance Corporation with an aggregate amount of P26.564 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 a 100 per cent allowance for impairment.

- Receivable from the Department of Transportation for the LRT Project in 1985, amounting to P39.897 million, net of advances and collections. This is also provided with a 100 per cent allowance for impairment.

8.2 Breakdown of the Inter-agency receivables account:

	2023	2022
Due from National Government Agencies	**150,000,000**	150,000,000
Due from subsidiaries/associates/affiliates	**955,610**	901,796
	150,955,610	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 PNCC. 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 PNCC (Notes 19 and 25).

Due from subsidiaries/associates/affiliates totaling P0.956 million and P0.902 million for December 31, 2023, and 2022, respectively, represents various accommodations to the PNCC's subsidiaries.

8.3 Breakdown of the Other receivables account:

	2023	2022
Due from officers and employees	**236,012**	496,275
Other receivables	**33,987,895**	35,745,259
	34,223,907	36,241,534

Due from officers and employees consist of under-withholding of taxes from compensation of officers and employees amounting to P125,863; receivables from resigned Executive Assistants of the Directors due to excess professional fees paid by PNCC amounting to P62,828; under-withholding of Philhealth/Pag-ibig premium contribution amounting to P41,561; and globe billing amounting to P5,760.

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 PNCC totaling P5.138 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. 2022-179 and 2018-001 amounting to P2.770 million and P4.369 million, respectively; and

- Advances to subcontractors amounting to P21.710 million.

8.4 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 to an ongoing reconciliation, and P1.505 million is being paid on an installment basis. One of the oil companies informed the PNCC 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 PNCC. 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.

8.5 Non-Current receivables from former officers and employees

The amount of P52.433 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 the failure to liquidate despite written demands, on March 12, 2014, a joint complaint was filed by the 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 MR 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 PNCC in the amount of P10.853 million; former directors' car plan equity balance of P0.560 million; and disallowed gratuity benefits granted to the Contract of Service Lawyer amounting to P1.500 million.

9. INVENTORIES

This account consists of the following:

	2023	2022
Office Supplies	**808,700**	482,820
Fuel, oil, and lubricants	**802,465**	554,724
Medical, dental, and laboratory supplies	**493,880**	499,643
Other materials and supplies	**4,830,375**	4,768,045
	6,935,420	6,305,232
Allow. for impairment losses-Other materials & supplies	**(3,999,962)**	(3,999,962)
	2,935,458	2,305,270

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

Inventories recognized as expenses amounted to P3.372 million and P2.954 million in 2023 and 2022, respectively.

10. OTHER CURRENT ASSETS

This account consists of the following:

	2023	2022
Withholding tax at source	**46,973,602**	33,705,694
Prepaid registration	**953,429**	1,631,671
Prepaid insurance	**506,357**	450,206
Creditable input tax	**74,572**	74,571
Other prepayments	**35,906**	35,906
	48,543,866	35,898,048

11. 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 PNCC in membership shares of club organizations and other securities, as follows:

	2023	2022
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**	191,500
	771,970	771,970

12. INVESTMENTS IN SUBSIDIARIES

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

	% of Ownership	2023	2022
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 PNCC, 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 (BR) 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 PNCC 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 PNCC received P66.3 million as an 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 BR No. BD-006-2013. The conveyance of TCPC assets to PNCC has already been completed. Part of these assets have already been disposed of 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 the 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 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 PNCC'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 the Supplemental Toll Operations Agreement entered into on July 18, 2007, by and among the Republic of the Philippines through 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.

13. INVESTMENTS IN JOINT VENTURE

This account consists of investments of the PNCC 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 PNCC to the JV Companies, as follows:

	2023	2022
SMC Skyway Corporation	**1,240,000,000**	1,240,000,000
SMC Skyway Stage 3 Corporation	**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 PNCC'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 PNCC'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 PNCC's share in the JV Company.

14. OTHER INVESTMENTS – NON-CURRENT

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

	2023	2022
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

15. 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 2023. Details are as follows:

	Land	Buildings and Improvements	Total
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
	37,001,297,000	147,355,772	37,148,652,772
At December 31, 2023			
Cost			
Net Book Value, beginning of year	70,772,301	1,625,863	72,398,164
Depreciation this year	0	(161,243)	(161,243)
Closing Net Book Value	70,772,301	1,464,620	72,236,921
Fair Value Adjustment			
Balance at the beginning of year	36,930,524,699	145,729,909	37,076,254,608
Appraisal Adjustment	16,803,851,000	174,615,471	16,978,466,471
Balance at end of year	53,734,375,699	320,345,380	54,054,721,079
At December 31, 2023			
Cost	70,772,301	5,321,007	76,093,308
Accumulated Depreciation	0	(3,856,387)	(3,856,387)
	70,772,301	1,464,620	72,236,921
Appraisal increase	53,734,375,699	320,345,380	54,054,721,079
	53,805,148,000	**321,810,000**	**54,126,958,000**

Financial Center Area (FCA) in Pasay City

15.1 In 1973, a contract was entered into by and between the PNCC 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 PNCC 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 the report date, the Office of the Government Corporate Counsel (OGCC) issued an opinion on April 21, 2001, that the PNCC 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 PNCC 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 PNCC may only sell it to Filipino citizens subject to the 12-hectare Constitutional limitation. Under these circumstances, the PNCC can either: (1) secure a presidential proclamation officially declaring that the FCA is no longer needed for public use; or (2) dispose of 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 PNCC 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, P35.690 billion in 2021 and P51.804 billion in 2023.

The subject property has been leased out and has been generating lease revenue since 2005. Lease income earned, net of VAT, amounted to P199.446 million and P54.783 million in 2023 and 2022, respectively (Note 26.2).

However, in a Regular Board meeting on April 17, 2018, the PNCC BOD approved BR 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 PNCC 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 have already been finalized by the Management and approved by the PNCC’s BOD. The same was submitted to the Office of the President of the Philippines for its final review and approval.

On August 1, 2023, the PNCC took over the lease and maintenance of the FCA Seaside Dampa Market and Restaurant.

15.2 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	1,124,374,200	1,125,000,000
Casinglot, Misamis Oriental	60,620	1,077,484	248,397,516	249,475,000
Rizal, Tagaytay	98,207	1,367,339	154,947,661	156,315,000
Sta. Rita, Bulacan	20,000	1,579,950	157,980,050	159,560,000
Antipolo, Rizal	14,770	1,185,531	142,021,969	143,207,500
Porac, Pampanga	116,591	145,737	77,491,763	77,637,500
Bocaue, Bulacan	9,926	162,678	43,537,322	43,700,000
Mabalacat, Pampanga	27,905	32,027	46,032,973	46,065,000
	423,019	**6,176,546**	**1,994,783,454**	**2,000,960,000**

In 2011, the Land Bank of the Philippines, engaged by the PNCC 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 PNCC.

The Dasmariñas property is located within the First Cavite Industrial Estate (FCIE), a joint venture project of the National Development Company (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 PNCC and NDC on April 7, 1983, which covers the sale of the PNCC'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 PNCC 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 19, the PNCC, in its Motion for Reconsideration (MR) dated March 13, 2014, prayed that the Department of Justice (DOJ) order NDC to pay the PNCC 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 MR filed by the PNCC. On June 26, 2015, the PNCC appealed the decision of the DOJ with the Office of the President (OP) of the Republic of the Philippines.

On May 19, 2022, the OP of the Republic of the Philippines made an unfavorable decision to the PNCC. The PNCC filed an MR on July 22, 2022, and on February 16, 2023 filed a Supplemental MR.

PNCC is currently waiting for the resolution/action of the OP of the Republic of the Philippines on its MR.

15.3 Investment property is measured using the fair value model. The rental income pertaining to the investment property for CYs 2023 and 2022 amounted to P199.446 million and P59.468 million, respectively. The gain through a change in the fair value of investment property recognized in profit or loss in CY 2021 amounted to P16.978 billion and P3.302 billion in 2023 and 2021, respectively.

15.4 The direct operating expenses incurred by the PNCC for 2023 from rental income-generating and non-rental income-generating investment property amounted to P6.583 million and P0.915 million, respectively. These direct operating expenses consist of realty property taxes, security services, salary of caretakers, and business permits.

16. PROPERTY AND EQUIPMENT

This account includes the following:

	Land & Land Improvements	Buildings & Improvements	Construction Equipment	Transportation Equipment	Others	Total
At December 31, 2022						
Cost	10,115,936	36,800,884	20,304,261	33,707,973	39,383,833	140,312,887
Accumulated	(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	(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**
At December 31, 2023						
Cost						
Opening Net Book Value	7,765,061	95	808,314	3,865,272	312,204	12,750,946
Additions	0	0	0	0	0	0
Disposal/write-off	0	0	(1)	0	(1)	(2)
Adjustments	0	0	170,956	(7)	(113,475)	57,474
Depreciation for the Year	0	0	0	(619,107)	(86,310)	(705,417)
Closing Net Book Value	7,765,061	95	979,269	3,246,158	112,418	12,103,001
Revaluation Increment						
Opening Net Book Value	2,165,762,968	15,649,720	155	0	31	2,181,412,874
Appraisal Adjustment	95,384,500	905,620	0	0	0	96,290,120
Disposal/write-off	0	0	(154)	0	(28)	(182)
Adjustments	0	0	0	0	0	0
Depreciation for the Year	0	(1,738,858)	0	0	0	(1,738,858)
Closing Net Book Value	2,261,147,468	14,816,482	1	0	3	2,275,963,954
At December 31, 2023						
Cost	10,115,936	36,800,884	9,563,567	30,426,780	9,466,173	96,373,340
Accumulated	(2,350,875)	(36,800,789)	(8,584,298)	(27,180,622)	(9,353,755)	(84,270,339)
Net Book Value	7,765,061	95	979,269	3,246,158	112,418	12,103,001
Revaluation Increment	2,282,419,058	90,571,222	330,000	0	209,000	2,373,529,280
Accumulated	(21,271,590)	(75,754,740)	(329,999)	0	(208,997)	(97,565,326)
Net Book Value	2,261,147,468	14,816,482	1	0	3	2,275,963,954
	2,268,912,529	**14,816,577**	**979,270**	**3,246,158**	**112,421**	**2,288,066,955**

16.1 Revaluation

The PNCC engaged the services of the following independent and recognized appraisal companies for the appraisal of some of its designated properties, structures, buildings, fences, 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.
2023	96.290	CAL-FIL Appraisal & Crown Property Appraisal Corporation

16.2 Others

The PNCC 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 PNCC is working on the transfer of title to its name.

17. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2023	2022
Guaranty deposits	**71,072,000**	71,072,000
Restricted cash	**16,244,741**	16,228,946
Other deposits	**825,728**	325,728
Other assets, net of allowance for impairment losses	**127,444**	127,444
	88,269,913	87,754,118
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**	651,927,115
Allowance for impairment losses	**(651,927,115)**	(651,927,115)
	0	0
Deferred charges	**6,802,733**	6,802,733
Allowance for impairment losses	**(6,802,733)**	(6,802,733)
	0	0
	88,269,913	87,754,118

17.1 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. With such a denial, the dismissal of NLT Employees' complaints for various money claims against PNCC is now final and executory. On February 7, 2018, the PNCC 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 an MR 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 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 investigating the matter.

17.2 Restricted cash

The restricted cash of P16.245 million held in custody by the PNCC's depository banks, was the remainder of the P100.327 million used as collateral for the issuance of the appeal bond in the case entitled Ernesto N. Valentin, et al. vs. PNCC. 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' complaints 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 PNCC 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 the Land Bank of the Philippines (LBP) and the 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.

As of December 31, 2023, the balance of this account includes interest aggregating P2.074 million.

17.3 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 PNCC, in its letter of June 3, 2014, requested authority from the Commission on Audit (COA) 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 PNCC that the aforementioned request had been returned pending the submission of additional documents to facilitate the processing thereof. The PNCC will resubmit the request for authority from COA to write off the accounts as soon as additional documentation is completed.

17.4 Other assets

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

	2023	2022
Accounts receivable-subsidiaries and affiliates	**203,027,519**	203,027,519
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	651,927,115

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

18. FINANCIAL LIABILITIES

This account consists of the following:

	2023	2022
Accrued expenses	**16,909,041**	21,633,914
Accounts payable	**15,524,093**	3,472,248
Other accounts payable	**273,394**	980,171
	32,706,528	26,086,333

18.1 Accrued expenses

Accrued expenses account includes accrual of the mandatory benefits and leave credits of the PNCC'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.

18.2 Accounts payable

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

19. OTHER FINANCIAL LIABILITIES

This account consists of payables for the following:

	2023	2022
Due to National Government		
Concession fees (Toll Regulatory Board)	**7,334,449,400**	7,076,447,000
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
	9,635,018,016	9,377,015,616
Due to GOCC		
Various advances (NDC)	**1,203,000,000**	1,203,000,000
	10,838,018,016	10,580,015,616

19.1 Concession fees

The concession fees of P7.334 billion (principal amount of P1.06 billion plus penalty charges of P2.064 billion from 2016 to 2023, which is P258 million annually, and P4.21 billion in 2015 and prior years) pertain to the PNCC's payable to TRB pursuant to the Toll Operation Agreement (TOA) dated October 1977. The PNCC is being charged with 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 PNCC made initial payments to the Bureau of the Treasury (BTr) totaling P220 million, of which the latter confirmed the 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 PNCC 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 PNCC's total remittances to P495 million from 2006 to the report date.

19.2 Joint Venture Companies' revenue/dividends

As discussed in Note 1, the expiration of the PNCC'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 PNCC'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 PNCC to the NG, the PNCC 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 COA, to prepare and finalize the IRG for the determination of the amounts that the PNCC is entitled to for its administrative expenses.

19.3 Toll revenue (SLEX operation under TOC)

Pursuant to the SC En Banc Decision discussed in Note 1, the PNCC 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 PNCC remitted to the NG, through BTr, the amount of P566.3 million as partial payment for the outstanding share in the toll revenue.

19.4 Various advances from National Development Company (NDC)

This account covers various advances from the 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 Arbitration Case No. 001-2000) Based on the submitted pleadings and supporting documents, the following issues appear to be clear:

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

- Whether the petitioner must pay the value of the lot consisting of 7.5 hectares which the petitioner developed with its Joint Venture partner even though 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 PNCC, 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 PNCC claiming payment of the various advances/loans extended to the latter pursuant to the aforesaid Consolidated Decision of the DOJ.

The PNCC, 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 PNCC 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 PNCC 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 FCIE, plus legal interest thereon from the time of demand up to the actual date of payment.

On January 22, 2015, the DOJ denied the PNCC's MR. Thereafter, the PNCC 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 PNCC filed a Notice of Appeal with the Office of the President (OP) of the Republic of the Philippines and filed the corresponding Appeal Memorandum on July 27, 2015.

On May 19, 2022, the OP of the Republic of the Philippines through the then Executive Secretary Salvador C. Medialdea affirmed the DOJ Decision dated February 18, 2014, and Resolution dated January 22, 2015. The PNCC filed its MR

before the OP of the Republic of the Philippines and Supplemental MR on July 21, 2022, and February 16, 2023, respectively.

The PNCC is still waiting on the resolution/action of the OP of the Republic of the Philippines on the MR.

20. INTER-AGENCY PAYABLES

This account consists of the following:

	2023	2022
Income tax payable	**41,802,245**	10,373,359
Due to SSS	**1,108,505**	1,067,482
Due to Pag-IBIG	**308,966**	264,024
Due to BIR	**454,401**	261,325
Due to PhilHealth	**248,531**	232,205
	43,922,648	12,198,395

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.

21. TRUST LIABILITIES

This account consists of the following:

	2023	2022
Current	**120,345,199**	123,602,523
Non-Current	**3,789,629**	3,789,629
	124,134,828	127,392,152

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

The non-current account consists of the performance bond, restoration bond, cash bond, or advances from previous contract owners.

22. DEFERRED CREDITS/UNEARNED INCOME

This account consists of the following:

	2023	2022
Deferred credits	**46,424,528**	37,738,139
Unearned income	**0**	52,500,000
	46,424,528	90,238,139

Deferred credits account pertains to the recognized Value Added Tax (VAT) on the sale of services of the PNCC. It consists of the remaining balance after offsetting of input tax/creditable input tax from purchases against VAT payable from sales of services.

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

23. SHARE CAPITAL

This account consists of various classes of shares of stock with an 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		Republic of the Philippines Through the APT (now PMO) –	
15,000,000	Shares	previously under PNB	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		Republic of the Philippines Through the APT (now PMO) –	
6,485,121	Shares	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 24)	(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' (BOD) 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 may be declared annually or oftener as the BOD may determine. The BOD 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 2023) 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	204,000,000
Marubeni	Preferred "B" (8 per cent-17 per cent, cumulative, non-participating, non-voting)	36,895,000	50,177,200
Republic of the Phil. Through the PMO (previously under NDC)	Preferred "C" (14 per cent, cumulative, non-participating, non-voting)	64,851,210	150,454,807
Republic of the Phil. Through the PMO (previously under PNB)	Preferred "D" (8 per cent, cumulative, non-participating, non-voting)	255,000,000	346,800,000
		506,746,210	**751,432,007**

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

24. SUBSCRIPTIONS RECEIVABLE

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

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 2023, there was no call made by the BOD for the unpaid subscriptions.

25. EQUITY ADJUSTMENTS

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

This account represents a substantial portion of the PNCC's liabilities to Government Financial Institutions (GFIs) which should have been converted into equity pursuant to Presidential Letter of Instruction (LOI) No. 1295 dated February 23, 1983, and liabilities to the government agencies transferred to the Government under 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 PNCCs' indebtedness remained unconverted as it is the PNCC's position, as supported by the Office of the Solicitor General's (OSG) opinion dated August 23, 2007, that based on LOI No. 1295, which was a special law promulgated to rehabilitate the PNCC, 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 P76.961 billion as of December 31, 2023, and P76.789 billion as of December 31, 2022, inclusive of accumulated interest charges and penalties amounting to P71.408 billion and P71.334 billion, respectively. These amounts have not been recognized in the books of the PNCC. The PNCC did not recognize the disputed interest charges and penalties based on the following:

- The Supreme Court (SC) itself had recognized the validity of LOI No. 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 under LOI No. 1295 and, as such, continued imposition of interests and penalties is not warranted.

The above position of the PNCC 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 PNCC's foreign obligations with creditors. It is the PNCC's position that said loans are included in the Equity Adjustments under the Rehabilitation Plan which are among the accounts transferred by the PNCC to the Government through the Asset

Privatization Trust (APT) under PNCC's Rehabilitation Plan of 1987 and are no longer recorded as liabilities in the PNCC books. As such, the PNCC is precluded from servicing the accounts.

As discussed in Note 19, 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.

Given the differences in the treatment of the P5.552 billion unconverted debt to equity, the PNCC 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 NG 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 No. 1295, should be considered a simple loan;

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

  - Whether LOI No. 1295 repealed the general provisions of RA No. 337 General Banking Act, as amended, the charters of DBP (RA No. 85, as amended), PNB (PD No. 694), and LBP (RA No. 3844), which all restricted the GFI's exposure to non-allied industries."

The DOJ, in its February 18, 2014, Consolidated Decision, dismissed the PNCC'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, on 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 PNCC filed a Motion for Reconsideration (MR) dated March 13, 2014, duly received at the DOJ on March 14, 2014. The PNCC 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 NG is without basis and violative of LOI No. 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 No. 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 (OP) of the Republic of the Philippines and filed the corresponding appeal memorandum on July 27, 2015.

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

The PNCC is still waiting on the decision of the OP of the Republic of the Philippines regarding the MR.

26. SERVICE AND BUSINESS INCOME

This account consists of the following:

26.1 Service Income

This account pertains to income earned from the supply of manpower to Skyway O&M Corporation amounting to P89.307 million and P88.761 million in 2023 and 2022, respectively.

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

26.2 Rental/Lease Income

This account represents the revenue derived from the PNCC's real estate properties located in the following areas:

	2023	2022
Pasay City	**199,446,159**	54,782,813
Porac, Pampanga	**0**	3,748,076
Sta. Rita, Bulacan	**0**	936,774
	199,446,159	59,467,663

PNCC is the lessor under an operating lease agreement with Pacific Concrete Products, Inc. (PCPI) and Dampa Seaside Market and Restaurant 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 a 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.

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

On August 1, 2023, the PNCC took over the lease and maintenance of the FCA Seaside Dampa Market and Restaurant.

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

	2023	2022
Within one year	**160,714,285**	59,467,663
After one year but less than five years	**642,857,143**	642,857,143
	803,571,428	702,324,806

On April 17, 2018, the PNCC's Board of Directors (BOD) 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 the 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, and payments were treated by PNCC as compensation for the damages they 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 had 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's BOD 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 BOD 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 ongoing as of December 31, 2023.

The case is still pending. The lessees seek before the court the application of a moratorium on their monthly rentals. The PNCC has requested the Office of the Government Corporate Counsel to file the appropriate motion for execution as to the uncontested amount of rentals as well as to declare the other party in contempt of court

for failure to consign their monthly rentals with the court. On March 24, 2023, the case was submitted for decision. Awaiting the decision of the court.

26.3 Share in Profit/Revenue of Joint Venture

This account consists of the following:

	2023	2022
Revenue Share		
CCEC *(now SMC Skyway Stage 3 Corporation)*	**205,051,358**	158,674,030
MNTC *(now NLEX Corporation)*	**91,156,001**	70,994,030
CMMTC *(now SMC Skyway Corporation)*	**35,701,017**	34,872,361
SLTC *(now SMC SLEX, Inc.)*	**21,042,323**	19,731,781
	352,950,699	284,272,202

As discussed in Note 19, 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 PNCC for its administrative expenses, the PNCC 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 No. 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 PNCC'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 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 provides 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 PNCC, 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 PNCC 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, the petitioner is praying for the Honorable Court that:

- The respondents TRB and COA come up with and release the final IRG 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 IRG; 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 IRG 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 appears 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 PNCC, 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.

On August 7, 2023, the Supreme Court promulgated its decision in the case, upholding the issuance of the TRB of the Interim Rules and Guidelines dated March 12, 2022.

26.4 Dividend Income

This account consists of the following:

	2023	2022
Citra Metro Manila Tollways Corporation	**49,668,287**	41,390,239
Alabang - Sto. Tomas Development, Inc.	**577,225**	574,328
	50,245,512	41,964,567

26.5 Interest Income

This account consists of interest income earned on investments amounting to P87.910 million and P24.788 million in 2023 and 2022, respectively.

27. GAINS

This account consists of the following:

	2023	2022
Gain from changes in fair value of investment property	**16,978,466,471**	0
Gain on sale of unserviceable property	**8,444**	3,475
	16,978,474,915	3,475

The gain from changes in the fair value of investment property in 2023 amounting to P16.978 billion was the average fair value of land and buildings, which had been determined based on the average valuations performed by two independent appraisers every other year.

28. OTHER NON-OPERATING INCOME

This account consists of the following:

	2023	2022
Reversal of impairment loss on receivables	**91,985**	612,784
Other income, net	**699,459**	1,360,726
	791,444	1,973,510

The reversal of impairment loss on receivables refers to collections made by the PNCC on behalf of its subsidiaries from their debtors and the collection of receivables from inactive accounts.

The other income, net account in 2023 consists of forfeited bid deposits on sale of scrap, sale of bid deposit, and service charges in the disposal of TRB assets. While 2022 consists of Ciso's Boodle Fight Restaurant and the forfeited security deposit of San Miguel Holdings Corporation (SMHC) amounting to P0.536 million and P0.786 million, respectively.

29. PERSONNEL SERVICES

This account consists of the following:

	2023	2022
Salaries and wages	**31,652,573**	28,216,805
Other compensation	**14,532,648**	12,077,968
Personnel benefit contribution	**4,591,073**	3,178,037
Other personnel benefits	**4,157,661**	7,790,572
	54,933,955	51,263,382

30. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2023	2022
General services	**10,251,871**	7,415,463
Taxes, insurance, and other fees	**6,936,969**	6,557,055
Professional services	**5,597,418**	6,538,272
Indemnities	**4,226,026**	0
Supplies and materials	**3,372,063**	2,953,712
Utility	**2,264,231**	1,958,999
Litigation expense	**1,561,567**	1,666,400
Communication	**1,240,559**	1,371,821
Representation expenses	**859,488**	707,840
Repairs and maintenance	**500,458**	1,228,590
Transportation and traveling	**454,286**	1,886,642
Training and scholarship	**297,326**	57,130
Other maintenance and operating expenses	**2,771,665**	1,206,338
	40,333,927	33,548,262

31. DIRECT COSTS

This account consists of the following:

	2023	2022
Labor	**70,777,142**	73,244,385
Equipment operations costs	**0**	156,732
	70,777,142	73,401,117

As stated in Note 26.1, starting October 1, 2015, the PNCC assumed the operations of DCBGSI, a wholly owned subsidiary of the PNCC.

32. NON-CASH EXPENSES

This account consists of the following:

	2023	2022
Depreciation	**2,605,517**	3,621,008
Loss on sale of property and equipment	**0**	293,344
	2,605,517	3,914,352

33. INCOME TAXES

The PNCC's provision for income tax for the year 2023 amounting to P4.299 billion consist of deferred tax expense emanating from the revaluation increment due to appraisal amounting to P4.245 billion and current tax expense of P54.291 million computed under the Regular Corporate Income Tax.

As of December 31, 2023, the balance of the Minimum Corporate Income Tax (MCIT) is as follows:

Date Incurred	**Amount**	**Application**	**Expired**	**Balance**	**Expiry Date**
2022	3,610,763	3,610,763	0	0	2025
2021	2,417,430	2,417,430	0	0	2024
2020	2,247,949	2,247,949	0	0	2023
	8,276,142	**8,276,142**	**0**	**0**	

As of December 31, 2023, and 2022, 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:

	2023	2022
Allowance for losses on assets for write-off	**9,615,422,219**	9,615,422,219
Allowance for impairment losses	**651,927,115**	651,927,115
Allowance for losses on investments	**177,467,411**	177,467,411
Allowance for impairment-other materials and supplies	**3,999,962**	3,999,962
	10,448,816,707	10,448,816,707

As of December 31, 2023, and 2022, the recognized deferred tax assets pertain to the following:

	2023	2022
Carry forward the benefit of unapplied tax credits	**24,542,414**	24,542,414
Excess of MCIT over the regular corporate income tax	**0**	0
	24,542,414	24,542,414

As of December 31, 2023, and 2022, deferred tax liabilities pertain to the following:

	2023	2022
Fair value adjustment of investment property	**13,513,680,269**	9,269,063,652
Revaluation increment in property	**568,990,989**	545,353,219
	14,082,671,258	9,814,416,871

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.*

34. 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 PNCC recognized unrealized gains of nil and P25,000 in 2023 and 2022, respectively, from these investments.

35. TAX MATTERS

The PNCC 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 PNCC's financial statements.

- Deficiency of internal revenue taxes for the 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 representing 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 the subject amount pending resolution of the Petition.

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

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

PNCC Management, however, requested 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 this date.

- Deficiency of 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 under 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.

- On March 26, 2021, the President signed into law Republic Act (RA) No. 11534 also known as the "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 relief to taxpayers.

  The salient provisions of the CREATE Act applicable to the PNCC 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 a 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 the 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 the CREATE Act does not have any impact on the PNCC's income tax provision for December 31, 2023.

36. CONTINGENT LIABILITIES/CONTINGENT ASSETS

PENDING LAWSUITS/LITIGATIONS

Contingent Liabilities

The PNCC has contingent liabilities concerning claims and lawsuits. Management believes that the final resolution of these issues will materially affect the PNCC'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 an extension of time to file an 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 the default order and reconsideration of the decision, but the same was 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 an 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 MR. 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 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 its money claim with COA. PNCC, through the OGCC, filed its Answer on June 30, 2021.

On April 2, 2024, Management received COA Decision No. 2023-322 dated October 26, 2023, granting the money claim.

In 2024, PNCC filed MR on the decision.

- *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) 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 the 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 MR 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 PNCC 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, a 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 MR 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 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 a 6% per annum interest rate from the 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.

On March 22, 2023, COA promulgated its Decision granting the petition for money claim of the bus company. COA ordered PNCC to pay the aforesaid monetary awards as granted by the Supreme Court.

On December 27, 2023, the PNCC settled the award in favor of Superlines as indicated in the COA decision and Superlines has executed a quitclaim and waiver in favor of the PNCC.

Pending Lawsuits/Litigations

In addition, the PNCC 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 PNCC 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 PNCC before the National Labor Relations Commission, CA and SC.

The civil cases filed against the PNCC 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 PNCC against other individuals or companies consist of suits involving sums of money, damages, and breaches of contract which involve undeterminable amounts of money.

37. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key Management includes the Board of Directors (BOD), all members of management, and other company officers. Key management compensation totaled P17.886 million and P16.297 million in 2023 and 2022, respectively. A breakdown of these amounts is as follows:

	2023	2022
Salaries and wages	**8,087,630**	8,063,490
Per diem	**4,483,600**	5,957,432
Other benefits	**5,314,942**	2,276,048
	17,886,172	16,296,970

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk

The PNCC'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 PNCC's operations. The PNCC 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 PNCC's financial instruments are credit risk and liquidity risk. The PNCC's BOD and Management review and approve the policies for managing each of these risks.

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

The PNCC's risk management policies are summarized below. The exposure to risk and how they arise, as well as the PNCC'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 PNCC monitors its cash flow position, debt maturity profile, and overall liquidity position in assessing its exposure to liquidity risk. The PNCC 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 PNCC's objectives, policies, and processes for managing the risk and the methods used to measure the risk are the same for 2023 and 2022.

The following table summarizes the maturity profile of the PNCC's financial assets and financial liabilities as of December 31, 2023, and 2022, based on contractual undiscounted cash flows:

	2023			
	<1 year	**>1 to <5 years**	**>5 years**	**Total**
Financial Assets				
Cash	105,285,346	0	0	105,285,346
Other Investments	2,393,832,366	0	0	2,393,832,366
Receivables	301,305,870	10,370,868	89,344,513	401,021,251
	2,800,423,582	**10,370,868**	**89,344,513**	**2,900,138,963**
Financial Liabilities				
Accounts payable	16,909,041	0	0	16,909,041
Accrued Expenses	15,524,093	0	0	15,524,093
Other accounts payable	273,394	0	0	273,394
Inter-agency payables	43,922,648	0	0	43,922,648
Customers' deposit	0	95,167,591	25,177,608	120,345,199
Deferred credits	46,424,528	0	0	46,424,528
Other financial liabilities	258,002,400	1,032,008,800	9,548,006,816	10,838,018,016
	381,056,104	**1,127,176,391**	**9,573,184,424**	**11,081,416,919**
Liquidity gap	**2,419,367,478**	**(1,116,805,523)**	**(9,483,839,911)**	**(8,181,277,956)**

	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)**

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 PNCC's exposure to credit risk arises from the 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, 2023 and 2022:

	2023	2022
Cash	**105,285,346**	17,039,889
Receivables	**401,021,251**	449,880,614
	506,306,597	466,920,503

As of December 31, 2023, and 2022, the aging analysis per class of receivables is as follows:

2023

	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	16,016,077	8,534,367	2,013,087	0	193,397	78,178,474	104,935,402
Interests Receivable	24,210,571	0	0	0	0	0	24,210,571
Contrib. and Premiums Receivable	2,800	0	0	0	0	0	2,800
Receivables from Joint Ventures	57,934,803	0	0	0	0	0	57,934,803
Lease receivables	42,595,831	0	0	0	0	8,575,557	51,171,388
Due from Nat'l Govt	150,000,000	0	0	0	0	0	150,000,000
Due from subs/assoc/ affiliates	32,370	0	67,309	0	0	855,931	955,610
Other receivables	2,848,938	1,796	2,961	0	1,608,000	7,150,918	11,612,613
	293,641,390	8,536,163	2,083,357	0	1,801,397	94,760,880	400,823,187
Due from officers and employees	127,764	0	0	0	0	70,300	198,064
	293,769,154	**8,536,163**	**2,083,357**	**0**	**1,801,397**	**94,831,180**	**401,021,251**

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**

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of all of the PNCC's financial instruments that are carried in the statements of financial position as of December 31, 2023, and 2022.

	Carrying Amount		Fair Value	
	2023	2022	**2023**	2022
Financial assets				
Cash	**105,285,346**	17,039,889	**105,285,346**	17,039,889
Other investments	**2,393,832,366**	1,895,446,414	**2,393,832,366**	1,895,446,414
Receivables	**401,021,251**	449,880,614	**401,021,251**	449,880,614
	2,900,138,963	2,362,366,917	**2,900,138,963**	2,362,366,917
Financial liabilities				
Accounts payable	**16,909,041**	3,472,248	**16,909,041**	3,472,248
Accrued expenses	**15,524,093**	21,633,914	**15,524,093**	21,633,914
Other accounts payable	**273,394**	980,171	**273,394**	980,171
Inter-agency payable	**43,922,648**	12,198,395	**43,922,648**	12,198,395
Customers' deposit	**120,345,199**	123,602,523	**120,345,199**	123,602,523
Deferred credits/Unearned income	**46,424,528**	90,238,139	**46,424,528**	90,238,139
Other financial liabilities	**10,838,018,016**	10,580,015,616	**10,838,018,016**	10,580,015,616
	11,081,416,919	10,832,141,006	**11,081,416,919**	10,832,141,006

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.

39. SUPPLEMENTARY INFORMATION ON TAXES

In compliance with the requirements set forth by BIR Revenue Regulations No. 15-2010, the following is the information on taxes, duties, and licenses paid or accrued during the taxable year 2023:

39.1 The PNCC is a VAT-registered corporation with a VAT output tax declaration of P84 million for the year based on the amount reflected in the Sales Account of P700 million.

39.2 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	502,995
Capital goods subject to amortization	0
Capital goods not subject to amortization	0
Services lodged under the cost of goods sold	0
Services lodged under other accounts	550,124
Claims for tax credit/refund and other adjustments	0
Balance at the end of the year	1,053,119

39.3 Other taxes and licenses:

Local:	
Real Estate Tax	1,633,230
Mayor's Permit	4,152,633
Philippine Stock Exchange	260,250
Community Tax	21,000
	6,067,113
National:	
BIR Annual Registration	500
VAT/Percentage Taxes	362,589
Others (Capital Gains Tax/Doc. Stamp Tax)	0
	363,089

39.4 The amount of withholding taxes paid/accrued for the year amounted to P5.261 million, broken down as follows:

Tax on compensation and benefits	4,499,847
Creditable withholding taxes	761,358
	5,261,205

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. The financial statements of PNCC are materially misstated as the P5.552 billion unconverted debts remained recorded in the books of accounts as equity, instead of liability. Moreover, the provision for interests and penalties relative thereto aggregating P72.698 billion is not recognized contrary to the Philippine Accounting Standard (PAS) 37, resulting in the understatement of liabilities by P78.250 billion.

1.1 This is a reiteration of prior years' observations with updated information.

1.2 Presidential Letter of Instruction (LOI) No. 1295 dated February 23, 1983, directed all concerned Government Financial Institutions (GFIs) to convert certain obligations of the Construction Development Corporation of the Philippines (CDCP) (now PNCC) into equity or common shares of stock of the latter. The full conversion of said debts to equity will result in the payment/prepayment of PNCC's various obligations. LOI 1295 specifically provides that "after CDCP has made the prepayments/payments required herein, CDCP shall not be required to make further payments for interest on such obligations up to, and inclusive of, December 31, 1983." Stated otherwise, if CDCP has not made the prepayments/payments required in the LOI, then PNCC shall be required to make further payments for interest on such obligations up to, and inclusive of December 31, 1983, or until the same are paid.

1.3 A substantial portion of PNCC obligations to the GFIs and PNCC liabilities to certain government agencies transferred to the National Government (NG) pursuant to LOI No. 1295 are not automatically converted into equity pending the fulfillment of the payments/prepayments as required therein. However, these obligations were recognized outright in the books of accounts of PNCC as part of equity and described as "Equity Adjustments-Under Rehabilitation Plan-Loans Transferred to NG" instead of liabilities, as presented in Table 1.

Table 1 – Schedule of Unconverted Debts Recognized as Equity
As of December 31, 2023

Philippine National Bank (PNB)	P	2,865,445,000
National Development Company (NDC)		1,356,693,000
TIDCORP/PEFLGC		1,204,311,000
Central Bank of the Philippines (CBP)		75,654,000
Bureau of the Treasury (BTr)		39,991,000
Development Bank of the Philippines (DBP)		9,633,000
Total	**P**	**5,551,727,000**

1.4 As disclosed in the Notes to Financial Statements, the above-mentioned indebtedness of the Corporation remained recorded as equity, as the Corporation's position is supported by the Office of the Solicitor General (OSG) opinion dated August 23, 2007, which stated that based on LOI 1295, which is a special law promulgated to rehabilitate the Corporation, the debts have effectively been converted into equity and, therefore, should no longer incur interest charges. This assertion, however, is not in accordance with the provisions in LOI No. 1295 as discussed above.

1.5 Results of confirmation of the balances of the liabilities with the PMO and the BTr as of December 31, 2023, disclosed discrepancies with the balances per PNCC books. Details are shown in Table 2.

Table 2 – Results of Confirmation of Liabilities with PMO and BTr
As of December 31, 2023

Account/GFI	Per PNCC	As confirmed by PMO/BTr	Difference
PNB	P2,865,445,000	P 67,940,444,825	P(65,074,999,825)
NDC	1,356,693,000	1,773,198,428	(416,505,428)
TIDCORP/PEFGC	1,204,311,000	2,734,545,277	(1,530,234,277)
CBP	75,654,000	0	75,654,000
DBP	9,633,000	3,791,745,009	(3,782,112,009)
Marina	0	700,748,884	(700,748,884)
Conveyance of Lot 3 (Memorandum of Agreement dated August 15, 1995)	0	(1,515,680,000)	1,515,680,000
Accounts with PMO	**P5,511,736,000**	**P 75,425 002,423**	**P(69,913,266,423)**
BTr Advances	39,991,000	2,824,765,573	(2,784,774,573)
Total	**P5,551,727,000**	**P 78,249,767,996**	**P(72,698,040,996)**

1.6 The Audit Team noted that the variance in the aggregate amount of P69.913 billion between PNCC and PMO records pertained substantially to the interests and other charges imposed by the latter on the unconverted debts of the former to various GFIs assumed by the NG.

1.7 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 No. 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 stock awaiting actual conversion to equity pursuant to LOI No. 1295 and, as such, the continued imposition of interests and penalties is not warranted.

1.8 PNCC claimed that the above position of the Corporation is supported by the OSG and the OGCC.

1.9 On the other hand, the P2.785 billion difference between the records of PNCC and BTr is due to the unreconciled principal amount of liabilities to BTr plus the interest thereon. Per PNCC books, only the principal amount of P39.991 million BTr advances are recorded but included under the Equity Adjustments under the Rehabilitation Plan account, which pertain to the accounts transferred by PNCC to the NG, and are no longer recorded as liabilities. However, in the reply to our confirmation letter, BTr claimed that the NG advances to PNCC as of December 31, 2023, amounted to P2.825 billion, inclusive of P1.416 billion interest. We also noted that while PNCC recorded the BTr advances under the Equity Adjustments under the Rehabilitation

Plan account, the said advances were not included in the PMO's confirmation reply as part of the liabilities transferred to the NG.

1.10 The NG did not consider PNCC's unconverted debts as having been effectively converted into equity. Rather, both the PMO and the BTr treated the unconverted debts as liabilities of PNCC to the NG subject to applicable interests and charges.

1.11 Due to their conflicting positions, PNCC and PMO submitted the issue to the Department of Justice (DOJ) on June 21, 2012, for arbitration. On February 18, 2014, the DOJ dismissed PNCC's petition against PMO and ordered the former to pay the latter its due and demandable obligation inclusive of interests and penalties until paid.

1.12 On March 14, 2014, PNCC filed a Motion for Reconsideration (MR) with the DOJ, which was denied by the latter in its Resolution dated January 22, 2015. Notice of Appeal and Appeal Memorandum were filed by PNCC with the Office of the President of the Philippines (OP) on June 26, 2015, and July 27, 2015, respectively.

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

1.14 On May 19, 2022, the OP issued a Decision on the appeal of PNCC affirming DOJ's Decision and Resolution dated February 18, 2014 and January 22, 2015, respectively. On July 22, 2022, PNCC filed an MR and supplemental MR with the OP, and to date, no resolution has yet been received.

1.15 Moreover, considering that the Decisions of the DOJ and OP are averse to PNCC, it is imperative that PNCC should also provide a provision for the interest and penalties relative to the unconverted debts, in compliance with paragraph 14 of the PAS No. 37 which specifically states:

> *A provision shall be recognized when:*
>
> *(a) an entity has a present obligation (legal or constructive) as a result of a past event;*
> *(b) it is probable 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.*

1.16 The recognition of the P5.552 billion unconverted debts as part of equity and the non-recognition of interests and other charges thereon of P72.698 billion resulted in the understatement of total liabilities and overstatement of total equity by P78.250 billion. Further, there should have been a deficit of P46.254 billion instead of retained earnings of P26.444 billion as of December 31, 2023.

1.17 **We reiterated our previous years' recommendation that the P5.552 billion unconverted debts be recognized as a liability in the books of accounts of PNCC, instead of equity together with the provision for the interests, penalties, and other charges amounting to P72.698 billion as of December 31, 2023, in compliance with PAS 37.**

1.18 Management commented that the classification of whether the P5.552 billion is a debt or equity is still pending resolution by the OP where an appeal has been filed to determine such classification. For PNCC, the directive in the LOI 1295 is clear that the liabilities of PNCC should be converted into equity of PNCC, and that includes the alleged P5.552 billion debt.

1.19 The aforesaid argument has been raised before the OP. While the OP has promulgated a decision, such a decision is not yet final as an MR dated July 21, 2022, and a Supplemental Motion for Reconsideration dated February 16, 2023, have been timely filed. The PNCC further argues in its motions that the debt obligation of PNCC has been extinguished already by Novation if not prescription.

1.20 Management further stated that the controversy in question has yet to be resolved with finality by the OP. Thus, recognizing the said amount as PNCC's liability is premature and would render its MR with the OP moot.

1.21 By way of rejoinder, we maintain our position that the unconverted debts be treated as liability, instead of equity.

2. The unrecorded service concession assets pertaining to the Metro Manila Skyway projects of the Philippine National Construction Corporation resulted in the understatement of assets and liabilities which is not in accordance with the provisions of PAS 1.

2.1 Paragraph 15 of PAS 1 requires that financial statements present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income, and expenses set out in the Conceptual Framework for Financial Reporting (Conceptual Framework).

2.2 On March 31, 1977, pursuant to Presidential Decree (PD) No. 1113, the Construction and Development Corporation of the Philippines (now PNCC) was granted a franchise to operate, construct, and maintain the toll facilities known as the North and South Luzon Expressways.

2.3 On December 22, 1983, PD No. 1894 was issued expanding the original franchise by granting PNCC the right, privilege, and authority to, construct, maintain and operate any and all such extensions, linkages, or stretches, together with the toll facilities appurtenant thereto, from any part of the North Luzon Expressway, South Luzon Expressway and Metro Manila Expressway as may be approved by the Toll Regulatory Board (TRB).

2.4 In pursuance of the infrastructure development of the Philippine Government, to further develop the expressways and to involve the private sector in the construction, maintenance, and operation of toll facilities, PNCC invited the private sector to jointly undertake the Metro Manila Skyway projects.

2.5 Under the franchise granted to PNCC, it paved the way for the construction and operation of Metro Manila Skyway projects, however, the service concession assets, in the form of toll roads were not recorded in the books of PNCC.

2.6 The accounting standard that prescribed the accounting for service concession arrangement entered into by PNCC defines service concession arrangement and service concession asset as follows:

> *A service concession arrangement is a binding arrangement between a grantor and an operator in which:*
>
> *(a) The operator uses the service concession asset to provide a public service on behalf of the grantor for a specified period of time; and*
>
> *(b) The operator is compensated for its services over the period of the service concession arrangement.*
>
> *A service concession asset is an asset used to provide public services in a service concession arrangement that:*
>
> *(a) As provided by the operator which:*
> *(i) The operator constructs, develops, or acquires from a third party; or*
> *(ii) Is an existing asset of the operator; or*
> *(b) Is provided by the grantor which:*
> *(i) Is an existing asset of the grantor; or*
> *(ii) Is an upgrade to an existing asset of the grantor.*

2.7 Under the standard, a grantor is defined as the entity that grants the right to use the services concession asset to the operator. While, an operator, is the entity that uses the service concession asset to provide public services subject to the grantor's control of the asset.

2.8 While under the Toll Operation Agreement (TOA) and Supplementary Toll Operation Agreements (STOA), it was the TRB who was denominated as the "Grantor", however, for the purpose of this standard, the Grantor is PNCC as it is the franchise holder that granted the right to use the service concession asset to the operator.

2.9 As provided by the standard, the grantor shall initially measure the service concession asset at its fair value. In determining the fair value of the service concession assets, the Controllership Department may refer to the financial statements or financial records of Joint Venture (JV) Companies or may hire the services of an independent appraiser.

2.10 Consequently, upon recognition of the service concession asset, PNCC shall also recognize a liability with the same amount.

2.11 In the case of PNCC where it does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction of a service concession asset, the Grant of a Right to the Operator Model shall apply in recognizing the liability. Under such a model, the "Deferred Service Concession Revenue" account shall be used.

2.12 Based on the foregoing, the non-recognition of the service concession asset resulted in the understatement of assets and related liabilities thus, a fair presentation of the financial statements of PNCC is doubtful.

2.13 **We recommended that Management:**

a) Adopt the applicable accounting standard for the service concession agreement where the grantor is the government;

b) Determine the fair value of the service concession assets to be recognized in the books of accounts; and

c) Recognize in the books of accounts the service concession assets and the related liability.

2.14 Management commented that they shall conduct a study on the matter. In doing the study, they plan to coordinate with their JV Partners to gather more information and determine the fair value of the service concession assets.

2.15 The Skyway Projects have been in existence for a significant number of years as of now. A careful study has to be made on the recognition of the concession assets in the books of PNCC. Such entry in the books of PNCC will materially increase the assets of PNCC by leaps and bounds considering the assets are in the billions of pesos.

2.16 The Audit Team will monitor Management's compliance with the recommendations.

3. The completeness of PNCC's revenue share amounting to P356.684 million for CY 2023, remitted by the JV Companies operating the SLEX, NLEX, Skyway, and Skyway Stage 3, could not be ascertained due to lack of verifiable data/information, as the basis for the computation of such share.

3.1 This is a reiteration of prior years' observations with updated information.

3.2 Paragraph 12 of the Conceptual Framework for Financial Reporting provides that:

> *Faithful Representation*
> *xxx. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the phenomena that it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be* ***complete****, neutral, and free from error. xxx. (Emphasis supplied)*

3.3 On March 22, 2012, the TRB issued an interim guideline for the remittance by the JV Companies to the National Treasury of the net income that is supposed to be remitted by the JV Companies from the revenue of the NLEX, SLEX, and Skyway.

3.4 Paragraph 2 of the said guideline provides that, *"As subsequently agreed upon by the PNCC and TRB as an interim arrangement, ten per cent (10%) 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 per cent (90%) shall be remitted to the TRB for the National Treasury immediately."

3.5 In compliance thereof, the JV Companies have been remitting to PNCC its revenue share. Remittances by the JV Companies to PNCC for CYs 2023 are presented in Table 3.

Table 3 – Schedule of Revenue Share Remitted to PNCC For Calendar Year 2023

Name of JV Companies	Revenue Share	Sharing Percentage *(based on gross toll revenue)*
NLEX Corporation *(formerly Manila North Tollways Corporation)*	P 92,579,332	10% of 6%
SMC Skyway Corp. *(formerly Citra Metro Manila Tollways Corp.)*	36,318,244	10% of 3.5%
SMC SLEX, Inc. *(formerly South Luzon Tollways Corporation)*	21,164,398	10% of 3%
Total	**P150,061,974**	

3.6 Review of the PNCC's revenue share from the JV Companies showed that the accuracy thereof cannot be verified/validated due to the absence of reliable data, to support the computation of the JV Companies of its declared gross toll revenue. In previous years' audits, the Audit Team has been consistent in raising the same observation pertaining to the absence of verifiable data to validate the accuracy of PNCC's revenue share.

3.7 The Audit Team obtained a copy of CY 2023 audited financial statements (AFS) of NLEX Corporation and SMC SLEX, Inc., and a recomputation was made to validate the accuracy of the actual revenue share received by PNCC, as compared to the toll revenue reported in the AFS of the foregoing JV Companies.

3.8 The recomputation disclosed that the toll revenue remittable to PNCC when compared to the actual remittance to PNCC, has a variance of P10.999 million and P5,806, for NLEX and SLEX, respectively, as shown in Table 4.

Table 4 – Variance in revenue share based on obtained AFS For Calendar Year 2023

	NLEX Corporation	SMC SLEX, Inc
Toll Revenue related to PNCC per AFS	-	7,054,799,000
x Government Share in gross toll revenue	-	3%
PNCC Share per AFS	1,025,780,169	211,643,970
x PNCC sharing rate	10%	10%
PNCC share in the remittable amount	102,578,017	21,164,397
x VAT Rate	112%	112%
PNCC Share inclusive of VAT	114,887,379	23,704,125
Less: Expanded withholding tax	2,051,560	423,288
Toll Revenue remittable to PNCC per AFS	112,835,819	23,280,837
Less: Actual remittance to PNCC	101,837,265	23,286,643
Difference	**10,998,554**	**5,806**

3.9 The difference in the declared revenue per AFS vis-à-vis actual remittance of PNCC's revenue share cast doubts on the accuracy of revenue shares recorded by PNCC. However, PNCC has since relied on the gross revenue declared by the JV Companies, as it does not have any means to validate the same.

3.10 Assuming there was an error in the declared gross revenue, whether intentional or unintentional, the revenue share of NG (through TRB) and PNCC cannot be detected. It appears that PNCC has no other option but to rely solely on the declared gross revenues of the JV Companies.

3.11 On the other hand, the franchise for operation and maintenance (O&M) of Metro Manila Skyway (MMS) Stage 3 was assigned by PNCC to the tollway operator SMC Skyway Stage 3 Corporation in compliance with Restated Second Supplement to BJVA executed by PNCC and CITRA.

3.12 Pursuant to Section 6 thereof, PNCC's share in the revenue from the operation of MMS Stage 3 is as follows:

> ***6.2 Assignment of PNCC Franchise to Operate and Maintain***
>
> *6.2.1 xxx.*
>
> *6.2.2 For and in consideration of the O&M Assignment, PNCC shall be entitled to a share in the gross toll revenues of the Skyway Stage 3 less merchant fees, discounts and rebates, and value-added tax (the "Net Toll Revenues") which revenue share shall be payable only if the O&M Assignment is effective and continues to be effective, and which payment shall commence on the start of the operation and collection of tolls for the Skyway Stage 3 and shall terminate at the end of the Operation Period as defined in the TOA (the "Operation Period").*
>
> *6.2.3 The above-stated PNCC's share in the Net Toll Revenues shall be at the following rates:*
>
> *2.5% of Net Toll Revenues for the first 4 years*
> *3.0% of Net Toll Revenues from the 5th year to the 7th year*
> *3.5% of Net Toll Revenues from the 8th year to the 10th year*
> *4.0% of Net Toll Revenues from the 11th year onwards (the "PNCC Revenue Share")*

3.13 Under the foregoing provisions, the SMC Skyway Stage 3 Corporation remitted to PNCC, its 2.5 per cent revenue share for CY 2023, in the total amount of P206.622 million net of tax.

3.14 As previously observed, the review of PNCC's share in the operation of MMS Stage 3 disclosed that the accuracy of the amounts could not be ascertained due to the absence of a report or any document which will serve as a basis for the 2.5 per cent revenue share. Although the remittance to PNCC was supported by a schedule/computation, the accuracy of the reported net revenue from toll operations cannot be verified/validated.

3.15 Also, it was noted that neither the Restated Second Supplement to BJVA nor the Supplemental Toll Operation Agreement executed on July 8, 2013, contains provisions specifically for the submission of reports or documents which serves as the basis of the 2.5 per cent share of PNCC. Thus, no review and verification mechanism for PNCC.

3.16 The absence of any verifiable data/information supporting the computation of PNCC's revenue share from the JV Companies affects the faithful representation of the balance of income reported by PNCC. This practice does not support the principle provided under Paragraph 12 of the Conceptual Framework for Financial Reporting.

3.17 **We reiterated our previous years' recommendation that Management pursue persistent efforts to obtain the documents used as the basis in the computation of the revenue share of PNCC and validate the same. Further, furnish the Audit Team with the subject documents and results of validation.**

3.18 Management commented that the Controllership had formally requested the supporting documents from their JV Partners on May 9, 2023, and made follow-ups dated August 30, 2023, and January 4, 2024, but to no avail. They will send another request and will again take this up in their future meetings with JV partners.

3.19 The Audit Team will monitor Management's compliance with the recommendation.

4. Non-recognition of the provision arising from judgment award for a money claim against PNCC, resulted in the understatement of liabilities, contrary to Paragraph 14 of PAS No. 37.

4.1 Paragraph 14 of the PAS 37 states that:

> *A provision shall be recognized when:*
>
> *(a) An entity has a present obligation (legal or constructive) as a result of a past event;*
> *(b) It is probable 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.*
>
> *If these conditions are not met, no provisions shall be recognized.*

4.2 The claim originated from Asiavest Merchant Bankers (M) Berhad (AMB) who filed a complaint against PNCC before the Pasig City Regional Trial Court (RTC) on April 12, 1994, for reimbursement amounting to 3,915,053.54 Malaysian Ringgit (MYR) of the surety bond paid to the State of Pahang (Malaysia), when PNCC's subcontractor failed to complete the project.

4.3 On August 19, 2015, The Supreme Court (SC) ruled in favor of AMB, which became final and executory on June 2, 2016, affirming the RTC's Decision to wit:

> *"WHEREFORE, premises considered and it appearing that plaintiff hads [sic] proved its claim by a preponderance of the evidence, judgment is hereby*

rendered in favor of the plaintiff and against defendant Philippine National Construction Corporation ordering the latter to pay the plaintiff:

1. *The sum of Malaysian Ringgit $3,915,053.54 or its equivalent in [Philippine peso at the bank rate of exchange (on the date of payment) plus legal interest from the date of demand until fully paid.*

2. *The sum of P300,000.00 as and by way of attorney's fees; and*

3. *Cost of suit."*

4.4 AMB moved to execute the SC Decision before the RTC and Court of Appeals but was instructed to file first its claim with COA. On February 8, 2021, AMB filed with COA its Money Claim against PNCC. PNCC, through the OGCC, filed its Answer on June 30, 2021. On April 2, 2024, Management received COA Decision No. 2023-322 dated October 26, 2023, granting the Money Claim of Asiavest Equity SDN BHD (formerly known as AMB) against PNCC.

4.5 The dispositive portion of which states:

"Accordingly, Asiavest is entitled to the amount of MYR3,915,053.54, legal interest of 12% from the date of judicial demand on April 12, 1994, until June 30, 2013, legal interest of 6% from July 1, 2012, up to the date of finality of SC Decision on June 2, 2016, and until full payment, as compensatory damages; and sum of P300,000.00 as and by way of attorney's fees."

4.6 Audit of the pertinent documents revealed that no provision was provided by PNCC, only disclosures in the Notes to Financial Statements No. 38-Contingent Liabilities - Pending Law Suits. Mere disclosure as contingent liability would not suffice as the conditions required under PAS 37 were to record and recognize a provision.

4.7 Under Par. 10 of the PAS 37, an obligating event is an event that creates a legal or constructive obligation and, therefore, results in an entity having no realistic alternative but to settle the obligation. The unfavorable Decision directing PNCC to pay an amount certain constitutes the obligating event, thus, this condition warrants the recording of a provision.

4.8 Moreover, Par.14 provided criteria for the recording and recognition of provision. Based on the foregoing, all the criteria are present, 1) the issuance of a Decision directing PNCC as the obligating event, 2) a payment was required to settle the judgment award, and 3) a reliable estimate can be made as provided in the dispositive portion of the Decision. Hence, the amount due should be recognized and included as part of the recorded liabilities in the financial statements.

4.9 Accordingly, the non-recognition of provision representing the judgment award per COA CP Decision No. 2023-322 dated October 26, 2023, resulted in the understatement of liabilities by MYR 3.915 million or its equivalent in Philippine peso at the bank rate of exchange (on the date of payment) plus legal interest and attorney's fees, contrary to PAS 37.

4.10 **We recommended that Management recognize a provision for a money claim against PNCC pursuant to COA CP Decision No. 2023-322 dated October 26, 2023.**

4.11 Management commented that while the COA decision has not yet become final and the motion for reconsideration is still pending resolution, the appropriate adjustment in the journal entries concerning the recognition of the unrecorded liability will not be made.

4.12 The Audit Team maintains its stand that the provision for the money claim should be recognized in the PNCC financial statements.

5. Two out of three Notices of Finality of Decision (NFD) issued in CY 2023 with an aggregate amount of P127.240 million were not recorded in the books of accounts contrary to Section 7.2.1 of COA Circular No. 2009-006 dated September 15, 2009, and Section 15 of PAS 1, thus, fair presentation of Other Receivable is doubtful. Additionally, no NFD was enforced during the year.

5.1 **Non-Recognition of NFD in the Books of Accounts.**

Section 7.2.1 of COA Circular No. 2009-006 dated September 15, 2009, prescribing the Rules and Regulations on Settlements of Accounts provides that:

> *7.2 Responsibility of the Agency Accountant*
>
> *7.2.1 The Chief Accountant, Bookkeeper or other authority official performing accounting and/or bookkeeping functions of the audited agency shall ensure that:*
>
> *d) **the disallowances and charges that have become final and executory as contained in the Notice of Finality of Decision (NFD) are recorded in the books of accounts**, and settlements thereof under the NSSDC are dropped therefrom; and*
>
> *e) the subsidiary ledgers/records are maintained and properly updated for each official/employee determined to be liable/responsible for the amount disallowed/charged/ suspended.*

Additionally, Section 15 of PAS 1 also provides that:

> *The financial statements must "present fairly" the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income, and expenses set out in the Framework. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation*.

5.2 The NFD is a written notification that a decision of the COA has become final and executory. In CY 2023, the COA Commission Secretariat issued three NFDs as a result of past notices of disallowance, as shown in Table 5.

Table 5 – Notices of Finality of Decision issued in 2023

NFD No.	NFD Date	Date Served	Amount
2023-003	February 2, 2023	March 06, 2023	P 90,784,975
2023-063	February 22, 2023	March 20, 2023	36,454,969
2023-232	June 26, 2023	August 22, 2023	2,770,288
Total			**P 130,010,232**

5.3 However, our audit of the Other Receivables account revealed that of the three NFDs, only NFD No. 2023-232 amounting to P2.770 million is recorded in the books of PNCC, leaving the two NFDs aggregating P127.240 million unrecorded. Accordingly, it is the responsibility of the Agency Accountant to record in the books of accounts the disallowance that has become final and executory contained in the NFD. The non-recording thereof is contrary to COA Circular No. 2009-006 dated September 15, 2009, and its non-recognition resulted in an understatement of Other Receivables account by P127.240 million, thus, casting doubt on the fair presentation of the reported Other Receivable account.

5.4 Inquiry with controllership personnel revealed that the recording of NFDs is pending as they are still in the process of determining persons liable, who are still connected and no longer connected with PNCC, to decide which account title to use in the recording of the aforesaid receivables.

5.5 Pursuant to the revised chart of accounts, the Receivables-Disallowance/Charges account should be used in recording a receivable arising from NFD and not the Due from Officers and Employees account, if the person liable is still connected with the agency. It must be remembered that the status of the person liable with the agency will not determine the appropriate account title to be used. Moreover, assuming that the reason given by the controllership personnel is valid, the two NFDs should have been recorded already, as the persons liable therein are no longer connected with PNCC.

5.6 **No NFD was Enforced during the year**

As indicated in the NFDs, the persons liable shall pay the amount immediately to the agency cashier, except those who may have pending appeal/petition for review/motion for reconsideration/petition for certiorari as their liability under the ND is not yet final.

5.7 Clearly, upon issuance of the NFD, the Management may demand the collection of the amounts involved from the persons liable therein. However, verification disclosed that Management was not able to enforce refund/collection from the persons liable under the said NFDs.

5.8 Further, the NFD No. 2023-063 dated February 22, 2023, amounting to P36.455 million comprised of Notices of Disallowance (ND) in relation to benefits paid to PNCC personnel in CY 2010. Details are shown in Table 6.

Table 6 – Disallowances affirmed in NFD No. 2023-063

ND Nos.	Particulars	Date	Amount
11-005-(2010)	Anniversary bonus	August 23, 2011	P 5,864,469
11-006-(2010)	Clothing allowance	August 25, 2011	605,500
11-008-(2010)	ISO bonus	November 28, 2011	5,085,000
11-009-(2010)	Exit bonus - A	December 21, 2011	23,000,000
11-010-(2010)	Exit bonus - B	December 21, 2011	1,900,000
Total			**P36,454,969**

5.9 A review of the NFD disclosed that as of December 31, 2023, 24 of the persons liable are still connected with PNCC, either as employees or hired under a contract of service (COS). Thus, collection from the former would be easier than those who are no longer connected with PNCC. Further, the amount that Management may collect from the persons liable who are still connected with PNCC is P1.220 million. Details are provided in Table 7.

Table 7 – Collectible from persons liable still connected with PNCC

	Anniversary bonus	Clothing allowance	ISO Bonus	Exit Bonus A	Exit Bonus B	Total
Amount	5,864,469	605,500	5,085,000	23,000,000	1,900,000	**36,454,969**
Collectible from employees & COS	750,775	74,000	195,000	0	200,000	**1,219,775**
Percentage of demandable receivables	**13%**	**12%**	**4%**	**0%**	**11%**	**3%**

5.10 Although such an amount may be nominal compared to the total amount of NFD, the same can still be used by the Management in its operation, and the PNCC is duty-bound to enforce collection from these individuals who received benefits without legal bases.

5.11 Given the foregoing, Management should record the NFD in the books of accounts and immediately demand and collect payment from the persons liable to enforce the NFD. Failure to record the NFD would cast doubt on the fair presentation of the account. While non-enforcement of the NFD would deprive PNCC of funds for operation in the service of the general public.

5.12 **We recommended that Management:**

a) Instruct the Controllership Department to record the amount indicated in NFD Nos. 2023-003 and 2023-063;

b) Inform the persons liable still connected with PNCC of the amount due from them and cause the collection thereof; and

c) Take appropriate legal action to collect from the persons liable who are no longer connected with PNCC.

5.13 Management commented that:

a) Pro forma entries were already made with references nos. JV-04-21-02-24 and JV-04-21-01-24 both dated April 30, 2024, for NFD Nos. 2023-003 and 2023-063, respectively;

b) The Controllership Department will issue Statements of Accounts (SOAs) in coordination with the HR Department; and

c) Controllership will send SOA through registered mail to persons liable not connected with PNCC in coordination with HR for the addresses.

5.14 The Audit Team will monitor Management's compliance with the recommendations.

6. The unreconciled variances in the total amount of P19.895 million between the balance per books and confirmed balances from various debtors, cast doubt on the faithful representation of the reported Accounts Receivables-Trade amounting to P109.106 million, contrary to Paragraphs 4 and 12 of the Conceptual Framework for Financial Reporting.

6.1 This is a reiteration of prior years' observations with updated information.

6.2 Paragraphs 4 and 12 of the Conceptual Framework for Financial Reporting states that:

> *If financial information is to be useful, it must be relevant and faithfully represent what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely, and understandable.*
>
> *xxx. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral, and **free from error**.*

6.3 The Audit Team sent confirmation requests to various debtors of PNCC with receivables totaling P88.548 million as of December 31, 2023. The confirmation was made to ascertain the accuracy and completeness of the recorded receivables.

6.4 Results of confirmation disclosed a discrepancy of P19.895 million, details are presented in Table 8.

Table 8 – Schedule of Variances as per confirmation
For Calendar Year 2023

Debtors	Per books	Confirmed Amount	Variance
Skyway O&M Corporation (SOMCO)	26,563,531	17,674,943	8,888,588
SMC Skyway Corporation	10,481,413	3,369,243	7,112,170
NLEX Corporation	23,060,740	19,807,239	3,253,500
SMC SLEX Inc.	2,575,619	2,233,573	342,046
SMC Skyway Stage 3 Corporation	21,617,032	21,343,831	273,201
NLRC	4,250,000	4,275,662	25,662
Total	**88,548,335**	**68,704,491**	**19,895,167**

6.5 As shown in the above table, the majority of the noted variance pertains to the accounts of the Joint Venture (JV) Companies that operate and manage the tollways (i.e. NLEX, SLEX, Metro Manila Skyway 1, 2, and 3) and SOMCO. We further observed that unreconciled variances in receivables from JV Companies and SOMCO continued to exist in the last four years. The variances are summarized in Table 9.

Table 9 – Unreconciled Variances Between Operators and SOMCO For Calendars Years 2020 to 2023

Debtors	2020	2021	2022	2023
SOMCO	645,264	(8,166,858)	11,667,963	8,888,588
SMC Skyway Corp. *(formerly CMMTC)*	5,906,636	8,962,834	6,701,867	7,112,170
NLEX Corporation *(formerly MNTC)*	16,276,686	(10,874,607)	7,035,450	3,253,500
SMC SLEX Inc. *(formerly SLTC)*	531,922	(693,892)	440,287	342,046
SMC Skyway Stage 3 Corporation	0	0	1,955,729	273,201
	23,360,508	**(10,772,523)**	**27,801,295**	**19,869,505**

6.6 We have consistently determined that the main cause of the variance in the receivables from the JV Companies was the basis of accrual of income used by the Controllership Department. Examination disclosed that the Controllership Department based its accrual on the projected revenue in the Corporate Operating Budget instead of the actual monthly collections.

6.7 As of December 31, 2023, the revenue and its corresponding receivables were adjusted accordingly to reflect the actual collections made, however, prior-year discrepancies were still to be reconciled and adjusted. The foregoing variances cast doubt on the accuracy and reliability of the recorded receivables contrary to Paragraphs 4 and 12 of the Conceptual Framework for Financial Reporting. Thus, faithful representation of Accounts Receivable – Trade in the financial report is doubtful.

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

a) Instruct the Controllership Department to continue with the reconciliation of the variances; and

b) Effect the necessary adjusting journal entries in the books of accounts, if warranted.

6.9 Management commented that the reconciliation is still ongoing. Two out of six debtors were already reconciled with reference No. JV 04-17-00-24. Further, they will effect the necessary journal entries in the book of accounts once the reconciliation is done and will furnish a copy of the JV to the COA Auditor.

6.10 The Audit Team will monitor Management's compliance with the recommendations.

7. The faithful representation of the balance of the Property and Equipment account could not be ascertained due to the unreconciled balance of P7.404 million between the balance per books vis-a-vis the Report on Physical Count of Property Plant and Equipment (RPCPPE) which is not in accordance with Paragraphs 4 and 12 of the Conceptual Framework for Financial Reporting.

7.1 Paragraphs 4 and 12 of the Conceptual Framework for Financial Reporting states that:

> *If financial information is to be useful, it must be relevant and faithfully represent what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely, and understandable.*
>
> *xxx. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral, and free from error.* (Emphasis supplied)

7.2 Audit of government assets shall be performed to ascertain its valuation and ensure its agreement with existing records. In the CY 2023 audit of Property and equipment, it was noted that the balance in the books of account does not agree with the balance of RPCPPE. Details are presented in Table 10.

Table 10 – Property and equipment versus RPCPPE
As of December 31, 2023

Accounts	Cost	Per RPCPPE	Variance
Motor vehicles	30,426,780	27,003,152	3,423,628
IT equipment	5,247,315	2,901,869	2,345,446
Office Equipment	2,056,843	3,162,005	(1,105,162)
Furniture and fixtures	1,309,960	3,401,118	(2,091,158)
Communications equipment	190,000	544,697	(354,697)
Sports equipment	181,802	45,004	136,798
Other machinery and eqpt.	5,498,431	412,405	5,086,026
Medical	0	36,987	(36,987)
Total	**44,911,131**	**37,507,237**	**7,403,894**

7.3 Table 10 shows a net variance of P7.404 million between the aggregate cost of the PE account and the RPCPPE. Verification disclosed that the discrepancy is due to the non-reconciliation and non-assignment of unit value to several items that are reported in the RPCPPE.

7.4 RPCPPE is a report that summarizes the result of the physical inventory count, which substantiates the existence and completeness of the recorded property and equipment in the books of accounts. It is also used in the reconciliation of the recorded balance of the PE account with the actual PE in existence.

7.5 However, examination of RPCPPE disclosed that several items reported therein are without assigned unit value resulting in an understatement of the reported balance. Thus, causing the variance between the reported PPE and the balance of PE in the books of accounts.

7.6 To prepare the RPCPPE with a unit value assigned to each item, the Management may refer to COA Circular No. 2020-006 dated January 31, 2020, which states that:

> *Upon completion of the physical count, the Inventory Committee shall prepare the RPCPPE, using the prescribed format under the Accounting Manuals of the respective Sectors.*
>
> *The unit value of articles/items counted shall be taken from PPELCs Subsidiary Ledgers (SLs) or, if not available, from Property Cards or other proper records.*
>
> *In case no such information could be found in both accounting and property records such as for PPE items found at the station,* ***the unit cost/value shall be established****, as follows:*
>
> 1. *Cost/value may be assigned by the Inventory Committee based on the market/fair value of the item. The cost/value of a similar item in the RPCPPE may also be used by the Inventory Committee.*
>
> 2. *If there are items for which market/fair value could not be easily determined by the Inventory Committee, their fair value shall be determined by appraisal.*
>
> *The Property and Accounting Units shall undertake collaborative procedures to ensure that all PPEs included in the RPCPPE are duly recorded in their respective records and that the Property Cards (PCs) maintained by the Property Unit and the PPELCs maintained by the Accounting Unit are reconciled. The reconciliation shall be completed within ten (10) days from the rendition of the RPCPPE by the Inventory Committee.*

7.7 Further, it was also noted that the Management submitted the RPCPPE only last April 8, 2024, which is 68 days behind the required submission date, pursuant to COA Circular No. 80-124, which states that:

> *Inventory reports of regional/branch offices shall be submitted to the head of the agency not later than January 20 for consolidation and the consolidated inventory shall be submitted to the Auditor not later than January 31 of each year, unless extended by the Chairman upon prior request of the head of the agency concerned.*

7.8 Based on the above, the prescribed period for the submission of RPCPPE shall not be later than January 31 of each year. Timely submission thereof will allow early reconciliation and detection of variance in time for the preparation of financial statements.

7.9 Therefore, the noted variance between the balance of PE per books and RPCPPE totaling P7.404 million which is attributable to the non-reconciliation and the inability to assign unit values to several PE items in the RPCPPE is contrary to the requirement of Conceptual Framework for Financial Reporting which states that the financial information must be faithfully represented and free from error.

7.10 **We recommended that Management:**

a) Require the Inventory Committee to assign values to each item of property and equipment in the RPCPPE;

b) Conduct periodic reconciliation of the balances of RPCPPE with the records of the Controllership Department; and

c) Submit the RPCPPE on or before January 31 pursuant to COA Circular No. 2020-006.

7.11 Management commented that they already conducted a meeting on May 6, 2024, with the Inventory Committee (IC) in which they discussed among others, the preparation of the RCPPE. During the meeting, the IC was instructed to assign values to each item of the property and equipment in the RCPPE and to conduct a periodic reconciliation of the balances of RCPPE with the Controllership Department. The IC was also advised to comply with the early submission of the RCPPE before January 31.

7.12 The Management will accordingly monitor the Inventory Committee regarding compliance with the aforementioned instruction.

7.13 The Audit Team will monitor Management's compliance with the recommendations.

8. The faithful representation of the Inventory account with an aggregate cost of P6.935 million could not be determined due to the following:

a) Non-preparation of the Report on Physical Count of Inventories (RPCI); and

b) Discrepancies amounting to P1.187 million between the recorded amounts of inventories per books and per inventory report.

8.1 **Non-preparation of the RPCI**

Audit disclosed that Management has not yet submitted the report on the result of the physical count to support the balance of inventories account with an aggregate cost of P6.935 million for the year ended December 31, 2023. Details are presented in Table 11.

Table 11 – Inventories without physical count report
As of December 31, 2023

Account	Amount
Office Supplies Inventory	808,701
Fuel, Oil, and Lubricants Inventory	802,465
Medical, Dental, and Laboratory Supplies Inventory	493,880
Other supplies and materials inventory	4,830,375
Total	6,935,421
Allowance for Impairment loss	(3,999,962)
Net Realizable Value	**2,935,459**

8.2 Alternatively, the Audit Team was able to obtain an inventory report that was prepared by the Management for submission to the Bureau of Internal Revenue whose format is different from that of RPCI.

8.3 The RPCI is a report that summarizes the result of the physical count of the inventories, due to the absence of RPCI, the accuracy of the recorded balance of inventory cannot be verified as it is used to reconcile with the records of the Controllership Department.

8.4 Said report is required to be submitted to the Audit Team not later than July 31 of the current year and January 31 of the following year.

8.5 **Discrepancies amounting to P1.187 million between the recorded amounts of inventories per books and per inventory report.**

8.6 Paragraphs 4 and 12 of the Conceptual Framework for Financial Reporting states that:

> *If financial information is to be useful, it must be relevant and faithfully represent what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely, and understandable.*
>
> *xxx. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral, and **free from error**.* (Emphasis supplied)

8.7 Audit of government assets shall be performed with a view of ascertaining its valuation and ensuring its agreement with existing records.

8.8 However, the audit of the inventory account disclosed that the balance recorded in the books does not reflect the balance per inventory report. Details are provided in Table 12.

Table 12 – Inventory accounts with discrepancies in book balances and inventory report balances
As of December 31, 2023

Accounts	Per Books	Per inventory report	Variance
Office Supplies Inventory	808,701	532,527	**276,174**
Medical, Dental & Laboratory Supplies	493,880	500,217	**(6,337)**
Fuel, Oil, and Lubricants Inventory	802,465	485,198	**317,268**
Other supplies and materials inventory	4,830,375	5,417,479	**(587,105)**
	6,935,421	6,935,421	**0**
Allowance for Impairment loss	(3,999,962)	(3,999,962)	**0**
Net Realizable Value	**2,935,459**	**2,935,459**	**0**

8.9 As shown in Table 12, the net realizable value of the inventories in total, does not indicate a discrepancy between the recorded amount and per inventory report. However, the line items that composed the inventory account, exhibit disparity between the accounting records and per inventory report.

8.10 As mentioned earlier, the RPCI was not prepared, hence, the reconciliation could not be undertaken to uncover the variances in the inventory account.

8.11 The Audit Team also noted the non-maintenance of Supplies Ledger Cards (SLC) by the Controllership Department and the non-maintenance of Stock Cards (SC) by the General Services Department (GSD).

8.12 SLC is a form used and maintained by the accounting department/unit for each type of supplies to record the purchases and issuances made, while SC is the form used and maintained by the supply/property department to record the receipts and issuances of supplies to the end users.

8.13 The SLC and SC should be reviewed periodically to ascertain that their balances are reconciled and that emerging variances may be timely discovered.

8.14 Accordingly, the non-reconciliation of inventory reports with accounting records and non-maintenance of SLC and SC resulted in variances between the recorded amount and per inventory report, casting doubts on the fair presentation of the inventory account.

8.15 **We recommended that Management:**

a) Instruct the Inventory Committee to prepare the RPCI and submit the same to the Audit Team;

b) Reconcile the balances of each type of inventory account per accounting records and per inventory report; and

c) Require the maintenance of SLC by the Controllership Department and SC by the GSD to monitor closely the receipts and issuance of inventories.

8.16 Management commented that:

a) The Inventory Committee will prepare the required RPCI as of December 31, 2023, and June 30, 2024, to be submitted every January 31 and July 31.

b) The Controllership and GSD will reconcile the noted discrepancies and will submit the reconciled balances to the Audit Team.

c) The Controllership and GSD will prepare and maintain SLC and SC, to closely and accurately monitor the purchases/receipts and issuances of supplies to the end-user. This will be reviewed periodically to ascertain that the balances are reconciled and that emerging variances are timely discovered.

8.17 The Audit Team will monitor Management’s compliance with the recommendations.

B. OTHER OBSERVATIONS

9. The non-payment of concession fees to the National Government amounting to P7.334 billion (principal of P1.060 billion plus penalty charges aggregating P6.274 billion), is not in compliance with Clause 2 of the Toll Operation Agreement (TOA), resulting in the incurrence of annual penalty charges of at least P258 million.

9.1 This is a reiteration of prior years' observations with updated information.

9.2 Clause 2.1.1 of the TOA entered into by and between CDCP (now PNCC) and the Republic of the Philippines, represented by the TRB, in October 1977 provides that:

> *"PNCC shall pay or reimburse the government through the TRB for a period of 30 years a concession fee of approximately P912 million on the dates provided in the Schedule of Fees" (December 31, 1977, to December 31, 2006).*

9.3 Moreover, Clause 2.1.3 thereof provides that "if PNCC fails to pay any amount of concession fee when it falls due and the amount remains unpaid for a period of 30 days, a penalty of two per cent per month of the amount due shall be charged until the amount of concession fee is fully paid." In December 1978, a Supplemental TOA was executed by the parties, amending the 30-day time frame to 365 days in the computation of the penalty charge.

9.4 Our audit disclosed that PNCC has an outstanding unpaid concession fee to the NG amounting to P7.334 billion, inclusive of penalty charges of P6.274 billion, as of December 31, 2023. Due to non-payment and non-compliance with the TOA, PNCC was charged two per cent per year of penalty, which amounted to at least P258 million annually. This amount of penalty substantially and negatively affects PNCC's yearly financial performance.

9.5 Further, TRB in its reply to the Audit Team affirmed that PNCC had an unpaid concession fee of P7.334 billion as of December 31, 2023, and had paid only P487.627 million to the NG since 1985.

9.6 Relative thereto, we also noted that the unpaid concession fee was already raised by the former Audit Team in the CYs 2011 to 2012 and 2019 audits of PNCC's accounts and transactions. Back on December 14, 2011, the Management informed the Audit Team that the Board of Directors approved the settlement of this obligation to the NG by way of dacion en pago, using the real estate assets of PNCC, notably the 12.9-hectare Financial Center Area property. However, such a proposed settlement did not materialize. In the latter months of 2012, the Management informed the Audit Team that the Board of Directors reconsidered the option to bid out the proposed property for dacion to attain a higher value and forestall all legal problems that may arise from the option of direct dacion.

9.7 The non-payment of concession fees obligation to the NG resulted in incurring unnecessary penalty charges which significantly decreased PNCC's financial performance.

9.8 **We reiterated our prior year's recommendations that Management:**

a) Develop a payment plan duly approved by the Board of Directors, for the settlement of unpaid concession fees to the NG; and

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

9.9 Management commented that they are already in the process of firming up its plan on how the subject obligation would be settled.

9.10 Management added that it is now looking into its income share in the Stage 1 and Stage 2 Skyway Project which were undertaken pursuant to PNCC's franchise under Presidential Decree No. 1894. PNCC is receiving only 10% of its supposed income share since 2012 when it should have been receiving the full amount. The 90 per cent of its income share is being remitted to the NG through the TRB pursuant to an Interim Guideline issued by the latter.

9.11 Accordingly, Management has already brought this matter to the TRB in its letter dated January 31, 2024.

9.12 Further, Management informed that they had scheduled a meeting with the Bureau of Treasury to open a discussion on the offsetting of the unpaid concession fee obligation with the remittances PNCC has already made to the NG through the TRB.

9.13 The Audit Team will monitor Management's compliance with the recommendations.

10. The 9.9-hectare of PNCC's Financial Center Area (FCA) property located in Pasay City has been idle and/or unutilized for almost six (6) years, depriving PNCC of potential income, contrary to Section 2 of Presidential Decree (PD) No. 1445.

10.1 This is a reiteration of prior years' observations with updated information.

10.2 Section 2 of PD No. 1445 provides that:

> *"It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy, and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned."*

10.3 Records show that PNCC owned a property known as FCA located along Macapagal Boulevard, Pasay City, with an area of 129,548 square meters or 12.954 hectares. Previously, portions of the said property were leased out to various lessees on a short-term basis.

10.4 On May 31, 2018, the lease agreements expired and the PNCC's Board of Directors (BOD) resolved not to extend the same, in view of the planned development of the property.

10.5 On October 8, 2019, PNCC entered into a long-term lease contract with Pacific Concrete Products, Inc., for the development of the 3-hectare portion of the property, leaving the 9.9-hectare portion of the FCA property unproductive. Meanwhile, portions of the 9.9 hectares are under litigation. Ejectment cases were filed by PNCC against former lessees who continuously occupied the property despite the expiration of their lease contracts. To date, PNCC was able to regain control of about 1.5 hectares of the property in August 2023, by a Writ of Execution issued by the Regional Trial Court, Branch 115, Pasay City, to implement the Decision of Metropolitan Trial Court, Branch 47, Pasay City dated February 07, 2022.

10.6 Because of the planned lease and development of the 9.9-hectare portion of the subject property, the BOD passed Board Resolution No. BD 66-2019 dated July 10, 2019, approving the Terms of Reference (TOR) for the bidding thereof, and authorizing the President and CEO of PNCC to secure clearance/approval from the Office of the President (OP) of the Philippines. On July 18, 2019, the President and CEO submitted the TOR of the public bidding, to the OP for its information and approval.

10.7 On February 26, 2020, the President and CEO of PNCC wrote another letter to the OP, inquiring on the status of their request for comment/approval on the subject TOR, so that PNCC can move forward in developing and improving the FCA property. Subsequently, PNCC received a letter dated March 6, 2020, addressed to the Secretary of the Department of Finance (DOF), relative to the lease and development of the FCA property.

10.8 In the CY 2020 audit of PNCC, the Audit Team issued Audit Observation Memorandum (AOM) No. 21-008 (2020) dated June 2, 2021, concerning the continued idleness and/or non-utilization of the 9.9-hectare portion of the FCA property. The Audit Team recommended that Management should coordinate with the DOF relative to the letter dated March 6, 2020. Further, it is recommended to immediately proceed with the bidding activities once approval thereof is obtained. However, to date, and almost six years since the expiration of the contracts of the previous leases, bidding activities have yet to be conducted, indicating that the TOR is not yet approved.

10.9 In CY 2023, the Audit Team issued Audit Query Memorandum (AQM) No. 23-002 (2022), inquiring about the actions taken by Management to fast-track its request for approval of the TOR. Further, it inquired on whether the Management informed the new administration regarding its pending request for approval of the TOR, considering that there was a change in administration in June 2022.

10.10 In its reply to the AQM, Management informed that a follow-up was made on July 21, 2021, with the Privatization Management Office (PMO), an agency under the DOF. In the reply of PMO on July 26, 2021, it commented that:

i. The proposed bid price is too low for the current market;
ii. PNCC's legal personality to continue the development of the FCA property should be reviewed; and

iii. The settlement of PNCC's obligation with the various national government agencies was not reflected in the proposed lease.

10.11 Accordingly, PNCC addressed the foregoing comments of PMO through its letter dated September 8, 2021. Also, Management apprised that, while there were already comments made by PMO on the proposed TOR, PNCC has not yet received any updates from the OP as regards PNCC's request.

10.12 Moreover, Management mentioned the issuance of Memorandum Circular No. 3 dated July 27, 2022, by the Executive Secretary which prohibits government officials who are on hold-over capacity from entering new contracts or projects, thus, the plan to fast-track the lease and development of the FCA property, was held in abeyance by the hold-over officials of PNCC. This complies with the Memorandum Circular to give the incoming new set of appointees a free hand on the project.

10.13 Further, Management advised that a new set of appointive directors assumed office in PNCC in January 2023 and that, they still have to study and consider the comments of PMO on the TOR, especially the comment pertaining to PNCC's authority to continue to develop the FCA property has to be reviewed. Accordingly, the new set of PNCC Board of Directors will revisit the earlier plan to lease and develop the subject property.

10.14 Considering that the plan for the lease and development of the FCA property was prepared six years ago and that the status of the property was no longer the same when the TOR was prepared, it was just proper for the BOD to review the plan to lease and develop the property.

10.15 Given the above, the Management should have exerted persistent efforts to put the property for lease, now that six years had passed since the expiration of the previous leases, leaving the majority of the subject property unproductive, depriving PNCC of potential income. In CY 2023, the foregone income is estimated to be P1.275 billion for the 9.9 hectares based on the average fair rental value of the property as of December 31, 2023.

10.16 The continued idleness and non-utilization of the subject property is contrary to Section 2 of PD No. 1445, which states that all resources of the government should be managed and utilized in accordance with law and safeguarded against loss or wastage through improper disposition, with a view of ensuring efficiency, economy and effectiveness of government operations.

10.17 **We recommended that Management:**

a) Follow up with the Office of the President on the status of its request for the approval of the plan to bid out the lease and development of FCA property and the corresponding TOR, as applicable; and

b) Update the Audit Team on its recent plan of action on the lease and development of the 9.9-hectare portion of the FCA Property based on the study conducted by the BOD.

10.18 Management commented that together with the PNCC Board, they are still in the process of discussing and deliberating on the possible course of action to be taken with the end in view of ensuring the proper and most advantageous utilization of the said property.

10.19 The Audit Team will monitor Management's compliance with the recommendations.

11. Nine (9) idle and/or unutilized real properties classified as Investment property with a fair value of P880.650 million, deprived PNCC of potential income and continuously incurred maintenance expenses totaling P2.569 million for CY 2023, contrary to Section 2 of PD No. 1445, thus, disadvantageous to the government.

11.1 Section 2 of PD No. 1445 provides that:

> *"It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy, and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned."*

11.2 Our audit showed that nine real properties of PNCC are idle or unutilized while continuously incurring maintenance expenses, as shown in Table 13.

Table 13 – Idle Investment properties
As of December 31, 2023

Property	Location	Lot Area (Sq. m.)	Carrying amount	Maintenance expense
1. Antipolo Property	Sta. Cruz & Dela Paz, Antipolo, Rizal	14,770	143,207,500	84,041
2. Bocaue Property	Bolakan, Bocaue, Bulacan	9,926	43,700,000	7,512
3. Casinglot Property	Casinglot, Tagoloan, Misamis Occ.	60,620	249,475,000	37,827
4. Nasugbu Property	Caylaway, Nasugbu, Batangas	69	4,690,000	0
5. Porac Property	Manibaug Pasig, Porac, Pampanga	116,591	77,637,500	1,354,241
6. Sapang Maisac.	Sapang Maisac, Mabalacat, Pampanga	27,905	46,065,000	742
7. Sta. Ines Property	Sta. Ines, Mabalacat, Pampanga	114,965	607,560,000*	274,500
8. Sta. Rita Property	Sta. Rita, Guiguinto, Bulacan	20,000	159,560,000	766,044
9. Tagaytay Property	Tolentino East, Tagaytay, Cavite	98,207	156,315,000	44,053
Total		**463,053**	**880,650,000**	**2,568,960**

*Fair market value

11.3 **Antipolo Property**

The property in Antipolo City is composed of two residential properties situated inside the Town and Country Subdivision, and Victoria Valley Subdivision, respectively.

11.4 Verification from the Head-Realty Management Department (RMD) disclosed that the lots remained vacant and idle, and in CY 2023 it incurred P24,685 for association dues and P59,356 for real property taxes.

11.5 **Bocaue Property**

The property is located on the southbound side of the North Luzon Expressway between the Bocaue and Marilao exit tollgates. Accordingly, the land was used as a staging area for patrol vehicles during the time that PNCC was still managing the operations of the North Luzon Tollways.

11.6 Aside from being vacant, unutilized, and unproductive, the property is not accessible by any public/access road, as it is fenced from the NLEX.

11.7 Per inquiry with the Head of RMD revealed that they are in the process of leasing out the property on an “as is, where is” basis, considering that the property directly sits on the side of NLEX and no right of way established. In CY 2023 PNCC incurred expenses in the amount of P7,512 in payment of real property tax.

11.8 **Tagoloan Property**

The property has an aggregate area of 60,620 square meters and is located in Barangay Casinglot, Municipality of Tagoloan, Province of Misamis Oriental. The majority of the area has been inhabited by informal settlers for a long period of time. The Audit Team observed the presence of structures within the property such as residential houses, a basketball court, and a chapel, built from lightweight to heavy materials.

11.9 Records show that in CY 2011, the Mayor of Tagoloan proposed to acquire the property occupied by the informal settlers. However, in CY 2012, the Board of Directors of PNCC resolved that the property should be sold through public bidding. Since then, despite the plans of the Management to dispose of the property, it remained undisposed and unutilized, while incurring expenses of P37,827 for real property tax for CY 2023.

11.10 **Nasugbu Property**

The property consists of two residential condominium units inside Gulod Resort, each has a floor area of 34.65 square meters, and located along the west side of Tagaytay-Nasugbu National Highway in Nasugbu, Batangas.

11.11 These condominium units were acquired by PNCC from Gotesco Land Inc. (formerly Sirucon Resources Corporation) in settlement of its liabilities to PNCC in CY 2000.

11.12 It was also noted that the Condominium Certificate of Titles (CCTs) are not yet transferred under the name of PNCC despite the lapse of more than 20 years.

11.13 Per inquiry with Management, these condominium units are unutilized to date.

11.14 **Porac Property**

The property with an area of 116,591 square meters is located along the dried-up river bed of the Manibaug Pasig River, within Barangay Manibaug Pasig, Porac, Pampanga. This property was used as a sand quarry for PNCC, as sand deposits are rich in the area.

11.15 The said property was previously leased to Tokagawa Global Corporation (TGC) for P677,777 per month for its sand quarry operations. However, the said lease was pre-terminated effective July 6, 2022. After the pre-termination of the contract with TGC, the Management engaged the services of a security agency to secure the area. PNCC incurred P1.354 million for the cost of security services in CY 2023.

11.16 The property is idle, unutilized, and not offered for lease, despite the previous recommendation of the Audit Team to offer the said property to the public, interested in operating as a sand quarry.

11.17 **Sapang Maisac Property**

The property is located within Barangay Sapang Maisac, Mabalacat City, Pampanga together with the property in Sta. Ines, Mabalacat, Pampanga. This property was once used as a quarry site by PNCC.

11.18 Per inquiry with the management, the property is still unutilized. However, it continues to incur maintenance expenses in the form of caretaker's salary and real property tax in the amount of P274,500 and P742 per year, respectively.

11.19 **Sta. Ines Property**

The property is located in Barangay Sta. Ines, Mabalacat City, Province of Pampanga. It is composed of five adjoining lots with an aggregate area of 114,965 sq. m. The Majority of the area is registered under the name of the Republic of the Philippines (ROP). Details are shown in Table 14.

Table 14 – TCTs of Sta. Ines Property
As of December 31, 2023

TCT No.	Area (sq. m)	Registered owner	Registration Date
326191-R (51188-M)	98,550	Republic of the Philippines	12/16/1991
326195-R (51192-M)	12,717	Republic of the Philippines	12/16/1991
326189-R (51186-M)	2,717	Republic of the Philippines	12/16/1991
326188-R (51185-M)	618	PNCC	12/16/1991
045-2012001074	363	Enrico dela Cruz, Jr., et. Al.	01/27/2012
	114,965		

11.20 According to the Head of RMD, the property was acquired by PNCC as part of the planned right-of-way of NLEX. However, due to the re-alignment of the NLEX exit in Sta. Ines, the whole property was not utilized and was retained by PNCC when NLEX was turned over to the National Government. Further, the land was acquired through expropriation, thus, the TCTs are under the name of the Republic of the Philippines.

11.21 Further, the appraisal report dated January 18, 2022, showed that a portion of the property that was utilized as right-of-way is only 15,640 sq. m., which is part of the lot identified in TCT No. 326191-R (51188-M). Also, a portion of the property has been part of an existing unpaved road occupying 1,715 sq. m. Thus, leaving a net usable

land area of about 97,610 sq. m., which is idle, unutilized, and undeveloped per inspection. Moreover, a portion of the property is occupied by informal settlers of about 16 families as relayed by the caretaker.

11.22 Also, records reveal that the Sta. Ines property is not recorded as an asset in the books of accounts of PNCC. The Conceptual Framework defines an asset as an economic resource controlled by an entity as a result of past events from which future economic benefits are expected to flow to the entity. Since PNCC has control over this property and PNCC incurs expenses for its maintenance and security, it is proper that the said property be recorded in the books of accounts as part of its assets.

11.23 **Sta. Rita Property**

The property used to be the office of North Luzon Tollways, a major division of PNCC, with 13 structures that are neglected and continuously deteriorating. A contract of lease was entered into by PNCC and San Miguel Holdings Corporation (SMHC) for the lease of property on May 16, 2022, with a term of five years. However, on July 19, 2022, the contract was pre-terminated upon the request of SMHC due to a change in project priorities.

11.24 According to the Head of RMD, they are preparing the bid documents to offer the property for lease, nevertheless the property is still unutilized to date, and continues to incur expenses in the amount of P274,500 and P491,544 per year in payment of the salary of the caretaker and real property tax, respectively.

11.25 **Tagaytay Property**

The boundaries and the exact location of the property cannot be ascertained. It was only viewed from the elevated part of Tagaytay-Talisay road (the nearest developed road in the area) and the property was somewhere along the area. The property is not accessible through public roads nor does it have an access road.

11.26 Verification disclosed that this property remained unutilized and undeveloped, while it incurred real property tax expenses in the amount of P44,053 for CY 2023.

11.27 Maintaining these properties entails cost in the form of real property taxes, security services, and other related expenses, thus, keeping them idle/unproductive deprives the PNCC of potential income, disadvantageous to the government. Further, it could at least mitigate the expenses of maintaining the subject properties.

11.28 Furthermore, the Porac and Sta. Rita properties could generate lease income. Leasing out these two properties could generate an estimated P13.413 million, based on the recent lease rates of the properties. Details are provided in Table 15.

Table 15 – Prospective Revenue from Porac and Sta. Rita Property

Property	Recent lease rate per month	Period (months)	Total
Porac property	P 677,777	12	P 8,133,324
Sta. Rita property	440,000	12	5,280,000
Total	**P 1,117,777**		**P13,413,324**

11.29 The continued idleness and non-utilization of the subject investment properties is not in consonance with the policy of the government provided under Section 2 of PD No. 1445 that, all resources of the government shall be managed and utilized in accordance with law and safeguarded against loss or wastage through improper disposition with a view to ensuring efficiency, economy and effectiveness in the government operations.

11.30 **We recommended that Management:**

a) Determine the best use of the subject properties which is the most advantageous to the corporation by developing a plan of action/disposition for each property;

b) Advertise/conduct public bidding for properties that are suitable for lease;

c) Expedite the transfer of titles of Nasugbu (Gulod) Property in the name of PNCC;

d) Determine the value of Sta. Ines property and recognize the same in the books of accounts; and

e) Establish and secure the perimeter of all the properties especially those with illegal occupants.

11.31 Management commented that it is their objective to maximize the use and income of the PNCC's properties by leasing them out to interested parties.

11.32 Three of the nine properties mentioned in the AOM are suitable for lease to interested parties, namely, the Sta. Rita and Bocaue properties in Bulacan and Porac property in Pampanga. Management has already scheduled to offer the lease and development of these properties through public bidding.

11.33 While the Sapang Maisac and Gulod properties still need further study and evaluation to determine the best use and how they can be leased out considering the status of the said properties.

11.34 For the Sta. Ines property, Management informed that there were offers from the City Government of Mabalacat to develop the property. However, PNCC brought this matter to the attention of the Bureau of Treasury considering that the property is registered in the name of the National Government, although PNCC is the beneficial owner of the said property.

11.35 Further, Management informed that a relocation survey will be conducted on the Tagaytay property to determine its exact boundaries and actual location.

11.36 The Antipolo properties located in Victoria Valley and Town & Country Estate Subdivisions are subdivision lots that could not be offered for lease as restrictions are being implemented by the subdivision on leases.

11.37 Lastly, on the Tagoloan property, Management included the Tagoloan property in the inventory of available lands submitted to the Department of Human Settlements and Urban Development for the *Pambansang Pabahay Para Sa Pilipino Program* of the government in compliance with the Executive Order No. 34, s. 2023 that may be suitable for the said program.

11.38 The Audit Team will monitor Management's compliance with the recommendations.

12. The cash collaterals amounting to P71.072 million posted in favor of Investors Assurance Corporation (IAC) and the remaining P13.844 million deposited with DBP (P10 million) and LBP (P3.844 million) were not yet returned to PNCC despite the lapse of more than seven years from the finality of Supreme Court's (SC) decision on November 14, 2016, thus, depriving PNCC of the use of the funds either for its operation or for investment purposes.

12.1 This is a reiteration of prior years' observations with updated information.

12.2 In 2011, PNCC, a respondent in consolidated cases before the National Labor Relations Commission (NLRC) filed by Ernesto N. Valentin, et al., former employees of PNCC assigned at North Luzon Tollways, for the recovery of their separation pay package differentials, when they were retrenched in 2005.

12.3 On October 17, 2011, the Labor Arbiter ruled on the above case and directed PNCC to pay their monetary claims in the amount of P171.072 million. Relative thereto, PNCC appealed before the NLRC and secured a surety bond from IAC equal to the judgment award of P171.072 million, in accordance with the 2011 Rules of Procedures of the NLRC, to suspend the execution of the said decision pending appeal.

12.4 The following collaterals are posted in IAC's favor to secure a surety bond:

a. P90 million deposited in the Land Bank of the Philippines (LBP), Oranbo, Pasig City Branch;
b. P10 million deposited in the Development Bank of the Philippines (DBP);
c. A check of P71.072 million is to be drawn against PNCC's LBP account

12.5 After a series of events, on April 18, 2016, the SC issued a resolution denying the petition of Valentin et. al., for money claims against PNCC amounting to P171.072 million. Subsequently, on November 14, 2016, the Entry of Judgement was issued by the SC.

12.6 However, on December 5, 2017, the Insurance Commission (IC) issued a cease and desist order to IAC for its failure to meet the prescribed capital requirement. The IAC was put under conservatorship in which the processing and payment of claims against IAC shall be under the IC-appointed Conservator.

12.7 On February 7, 2018, PNCC filed a Motion to Release the bond before the NLRC since no more awards need to be satisfied due to the finality of SC's decision in favor of PNCC. On August 22, 2019, the NLRC-Regional Arbitration Branch (RAB) No. III

finally resolved PNCC's Motion to Release bond with qualification, the dispositive portion of the Order reads:

> *WHEREFORE, premises considered, this Office Grants Respondent PNCC's Motion to Release Bond and Orders the release of all remaining collaterals with IAC less amounts already released amounting to P37,107,000.00 and any unpaid premiums owed to IAC until 14 November 2016.*
>
> *SO ORDERED*

12.8 Verification of pertinent documents pertaining to this case disclosed that this was the first time that PNCC was made aware of the partial satisfaction of judgment award amounting to P37.107 million. The Legal Officer of PNCC personally verified the records of labor cases but the alleged receipt issued by the Sheriff does not form part of the records of the case. Accordingly, no information was received from IAC on any settlement of the bond. Moreover, the partial satisfaction of monetary award was never mentioned by the IAC in all of the pleadings filed before the NLRC. On the other hand, PNCC also contended that IAC is not entitled to the premium as the NLRC declared null and void the writ of execution issued by RAB III on July 17, 2012. Accordingly, the purpose for which the appeal bond was secured ceased to exist, hence the non-renewal upon its expiry on November 16, 2012.

12.9 On September 11, 2019, PNCC, through the Office of the General Corporate Counsel (OGCC), submitted an Appeal Memorandum before the NLRC praying for the Commission to partially reverse and set aside the above-mentioned Order dated August 22, 2019, by directing the IAC to return the cash collateral amounting to P71.072 million to PNCC on the ground that, among others, the alleged partial execution of P37.107 million lacks legal and factual bases and that the IAC is not entitled to the payment of premium. However, the same was dismissed by the NLRC in its Resolution dated November 26, 2019.

12.10 On April 8, 2021, upon PNCC's request, the IC granted the release of the uncontested portion of the collateral amounting to P100 million deposited in LBP and DBP, net of the alleged unpaid premiums due for the bond and interests thereon payable to IAC amounting to P13.844 million.

12.11 Effectively, on May 5, 2021, the LPB-Pasig Branch released P86.156 million to PNCC while the balance of P3.844 million and the P10 million remained deposited in LBP-Pasig Branch and DBP, respectively. The remaining amounts totaling P13.844 million plus interests are restricted to withdrawal until the resolution of the issues involved and upon securing a clearance from IC.

12.12 On July 7, 2022, a virtual mediation conference was called by the Insurance Commissioner which was attended by representatives of PNCC, OGCC, IAC, and IC, to resolve the issues on the premiums and the possible release of the uncontested collateral.

12.13 In a letter dated July 11, 2022, of OGCC to the IC, on behalf of PNCC, it was emphasized that PNCC is willing to pay the computed premiums amounting to P3.994 million covering the periods 2012 to 2016, subject to the following conditions:

1. PNCC does not abandon its firm position that IAC is not entitled to the payment of premiums;
2. If eventually, the IAC is entitled to the said unpaid premium as judicially declared, the same shall be up to November 14, 2016, only, upon issuance of Entry of Judgment by the SC.
3. That the 3.994 million computed premium should be deducted from the uncontested portion of 71.072 million cash collateral; and
4. The release of the remaining uncontested portion of PNCC's collateral amounting to P13.844 million deposited in LBP and DBP.

12.14 As of December 31, 2023, the cash collateral amounting to P71.072 million remained with IAC despite the lapse of more than seven years from the finality of SC's decision and more than four years from the order of RAB III to release the bond less the amounts already released and any unpaid premiums owed to IAC.

12.15 Due to unsettled issues involving the cash collateral, PNCC is deprived of utilizing P71.072 million and P13.844 million despite the finality of a favorable decision from the SC. Relative thereto, PNCC should initially request for the release of the uncontested amount of P33.965 million, while maintaining its firm position on its claim for the whole amount of P71.072 million. So that the uncontested amount of P33.965 million may be utilized and made available for use by PNCC in its operation or investment opportunities.

12.16 **We recommended that Management:**

a) Coordinate with the OGCC to expedite the resolution of issues concerning the cash collateral amounting to P71.072 million so that such amount will be readily available for operation or investment purposes and to facilitate the release of the uncontested amount of P33.965 million, from IAC, through the Insurance Commission without prejudice to the filing of a separate claim for the remaining cash collateral amounting to P37.107 million; and

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

12.17 Management commented that they have been in coordination with its statutory counsel, the OGCC, to once again file a motion for early resolution of the case before the Insurance Commission.

12.18 Further, Management informed the Audit Team that they are exerting persistent effort for the release of the P33.6965 million uncontested amount of the P71.072 million held by IAC. Management also mentioned that, on May 9, 2024, they filed a complaint with the National Bureau of Investigation to investigate IAC and the circumstances of the alleged irregular and questionable release of the P37.107 million as payment to the respondent employees in the labor case.

12.19 The Audit Team will monitor Management's compliance with the recommendations.

13. The non-recovery of cash bonds posted by PNCC before the National Labor Relations Commission aggregating P6.245 million despite the favorable final and executory decisions rendered by the Supreme Court is not in consonance with the provisions of Section 2 of PD No. 1445.

13.1 This is a reiteration of prior years' observations with updated information.

13.2 Records show that PNCC posted cash bonds before the NLRC in connection with labor cases filed by former and present employees for the claim of certain employee benefits. Posting of bonds equivalent to the judgment award is a requisite for the perfection of the appeal pursuant to Section 4 of NLRC Rules of Procedures. Details are provided in Table 16.

Table – 16 Labor cases with recoverable bonds
As of December 31, 2023

Title of Case	CV No.	Amount of Bonds	Status	Remarks
Claim of Mid-year Bonus Elizabeth N. Lopez-De Leon, et al., vs PNCC GR No. 248401/ CA-GR-SP No. 139311	303514 dated 3/06/14	2,277,620	Released to complainants by NLRC on March 20, 2015, and April 14, 2015.	On June 23, 2021, the SC rendered a Decision in favor of PNCC, reversing the CA Resolution and NLRC decision for lack of merit. Entry of Judgment was furnished to PNCC on July 12, 2022, by OGCC.
Claim of Transportation Allowance Elizabeth N. Lopez-De Leon, et al., vs PNCC GR No. 244710 / CA-GR-SP No. 149392	404416 dated 4/13/16	637,500	Released to complainants by NLRC on June 7, 2017.	PNCC won the case per the SC Decision dated October 7, 2019. An order to issue Entry of Judgment immediately was issued per Notice dated March 11, 2020, of the SC's Special Second Division.
Claim of Exit Bonus Elizabeth N. Lopez-De Leon, et al., vs PNCC CA-G.R. SP NO. 140817	506814 dated 5/28/16	3,330,000	Still in the custody of NLRC.	PNCC won in the case per the CA Decision dated May 24, 2016, and the CA Resolution dated October 7, 2016. Waiting for issuance of Entry of Judgment
Total		**6,245,120**		

13.3 **Claim of Mid-year Bonus (MYB)**

This case was filed due to the discontinuance of the grant of MYB to PNCC employees in CY 2013. The Labor Arbiter found merit in the complaint and held PNCC in violation of Article 100 of the Labor Code on such discontinuance, citing that the mid-year bonus had ripened into a benefit or supplement that may not be reduced, diminished, discontinued, or eliminated.

13.4 Upon appeal, the NLRC and Court of Appeals (CA) affirmed the decision of the Labor Arbiter. Hence, a petition for review on certiorari was filed by PNCC before the SC.

13.5 Accordingly, the NLRC released the cash bond posted by PNCC to the complainants amounting to P2.278 million on March 20, 2015, and April 14, 2015, during the pendency of PNCC's appeal in the higher courts.

13.6 On June 23, 2021, the SC's Second Division promulgated a decision granting the petition for review on certiorari of PNCC, reversing the CA Decision and dismissing the complaint for lack of merit. The SC Decision has attained finality per Entry of Judgment in March 2020.

13.7 **Claim of Transportation Allowance**

In this case, the employees complained that PNCC violated Article 100 of the Labor Code when it discontinued the grant of monthly transportation allowance. The Labor Arbiter and the NLRC found merit in the case. However, upon appeal, the CA and SC found the complaint devoid of merit, since the discontinuance of transportation allowance is not commensurate to non-diminution of benefits, as prohibited under Article 100 of the Labor Code. Thus, on October 7, 2019, the SC's Second Division issued a Resolution declaring the CA decision final and executory and granting PNCC's petition to annul and set aside the 2016 Decision of NLRC.

13.8 Similar to the MYB, the bonds posted by PNCC in this case were released by NLRC to the complainants on June 7, 2017, while PNCC's appeal is pending.

13.9 On June 14, 2023, PNCC requested the OGCC to initiate appropriate legal action for NLRC to release the remaining bonds and to recover the bonds released by NLRC to respective complainants.

13.10 On December 22, 2023, OGCC filed a Motion to Release Bond and Order Restitution with an additional prayer to impose interest until full payment for the unrecovered bonds in the Transportation allowance case.

13.11 Verification of records disclosed that Entry of Judgment has already been issued on July 12, 2022.

13.12 **Claim of Exit Bonus**

This case was instituted for the recovery of the unissued exit bonus by current and former employees. A cash bond amounting to P3.300 million was posted by PNCC to appeal the adverse resolution of the NLRC. Upon Motion for Reconsideration, the NLRC reversed its previous resolution for lack of merit.

13.13 On May 14, 2016, the CA issued a decision in favor of PNCC. The Motion for Reconsideration was subsequently dismissed in a resolution dated October 17, 2016. At present, the cash bond is still in the possession of NLRC. A review of the Report on Status of Cases provided by the OGCC revealed that this case is awaiting the issuance of Entry of Judgment and that no other legal action has been taken. The lapse of more than seven years from the date of Resolution warrants the proactive filing of appropriate pleading requesting issuance of Entry of Judgment from the CA.

13.14 The non-recovery of the bonds in the aforementioned cases and the passive stance to pursue an appropriate legal remedy to obtain Entry of Judgment for the Exit bonus case, are not in accordance with Section 2 of Presidential Decree (PD) No. 1445 which states:

> *"It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or*

improper disposition, with a view to ensuring efficiency, economy, and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned."

13.15 **We reiterated our previous recommendation that Management conduct periodic monitoring of cases and their status to determine appropriate legal action to be undertaken.**

Further, we recommended that Management:

a) Instruct the Head-Legal Department to file for appropriate motion for the issuance of Finality and Entry of Judgment from CA for the Exit bonus case; and

b) Exert persistent efforts to recover/collect the bond pertaining to the case on recovery of bonds on Transportation allowance and Mid-year bonus Cases.

13.16 Management commented during the Exit Meeting that they had already written the OGCC for the filing of a Motion to release bonds. While the status of the three cases was as follows:

a) On the transportation allowance case, Management is waiting for the comment of the other party;
b) For the mid-year bonus case, a motion is yet to be filed by the assigned OGCC counsel; and
c) For the exit bonus case, Management is yet to instruct the OGCC to file an appropriate motion for the issuance of finality and entry of judgment before the CA.

13.17 Further, Management stated that they will update the Audit Team on the progress of the implementation of the recommendations.

13.18 The Audit Team will monitor Management's compliance with the recommendations.

14. Six service vehicles with an aggregate cost of P5.458 million are still recorded in the books despite the Corporation's lack of control and inability to provide proof of ownership, casting doubt on its existence and legal ownership thereof.

14.1 Philippine Accounting Standard No. 1 defines assets as follows:

*A resource **controlled by the entity** as a result of past events and from which future economic benefits are expected to flow to the entity.*

14.2 Also, PAS 16 defines Property, plant, and equipment as:

Tangible items that are held for use in the production or supply of goods or services, for rental to others, or administrative purposes, and are expected to be used during more than one period.

14.3 Further, Section 58 of PD 1445 states that:

> *It is the declared policy of the State that all resources of the government shall be managed, expended, or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, to ensure efficiency, economy, and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.*

14.4 Examination of Utility vehicles account disclosed that out of 28 recorded service vehicles of the Corporation, six of which with an aggregate cost of P5.458 million, were neither controlled nor held by the Corporation for its operational or administrative use. The details are shown in Table 17.

Table – 17 Service vehicles are still recorded in the PNCC books. As of December 31, 2023

Eqpt. No.	Model	Plate No.	Acquisition date	Cost	Remarks
1 SV-501	Mazda 323	DRW-990	04-16-97	152,517	Assigned to TRB
2 SV-582	Toyota Fortuner	ZCL-600	03-16-06	1,613,000	Assigned to TRB
3 SV-585	Toyota Hi-lux	ZDW-502	04-27-06	778,000	Assigned to TRB
4 SV-586	Toyota Hi-lux	ZDE-501	04-27-06	778,000	Assigned to TRB
5 SV-594	Toyota Innova	ZEH-602	08-31-06	903,035	Assigned to TRB
6 SV-578	Toyota Fortuner	XND-961	10-31-05	1,233,909	Held by former COO
Total				**5,458,461**	

14.5 Based on the table above, there are five vehicles assigned to the Toll Regulatory Board (TRB) that are carried in the books of PNCC, and one service vehicle is held by a former Chief Operating Officer (COO) of PNCC.

14.6 Verification disclosed that the five service vehicles were part of the 18 utility vehicles turned over to TRB. Thirteen vehicles of which, supported by transfer documents, were dropped from the book of accounts of PNCC. The remaining five vehicles which are evidently in the custody of TRB, lack legal documents to formalize the transfer thereof, thus, the Controllership Department cannot derecognize them from the PNCC's book of accounts.

14.7 With regard to the vehicle held by the former COO, the issue was raised in prior years' observation and the Audit Team recommended to the Management, to recover the said vehicle and institute legal action, if necessary. However, up until now, the vehicle is still in the custody of the former COO.

14.8 Under PAS 1, an asset can be recognized if it is controlled and/or held by the entity for operational or administrative purposes. In the case of PNCC, the aforementioned service vehicles were neither controlled nor held by the Corporation for its operation or administrative use, therefore, it can no longer qualify as an asset and cast doubt on its existence and legal ownership.

14.9 **We recommended that Management:**

a) Coordinate with the TRB to formalize the transfer of vehicles and derecognize these in PNCC's book of accounts; and

b) Exert persistent effort to recover the service vehicle under the custody of the former COO.

14.10 Management commented that they are now preparing the Deed of Assignments and Transfer of Rights for the formal transfer of 10 service vehicles which were already turned over by PNCC to the TRB, five of which were already disposed by the latter and were already adjusted from the PNCC books of account.

14.11 The 10 service vehicles were among those 18 vehicles that were turned over to the TRB for its use based on the provisions of PD 1113 and the Toll Operation Agreement (TOA) by the parties. Eight of the 18 vehicles were already covered by the Deed of Assignment and Transfer of Rights dated February 11, 2014, after the TRB requested a formal transfer.

14.12 As to the service vehicle, SV-578 Toyota Fortuner held by the former COO of PNCC, Management informed that an appropriate legal action will be instituted through the OGCC.

14.13 The Audit Team will monitor Management's compliance with the recommendations.

15. The implementation of step increment to 40 employees aggregating to P0.982 million for CY 2023 is contrary to Section 7 and Chapter VI(A)(2.1) of Executive Order (EO) No. 150 s. 2021, and Items 3 and 5 of the Compensation System section of CPCS Implementing Guidelines of Executive Order No. 150.

15.1 Section 7 of EO No.150 s.2021 provides that:

> *SECTION 7. Application of Step Increment.* ***All officers and employees shall automatically start at Step 1*** *of the prescribed Monthly Basic Salary Structures in the CPCS unless otherwise provided therein. The progressions in the step increments may be adjusted,* ***subject to the implementing guidelines to be issued by the GCG.***

15.2 While, pursuant to Chapter VI(A)(2.1) of the CPCS under EO 150 s. 2021,

> ***For incumbents*** *– Upon the implementation of the CPCS,* ***all incumbent officers and employees of GOCCs shall be assigned to Step 1****...xxx (emphasis original)*

15.3 Further, Items 3 and 5 of the Compensation System section of the CPCS Implementing Guidelines of EO No. 150, s.2021 dated January 12, 2022, provide that:

> *(5) Step Increments. – Incumbents may progress from Step 1 to Step 8 within a job grade in the salary structure under the CPCS.* ***Generally, all positions will start at Step 1 unless the personnel is covered under 3.1 to 3.3 of this Implementing Guidelines****.*

(3) RULES FOR SALARY ADJUSTMENT. - The Adjustments in the salaries of GOCC personnel ***shall only be in accordance with the CPCS salary structure****.*

3.1. The salaries of incumbent personnel shall be adjusted to the rates in the salary schedule corresponding to the designated job grade allocations of their positions as of the time of receipt of authorization to implement the CPCS from GCG.

3.2. If the actual monthly basic salary of an incumbent officer or employee as of 05 October 2021 falls between steps of the job grade allocation of the position, the salary shall be adjusted to the rate for the higher step in the applicable salary schedule.

3.3. If the actual monthly basic salary of an incumbent officer or employee as of 05 October 2021 exceeds that of Step 8, there shall be no increase in monthly basic salary and no diminution in the salary currently being received.

15.4 On January 13, 2022, PNCC substantially submitted the requirements necessary for the implementation of CPCS. It was officially received by the GCG on January 19, 2022. Subsequently, on August 17, 2023, PNCC received its authorization to implement the approved CPCS under EO No. 150 dated August 10, 2023, pertinent paragraph states:

In the implementation of the CPCS, the PNCC Governing Board is hereby enjoined to ***ensure faithful compliance with the provisions of EO NO. 150 and the CPCS Implementation Guidelines No. 2021-01****, as well as existing budgeting, accounting, and auditing rules and regulations.*

15.5 On September 13, 2023, through the recommendation of Management, the PNCC Board of Directors approved the implementation of ATI of CPCS through Board Resolution No. BD45-2023. Notices of Salary Adjustment dated September 27, 2023, were issued to the corresponding employees, indicating their adjusted salary rate, current job grades, and step classification.

15.6 Review of the transactions related to the implementation of ATI disclosed that PNCC started paying its employees through the CPCS-prescribed job grades for October 2023 while retroactive payments from August 17 to September 2023 were provided to implement the new job grades for the previous months.

15.7 Audit of the payment disclosed that instead of starting with step 1 rate pursuant to Sec. 7 of EO No.150, PNCC implemented the rate with step increments based on how long the said employees have been in their position. Details are shown in Table 18.

Table 18 – 40 employees with step increments
As of December 31, 2023

	Position	Job Grade	Step Applied	Equiv. Years	Adjusted Salary Rate	Rate (Step 1)	Diff.	Accum. Diff. for 4.5 months	YEB* Incr.	Total
1	Property Custodian	JG-8	**Step 4**	12	30,797	29,049	1,748	7,866	1,748	9,614
2	Accountant II	JG-10	**Step 4**	12	42,859	39,456	3,403	15,314	3,403	18,717
3	MEF Analyst/Dis.Off..	JG-10	**Step 4**	12	42,859	39,456	3,403	15,314	3,403	18,717
4	Accounting Manager	JG-12	**Step 4**	12	90,557	81,588	8,969	40,361	8,969	49,330
5	Legal Staff	JG-9	**Step 4**	12	42,859	33,719	9,140	41,130	9,140	50,270
6	Technical Assistant	JG-8	**Step 4**	12	35,778	29,049	6,729	30,281	6,729	37,010
7	Service Driver	JG-5	**Step 3**	9	18,225	17,280	945	4,253	945	5,198
8	Accounting Sup.	JG-11	**Step 3**	9	57,690	48,830	8,860	39,870	8,860	48,730
9	Bookkeeper	JG-7	**Step 2**	6	29,631	22,688	6,943	31,244	6,943	38,187
10	Executive Secretary	JG-10	**Step 3**	9	41,724	39,456	2,268	10,206	2,268	12,474
11	Personnel Supervisor	JG-10	**Step 3**	9	41,724	39,456	2,268	10,206	2,268	12,474
12	Accounting Sup.	JG-11	**Step 3**	9	57,690	48,830	8,860	39,870	8,860	48,730
13	Recruitment Sup.	JG-10	**Step 3**	9	41,724	39,456	2,268	10,206	2,268	12,474
14	Liaison Officer	JG-9	**Step 2**	6	34,405	33,719	686	3,087	686	3,773
15	Engineer II	JG-9	**Step 3**	9	35,091	33,719	1,372	6,174	1,372	7,546
16	Nurse	JG-10	**Step 3**	9	41,724	39,456	2,268	10,206	2,268	12,474
17	Cost Clerk/Timekeeper	JG-7	**Step 3**	9	23,592	22,688	904	4,068	904	4,972
18	Tool keeper	JG-5	**Step 3**	9	18,225	17,280	945	4,253	945	5,198
19	Driver With Jg-6	JG-6	**Step 3**	9	21,262	17,280	3,982	17,919	3,982	21,901
20	Service Driver	JG-5	**Step 3**	9	18,225	17,280	945	4,253	945	5,198
21	Mechanic	JG-6	**Step 3**	9	21,262	20,762	500	2,250	500	2,750
22	Service Driver	JG-5	**Step 2**	6	17,752	17,280	472	2,124	472	2,596
23	Executive Secretary	JG-10	**Step 2**	6	40,590	39,456	1,134	5,103	1,134	6,237
24	Service Driver	JG-5	**Step 2**	6	17,752	17,280	472	2,124	472	2,596
25	Service Driver	JG-5	**Step 2**	6	17,752	17,280	472	2,124	472	2,596
26	Heavy. Equip. Op.	JG-6	**Step 2**	6	21,012	20,762	250	1,125	250	1,375
27	Carpenter	JG-5	**Step 2**	6	17,752	17,280	472	2,124	472	2,596
28	Accountant	JG-10	**Step 2**	6	40,590	39,456	1,134	5,103	1,134	6,237
29	MEF Analyst/MMP	JG-10	**Step 2**	6	40,590	39,456	1,134	5,103	1,134	6,237
30	Head, Controllership	JG-16	**Step 2**	6	201,594	196,443	5,151	23,180	5,151	28,331
31	Head, Treasury	JG-16	**Step 2**	6	201,594	196,443	5,151	23,180	5,151	28,331
32	Head, HR	JG-16	**Step 5**	15	211,894	196,443	15,451	69,530	15,451	84,981
33	Head, Gen.Ser.	JG-12	**Step 4**	12	90,557	81,588	8,969	40,361	8,969	49,330
34	Legal Officer	JG-12	**Step 2**	6	84,578	81,588	2,990	13,455	2,990	16,445
35	Head, Legal	JG-16	**Step 3**	9	206,744	196,443	10,301	46,355	10,301	56,656
36	Legal Officer	JG-12	**Step 2**	6	84,578	81,588	2,990	13,455	2,990	16,445
37	Head, MIS	JG-14	**Step 4**	12	143,276	133,370	9,906	44,577	9,906	54,483
38	Head, Purchasing	JG-12	**Step 3**	9	87,568	81,588	5,980	26,910	5,980	32,890
39	Head, Sub-Contr.	JG-11	**Step 3**	9	62,121	48,830	13,291	59,810	13,291	73,101
40	Head, MMD	JG-16	**Step 5**	15	211,894	196,443	15,451	69,530	15,451	84,981
	Total									**982,174**

15.8 The CPCS, as outlined in EO No. 150 and its Implementing Guidelines, clearly states that when the ATI is implemented, all job grades must start at Step 1 with the only exceptions provided in Item (3) of Compensation System section of the CPCS Implementing Guidelines.

15.9 GCG limited the instances where the salary granted can be different from those provided in the ATI, these are provided in Item (3) of the Compensation System section of the CPCS Implementing Guidelines, to which PNCC correctly applied to some of its employees. However, in the case of the 40 employees, Management did not observe the limitations set forth by the GCG, granting a retrospective application of step increment to its employees. The excess payments made to the 40 employees are considered irregular as they fall beyond the authorized scope of ATI and are explicitly not allowed under Section 3.1 of COA Circular No. 2012-03.

15.10 Further, among the previously mentioned 40 employees, some were recently promoted but still received step increments based on the total year of service with PNCC. Details are shown in Table 19.

Table 19 – Recently promoted employees with step increments
As of December 31, 2023

Position	Year Promoted	Step Increment Applied
Accounting Manager	2022	JG-12 Step 4
Accounting Supervisor	2022	JG-11 Step 3
Executive Secretary	2023	JG-10 Step 3
Personnel Supervisor	2022	JG-10 Step 3
Accounting Supervisor	2022	JG-11 Step 3
Recruitment Supervisor	2022	JG-10 Step 3
Head, General Services	2020	JG-12 Step 4
Head, MIS	2022	JG-14 Step 4
Head, MMD	2023	JG-16 Step 5

15.11 The purpose of step increment is to provide for salary movement while the incumbent employees are in the same position for some time. While the promotion already provided an increase in their respective salaries, it would be selective and preferential to provide step increments to certain employees after promotion. The job Grade step must be reverted to step 1 if an officer or employee is promoted to a higher position.

15.12 Management construed that adjustment for step increments may be implemented upon the issuance of the ATI. However, no provision in the EO No. 150 and its Implementing Guidelines expressly affirms this interpretation. What was expressly indicated thereof is that all job grades must start at Step 1. While rules on how to facilitate the step increment were provided in the Implementing Guidelines, as a matter of prudence, PNCC should seek guidance and approval from the GCG before implementing the step increment.

15.13 Finally, the grant of step increments to 40 employees is outside the authority granted by GCG through the ATI, and contrary to Section 7 Executive Order (EO) No. 150 s. 2021, Chapter VI(A)(2.1) of the CPCS under EO 150, and Items (3) and (5) of the Compensation System Section of CPCS Implementing Guidelines of Executive Order No. 150, s.2021. This resulted in an excess payment of P0.982 million, which is considered irregular under Section 3.1 of COA Circular No. 2012-03, and a refund should be demanded upon the recipients at once.

15.14 **We recommended that Management:**

a) Discontinue the implementation of step increments to the 40 employees;

b) Revert the salaries of the 40 employees to Step 1 of their respective Job Grade;

c) Seek clarification and approval from GCG on the proper implementation of step increments; and

d) Henceforth, refrain from granting increases in salaries and wages of employees without a clear legal basis.

15.15 Management commented that they respectfully consider the recommendations and will comply with item (c) of your recommendation seeking clarification from GCG on the proper implementation of step increments. Further, Management will also take note of your recommendation to refrain from granting any form of increases in the employee's salaries without a clear legal basis as recommended in item (d).

15.16 Moreover, with regards to Item (a) and (b) of your recommendations, however, Management requested that they defer action thereon until after we receive the requested clarification and approval of GCG.

15.17 The Audit Team will monitor Management's compliance with the recommendations.

16. Compliance with Rules on Mandatory Government Deductions

For CY 2023, the appropriate premium contributions and loan amortizations were deducted from the salaries of the employees of PNCC. Employees' share together with the employer's share as well as the loan amortizations of employees were remitted to the Social Security System (SSS) (inclusive of Employees Compensation Commission contribution), Philippine Health Insurance Commission (PHIC) and Home Development Mutual Fund (HDMF) within the prescribed period. The remittances for CY 2023 are as follows:

SSS contribution	P	10,874,800
PHIC contribution		2,786,586
HDMF contribution		1,021,200
HDMF loan amortization		1,837,709
SSS loan amortization		1,321,756
Total	**P**	**17,842,051**

17. Gender and Development (GAD)

There were no GAD-related activities conducted by the Corporation as was exempted from creating a GAD Focal Point System of GAD Committee by the Philippine Committee on Women through a memorandum dated January 11, 2018.

18. Status of Audit Suspensions, Disallowances and Charges

As of December 31, 2023, Notices of Suspension, Disallowance, and Charges issued and unsettled are summarized as follows:

	Beginning Balance (as of January 1, 2023)	**Issued during the year**	**Settled during the year**	**Ending balance (as of December 31, 2023)**
Notices of Suspension	0	0	0	0
Notices of Disallowance	468,551,339	0	0	468,551,339
Notices of Charge	0	0	0	0
Total	**468,551,339**	**0**	**0**	**468,551,339**

The unsettled disallowances are made up of 37 Notices of Disallowance (NDs) issued from CY 2011 to 2020. The status of the said NDs as of December 31, 2023, is as follows:

Particulars	Quantity	Amount (in millions)
With Cluster's decision but under automatic review by the Commission Proper	4	172.468
NDs affirmed in the decision rendered by the COA CGS Cluster Director. Petition for Review filed with the COA Commission Proper	18	152.206
NDs with Notice of Finality of Decision and COA Order of Execution	15	143.877
Total	**37**	**468.551**

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 47 recommendations embodied in the Calendar Year (CY) 2022 and prior years' Annual Audit Reports (AARs), 26 were implemented/reconsidered and the remaining 21 not implemented are reiterated in Part II of this Report. Details are presented below:

REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
AAR 2022 Observation No. 1 Pages 88-91	1. The financial statements of PNCC remained materially misstated due to the sustained recording in the books of accounts of the unconverted debts as equity, instead of liability, in the total amount of P5.552 billion.	The P5.552 billion unconverted debts be recognized as a 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 OP reconsiders its decision on the matter.	Not implemented. This observation was first raised in CY 2009 AAR and reiterated in Observation No. 1 of this Report.
AAR 2022 Observation No. 2 Pages 91-95	2. 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.	a) Coordinate with Toll Regulatory Board 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.	Not implemented. This observation was first raised in CY 2020 AAR and reiterated in Observation No. 3 of this Report. Implemented.

REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
AAR 2022 Observation No. 3 Pages 95-98	3. The faithful representation of the balance of the Customer Deposit account amounting to P123.603 million could not be established due to continuous recognition of expired security deposits from lessees with no legal cases totaling P2.354 million and bid deposits already due for recognition as income amounting to P289,252, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities	a) Determine the propriety of the recorded security deposits and if found in order, inform the former lessees to claim their security deposits within a reasonable period of time, after which if no reply is received, the same shall be forfeited in favor of PNCC; b) Reclassify to miscellaneous income or any appropriate account the unapplied and unclaimed long outstanding bid deposits; c) Document and account for the bid deposit of Golden Construction and effect the necessary adjustments in the books, if warranted; and d) Henceforth, conduct periodic monitoring of the conditions/status of expired lease contracts relative to the refund of security deposits and settlement of winning bidders of their accounts related to the disposed of assets applying the bid deposits against their payments.	Implemented. Implemented. Implemented. Implemented.
AAR 2022 Observation No. 4 Pages 98-101	4. 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	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	Not implemented. This observation was first raised in CY 2017 AAR and reiterated in Observation No. 6 of this Report.

REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
	million could not be obtained.	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.	Implemented. Not implemented. This observation was first raised in CY 2017 AAR and reiterated in Observation No. 6 of this Report.
AAR 2022 Observation No. 5 Pages 101-104	5. The faithful representation of the Property and Equipment (PE) account of P2.194 billion as of December 31, 2022, was not obtained due to: a) non-submission of Report on Physical Count of Property, Plant, and Equipment (RPCPPE) for PE with carrying amount of P29.362 million and the corresponding reconciliation of the inventory results with accounting records; and b) improper recording of previously disposed of assets resulted in the negative balances in the lapsing schedule amounting to P0.723 million.	a) Instruct the Inventory Team to expedite the completion of CY 2022 RPCPPE and its reconciliation with accounting records and submit the same to the Audit Team. Henceforth, conduct the annual physical inventory earlier to comply with the submission of RPCPPE and reconciliation report on or before January 31 of the following year; b) Require the Controllership Department (CD) to review the disposal transactions and correct the entries with negative balances; and	Not implemented. This observation was first raised in CY 2018 AAR and reiterated in Observation No. 7 of this Report. Not implemented. This observation was first raised in CY 2018 AAR and reiterated in Observation No. 7 of this Report.

REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		c) Henceforth, require the accomplishment of IIRUP prior to disposal activities of unserviceable assets as the basis for the CD in the derecognition of assets already disposed of from the books of accounts.	Implemented.
		d) Instruct the CD to drop from the books of accounts the non-existing/missing PE after authority from COA is secured.	Not implemented. This observation was first raised in CY 2018 AAR and reiterated in Observation No. 7 of this Report.
AAR 2022 Observation No. 6 Pages 105-107	6. The rights over the 14 service vehicles costing P10.082 million could not be determined due to lack of control and proof of ownership casting doubt on the legal ownership and existence of the vehicles and accuracy of the balance of Utility Vehicles account.	a) Conduct verification from the Toll Regulatory Board on the existence of the assigned vehicles and discuss with the Management of that Office to jointly resolve the issue of the lack of documents for the transfer of vehicles by executing Invoice-Receipt for Property and eventually drop the subject vehicles from PNCC's books;	Not implemented. This observation was first raised in CY 2016 AAR and reiterated in Observation No. 14 of this Report.
		b) Locate the Certificates of Registration of the recorded service vehicles;	Not implemented. This observation was first raised in CY 2016 AAR and reiterated in Observation No. 14 of this Report.

REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		c) Obtain/secure documents pertinent to the disposed service vehicles as a basis for dropping from the books and make the necessary adjusting journal entries;	Not implemented. This observation was first raised in CY 2016 AAR and reiterated in Observation No. 14 of this Report.
		d) Initiate action to recover the service vehicle under the custody of the former Chairman of the Board of Directors. If necessary, institute legal action against him; and	Implemented.
		e) Reconcile regularly the balance of service vehicles in the books with the physical inventory report and its supporting documents.	Not implemented. This observation was first raised in CY 2016 AAR and reiterated in Observation No. 14 of this Report.
AAR 2022 Observation No. 7 Pages 108-109	7. 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 through the Toll Regulatory Board, resulted in the incurrence of unnecessary penalty charges of at least P258.000 million annually.	a) Develop/devise a payment plan for approval by the Board of Directors to settle the unpaid concession fees to the NG; and	Not implemented. This observation was first raised in CY 2022 AAR and reiterated in Observation No. 9 of this Report.
		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.	Not implemented. This observation was first raised in CY 2022 AAR and reiterated in Observation No. 9 of this Report.

REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
AAR 2022 Observation No. 8 Pages 109-112	8. The 9.9-hectare portion of PNCC's Financial Center Area (FCA) property located in Pasay City remained idle and/or unutilized to its maximum potential for almost five years already, depriving PNCC of potential income derived therefrom which is not in consonance with the policy of the government provided under Section 2 of Presidential Decree No. 1445.	a) Expedite the study and review of the Privatization and Management Office's comments on the proposed TOR and revisit the plan to lease and develop the FCA property; and b) Make representation with the Office of the President and follow up on the status of PNCC's request for approval of its plan to bid out the lease and development of FCA property and the corresponding TOR.	Not implemented. This observation was first raised in CY 2022 AAR and reiterated in Observation No. 10 of this Report. Not implemented. This observation was first raised in CY 2022 AAR and reiterated in Observation No. 10 of this Report.
AAR 2022 Observation No. 9 Pages 112-115	9. 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 decision on November 14, 2016, in favor of PNCC, thus, depriving the Corporation of its utilization either for operation or investment purposes.	a) 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. b) Exert persistent effort to claim from IAC, through the IC, the uncontested amount of P33.965 million without prejudice to the filing of a separate claim for the remaining cash collateral amounting to P37.107 million; and c) Inform the Audit Team of the recent updates/developments of the case pertaining to the release of the cash collateral.	Not implemented. This observation was first raised in CY 2017 AAR and reiterated in Observation No. 12 of this Report. Not implemented. This observation was first raised in CY 2017 AAR and reiterated in Observation No. 12 of this Report. Not implemented. This observation was first raised in CY 2017 AAR and reiterated in Observation No. 12 of this Report.

REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
AAR 2022 Observation No. 10 Pages 115-117	10. Semi-expendable properties totaling P29.059 million with a carrying amount of P0.595 million, comprised of individual items with an acquisition cost of below P50,000, were not yet derecognized in the books of accounts contrary to COA Circular No. 2022-004 dated May 31, 2022, resulting in an overstatement of the PE account.	Require the Controllership Department to fast-track the review and evaluation of assets that are below the capitalization threshold of P50,000 and derecognize the same in the books of accounts.	Implemented.
AAR 2022 Observation No. 11 Pages 117-120	11. Four real properties of PNCC were idle and/or unutilized to their maximum potential to earn income while incurring maintenance expenses and forgone income amounting to P1.678 million and P24.796 million, respectively, contrary to the policy provided under Section 2 of Presidential Decree No. 1445.	a) Demand the occupants of Porac and Sapang Maisac properties to vacate the same, otherwise, require them for just compensation; b) Instruct the caretaker of Sapang Maisac property to refrain from allowing other persons to use the property without the consent of PNCC; c) Determine the best use of the properties and advertise/conduct public bidding for those properties that are suitable for lease; and d) Conduct a survey on the portion of Sta. Ines property that was not occupied by NLEX and study the possibility of transferring the TCTs under the name of PNCC.	Implemented. Implemented. Not implemented. This observation was first raised in CY 2022 AAR and reiterated in Observation No. 11 of this Report. Not implemented. This observation was first raised in CY 2022 AAR and reiterated in Observation No. 11 of this Report.

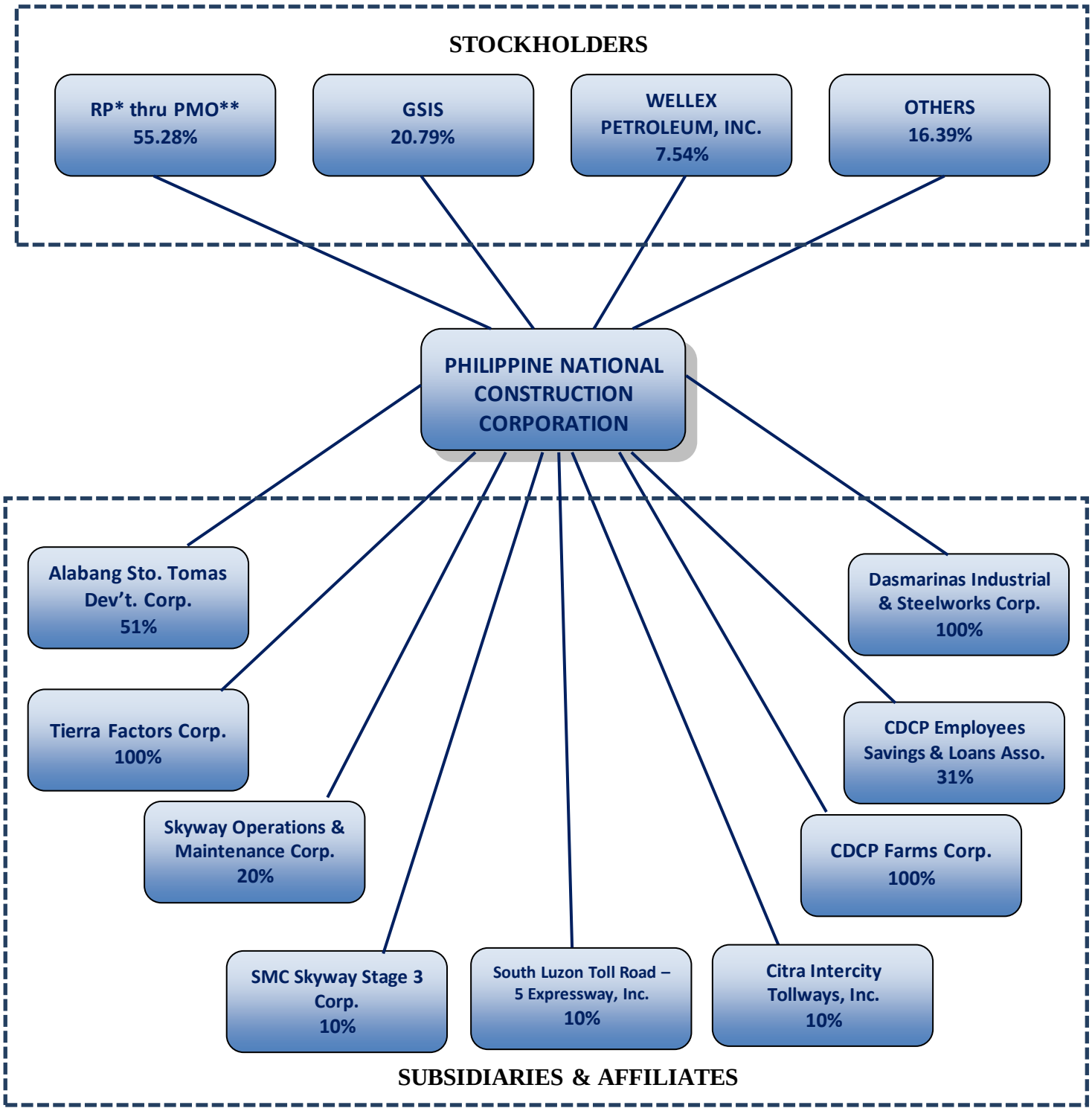
REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
AAR 2022 Observation No. 12 Pages 121-123	12. Copies of contracts and Purchase Orders (POs), together with their supporting documents, with contract amount aggregating to P17.683 million were not submitted to the Audit Team within five working days from execution or issuance thereof contrary to Sections 3.1 and 3.2 of COA Circular No. 2009-001 dated February 12, 2009, thus, precluding the Audit Team of the timely evaluation of contracts.	a) Instruct the MMD and concerned departments responsible for the submission of contracts and POs, including supporting documents, to strictly comply and observe the prescribed period of submission to the Audit Team; and b) Henceforth, furnish officially the Audit Team copies of approved contracts and POs, including their supporting documents, within five (5) working days from the execution or issuance thereof pursuant to COA Circular No. 2009-001 dated February 12, 2009.	Implemented. Implemented.
AAR 2022 Observation No. 13 Pages 124-127	13. Cash bonds posted by PNCC before the National Labor Relations Commission (NLRC) amounting to P2.915 million which are subsequently paid/released by the latter to the complainants were not yet recovered by PNCC despite the final and favorable decisions rendered by the Supreme Court.	a) Initiate appropriate legal action to recover/collect the bonds already released to the complainants since they are not entitled thereto; b) File motion to release bond before the NLRC to recover/collect the bond pertaining to the case on recovery of exit bonus; and c) Conduct periodic monitoring of cases and their status to determine appropriate legal action to be undertaken.	Implemented. Implemented. Not implemented. This observation was first raised in CY 2022 AAR and reiterated in Observation No. 13 of this Report.

REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
AAR 2022 Observation No. 14 Pages 127-131	14. The PNCC's objective of being ISO 9001:2015 certified/accredited was not yet realized despite the lapse of more than four years since its initiation in May 2018 resulting in the incurrence of expenses aggregating P0.822 million and obtaining zero rating since 2019 in Strategic Measure (SM) No. 3 of the GCG-validated Performance Scorecard of PNCC.	a) Take appropriate and necessary actions to expedite the processing of the ISO 9001:2015 certification/accreditation of PNCC, thereby achieving the target in the Performance Scorecard submitted to GCG; b) Submit an explanation on the repetitive and conflicting program of activities already/to be implemented in 2023 relative to the ISO Certification Project; and c) Direct the ISO Core Team, through the Deputy Quality Management Representative, to amend and develop a well-defined and time-bound program of activities for 2023 for the ISO 9001:2015 Certification Project by ensuring that such activities are achievable in an efficient manner. Further, furnish the COA Audit Team with the amended program of activities.	Implemented. Implemented. Implemented.
AAR 2022 Observation No. 15 Pages 132-137	15. The grant of salary increase/adjustment of P860.00 per month or a total of P315,281 to all PNCC regular employees during the period June 4, 2022, to December 19, 2022, lacked approval or authority from the President of the	a) Secure post-facto approval from the OP for the salary increase/adjustment implemented pursuant to the provisions of Section 9 of EO No. 7, s. 2010 and Item 9 of J.R. No. 4, s. 2009;	Reconsidered.

REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
	Philippines, contrary to Section 9 of Executive Order (EO) No. 7, series of 2010, and Item 9 of Joint Resolution (J.R.) No. 4, series of 2009.	b) Stop the implementation of the salary increase/adjustment until approval from the OP is secured; and	Reconsidered.
		c) Follow up with GCG on the immediate approval of the CPCS in order to finally resolve the claimed wage/salary distortion of the employees.	Reconsidered.
AAR 2022 Observation No. 16 Pages 137-140	16. The grant and liquidation of cash advances (CAs) to five employees aggregating P175,661 as of December 31, 2022, were improper and not in adherence to the relevant provisions of COA Circular No. 97-002 and Section 89 of Presidential Decree No. 1445.	a) Implement a control mechanism in the grant of CAs such that, when the intended purpose of the CA involves a series of activities with different periods, it shall be granted only for a specific and time-bound activity instead of a lump-sum grant/release;	Implemented.
		b) Require the two employees to immediately liquidate the long outstanding CAs. If liquidation was still not made within the prescribed period, cause the withholding of their salaries and apply to their unliquidated CAs;	Implemented.
		c) Adhere to the pertinent provisions of COA Circular No. 97-002 dated February 7, 1997, on the proper grant and liquidation of CA; and	Implemented.
		d) Take necessary corrective actions to strengthen the internal control system on the	Implemented.

REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		grant, handling, and liquidation of CAs.	
AAR 2022 Observation No. 17 Pages 140-141	17. Conversion of account codes in accordance with the Revised Chart of Accounts (RCA) for Government Corporations was not integrated/ adopted in the accounting system (FoxBASE) of PNCC contrary to Section 3.8 of COA Circular No. 2016-006 dated December 29, 2016, thereby, necessitating manual conversion of accounts every end of reporting period resulting in delayed preparation and submission of required financial reports.	We reiterated our prior year's recommendation that Management start the procurement planning and process of acquiring a new accounting system taking into consideration the requirements for the adoption of the RCA in order to eventually convert the old accounts of PNCC to accounts prescribed in the RCA.	Implemented.

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND SUBSIDIARIES



ANNEX "E"

FINANCIAL SOUNDNESS INDICATORS

		2023	2022
1	Current / Liquidity Ratios:		
	Current Ratio	0.27	0.22
	Quick Asset Ratio	0.26	0.22
2	Solvency Ratios:		
	Debt to Assets	41.17%	47.47%
	Debt to Equity	69.99%	90.36%
3	Asset to Equity Ratio	169.99%	190.36%
4	Interest Rate Coverage Ratio	51.52	1.26
5	Profitability Ratios:		
	Return on Assets (Net Income (Loss)	21.32%	0.16%
	Return on Equity (Net Income (Loss)	36.24%	0.30%

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2023

	Carrying Value	Fair Value
Cash on Hand:		
Petty cash and revolving fund	335,000	335,000
Loans and Receivables:		
Cash in banks	104,950,346	104,950,346
Short term investments	2,393,832,366	2,393,832,366
Accounts receivable	401,021,251	401,021,251
	2,900,138,963	2,900,138,963

ANNEX "F"

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (P100,000 and above)
December 31, 2023
(In Thousand Pesos)

Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
Alentajan, Bonifacio	Former Consultant	400					400	400
Armonio, Manuel	Former Consultant	138					138	138
Asuncion, Ma. Theresa	Former President & CEO	1,709					1,709	1,709
Bucio, Hermilo	Former Employee	105					105	105
Caballo, Marlon	Former Technical Assistant (Legal)	5,555					5,555	5,555
Encanto, Mervin	Former Consultant	300					300	300
Garin, Edgardo	Former Employee	192					192	192
Gaston, Segundo	Former Group Head - (Senior Vice Pres.)	41,043					41,043	41,043
Jardin, Penny	Former Employee	2,860					2,860	2,860
Pascual, Ruben	Former Consultant	2,190					2,190	2,190
Paulino, Ibarra	Former Employee	632					632	632
Purugganan, Abraham	Former Executive Vice President	476					476	476
Rivera, Reynaldo	Former Consultant	400					400	400
Silvestre, Arnne Norbert	Cashier	299		299			0	0
		56,299	**-**	**299**	**-**	**-**	**56,000**	**56,000**

ANNEX "F"

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants Conversion and Other Rights, Redemption	Number of Shares Held by Affiliates	Directos, Officers, and Employees	Others
Preferred A (Treasury Stock)	1,400,000	1,400,000	1,400,000			
Preferred B	42,114,879	18,689,500				18,689,500
Preferred C	6,485,121	6,485,121				6,485,121
Preferred D	27,800,000	25,500,000				25,500,000
Special Common	10,000,000	1,489,037			2,952	1,486,085
(Treasury Stock)		367,395	367,395			
Common	182,200,000	174,444,759			4,105	174,440,654
Total	270,000,000	228,375,812	1,767,395	-	7,057	226,601,360
	-	-	-		-	-

Re: SEC Form 17Q - 1st Quarterly report

From ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
To <corpsec@pncc.ph>
Date 2024-08-15 09:18

Thank you for reaching out to ictdsubmission@sec.gov.ph!

Your submission is subject for Verification and Review of the Quality of the Attached Document only for Secondary Reports. The Official Copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order through the SEC Express at https://secexpress.ph/. For further clarifications, please call (02) 8737-8888.

---------- NOTICE TO COMPANIES ----------

Please be informed of the reports that shall be filed only through ictdsubmission@sec.gov.ph.

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at ictdsubmission@sec.gov.ph such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15.BP-FCLC 20.S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through https://efast.sec.gov.ph/user/login.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

Please be informed that the submission of the abovementioned eleven (11) reports through the ictdsubmission@sec.gov.ph shall no longer be accepted. For further information, please access this link Notice for guidance on the filing of reports:

Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at https://efast.sec.gov.ph/user/login :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS - Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link - https://apps010.sec.gov.ph/

For your information and guidance.

Thank you.

ANNEX "G"

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF SECURITIES REGULATION CODE AND SRC RULE 17(2)b THEREUNDER

1. For quarterly period ended March 31, 2024

2. SEC Identification Number 30939 BIR Tax Identification No. 000-058-330-000

3. Exact name of registrant as specified in its charter
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

4. Metro Manila, Philippine
Province, Country or other jurisdiction

6. (SEC Use Only)
Industry Classification Code:

7. PNCC Complex, KM. 15, East Service Road, Bicutan, Parañaque City

8. (02) 8846-2655
Registrant's telephone number, including area code

9. _____
Former name, former address and former year, if changed last report

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	*Number of Shares*
Common	75,000,000
Special Common	10,000,000
Preferred	10,000,000
	95,000,000

Note:

The Philippine National Construction Corporation (PNCC) has 141,519,380 shares (99,444,759 common shares and 42,074,621 preferred shares) issued to different Government Financial Institution in 1983. For purposes of registration of said shares, PNCC with Feria Law offices as consultant filed its Amended Registration Statement on 15 August 2001. On December 19, 2001, SEC, under Resolution No. 726, Series of 2001 ruled that the equity securities of PNCC are exempt from registration requirements in accordance with Section 9.1 of the Securities Regulation Code.

11. Are any or all of these securities listed on the Philippines Stock Exchange?

Yes [x] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

PHILIPPINE STOCK EXCHANGE (PSE)

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA Rule 11(a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports);

Yes [ ] No [x]

(b) has been subject to such filing requirements for the past 90 days.

Yes [x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Financial Statements and, if applicable, Pro Forma Financial Statements meeting the requirements of RSA Rule 68, Form and Content of Financial Statements shall be furnished as specified therein. (Refer to attached)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Refer to attached)

PART II – OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously report in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**

Signature and Title ..... President & CEO

Duly Authorized Representative MIGUEL E. UMALI

Date 15 August 2024

Signature and Title ..... Treasurer

Principal Financial Officer CRISTY M. MEDIAVILLO

Date 15 August 2024

Signature and Title ..... Controller

Principal Accounting Officer/Controller VERONICA B. TACDERAS

Date 15 August 2024

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF FINANCIAL POSITION
March 31, 2024 and March 31, 2023
(In Philippine Peso)

	March	
	2024 (UnAudited)	2023 (UnAudited)
ASSETS		
Current Assets		
Cash	105,285,346	25,751,134
Other investments	2,555,253,631	2,020,061,899
Receivables, net	395,435,294	403,637,258
Inventories	2,712,894	2,112,620
Other current assets	50,501,972	36,736,496
	3,109,189,138	**2,488,299,407**
Non-Current Assets		
Financial Assets	771,970	771,970
Investments in Subsidiaries	61,200,000	61,200,000
Investments in Joint Venture	1,485,816,700	1,485,816,700
Other Investments	2,275,883	2,275,883
Receivables	98,491,690	98,483,190
Investment property	54,126,958,000	37,148,652,772
Property and equipment, net	2,291,315,403	2,193,497,074
Deferred tax assets	24,542,414	24,542,414
Other non-current assets, net	88,261,235	87,745,321
	58,179,633,296	**41,102,985,324**
TOTAL ASSETS	**61,288,822,434**	**43,591,284,731**
LIABILITIES		
Current Liabilities		
Financial liabilitiles	23,049,891	27,325,626
Other financial liabilities (Due to NG and GOCCs)	10,901,635,016	10,643,632,616
Inter-agency payables	59,548,413	23,885,568
Trust liabilities	120,345,199	55,081,478
Deferred credits/unearned income	45,252,779	139,632,852
	11,149,831,298	**10,889,558,140**
Non-Current Liabilities		
Deferred tax liabilities	14,082,671,258	9,814,416,871
Trust liabilities	3,789,629	3,789,629
	14,086,460,887	**9,818,206,500**
TOTAL LIABILITIES	**25,236,292,185**	**20,707,764,640**
EQUITY	**36,052,530,249**	**22,883,520,091**
TOTAL LIABILITIES AND EQUITY	**61,288,822,434**	**43,591,284,731**

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Quarter Ended March 31, 2024 and March 31, 2023
(In Philippine Peso)

	March	
	2024	**2023**
Income		
Service and business income	207,819,440	168,987,054
Gains	-	
Other non-operating income	502,802	151,786
	208,322,243	**169,138,840**
Expenses		
Personnel services	17,354,901	11,743,875
Maintenance and other operating expenses	16,041,602	12,608,525
Financial expenses		
Penalty charges on unpaid concession fee	63,617,000	63,617,450
Bank charges	6,920	450
Direct costs	-	18,583,667
Non-Cash Expenses	692,770	666,745
	97,713,193	**107,220,712**
Income (Loss) Before Tax	**110,609,049**	**61,918,128**
Income Tax expense	16,638,176	11,696,442
Income tax benefit		
Net Income (Loss)	**93,970,873**	**50,221,686**
Other Comprehensive income (loss)		
Total Comprehensive Income (Loss)	**93,970,873**	**50,221,686**

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Quarter Ended March 31, 2024
(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 (Notes 4.16, 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, 2023		2,283,758,120	46,137,443	5,551,726,307	-56,158,831	-16,699,918	1,706,972,962	26,445,552,583	-49,000	35,961,239,666
Add (Deduct):										0
Correction of prior year's income	35							(2,680,290.00)	0	(2,680,290.00)
As at January 1, 2024, as restated		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,706,972,962	26,442,872,293	(49,000)	35,958,559,376
Changes in equity for 2024										
Add (Deduct):										
Comprehensive loss for the year, as restated										0
Other comprehensive income								93,970,873		93,970,873
Unrealized gain on financial asset at FVOCI										0
Movement in revaluation increment, net of tax									-	0
Other adjustments							0			0
Piecemeal realization of revaluation increment										0
Reduction in deferred tax liability							-	0		0
							0			0
Balance at March 31, 2024		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,706,972,962	26,536,843,166	(49,000)	36,052,530,249

FINANCIAL INFORMATION

Management's Discussion and Analysis

1st Quarter 2024 vs. 1st Quarter 2023

Results of Operations

Revenue. Revenue for the quarter ended March 31, 2024 stood at ₱163.763 million, higher by 31.59% or ₱39.316 million compared to ₱124.447 million for the quarter ended March 31, 2023. The increase was attributable to the increase in JV Revenue Shares, Rental Income vis-a-vis the termination of SOMCO services.

General and Administrative Overhead. Overhead account increased by 39.09% or ₱9.388 million from ₱24.015 million for the quarter ended March 31, 2023 to ₱33.403 million for the quarter ended March 31, 2024 due to the increases in employees cost due to CPCS implementation effective August 19, 2023 and other operating costs brought by the additional Security Guards posted at Dampa Seaside Market and increases in Taxes and Licenses due to Registration of new vehicles and increase in Business Permit.

Income from Operation. Income from operation for the quarter ended March 31, 2024 increased by 29.80% or ₱29.927 million from ₱100.432 million for the quarter ended March 31, 2023. Said favorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a balance of ₱43.866 million for the quarter ended March 31, 2024 compared to ₱25.103 million for the quarter ended March 31, 2023. The 74.75% increase was due to the increases in Interest Income, Dividend Income, Miscellaneous Income and Depreciation expense.

Comprehensive Income (Loss). Net Comprehensive Income for the quarter ended March 31, 2024 amounted to ₱93.971 million compared to the net income of ₱50.222 million for the quarter ended March 31, 2023. The variance was due to the reasons discussed above.

Financial Position

Current Assets. Current assets increased by 24.95% or ₱620.890 million from ₱2.488 billion as of March 31, 2023 to ₱3.109 billion as of March 31, 2024 mainly due to the cash flows provided by the Company's operating and investing activities, inventories and other non-current assets.

Current Liabilities. Current liabilities increased by 2.39% or ₱260.273 million from ₱10.890 billion as of March 31, 2023 to ₱11.150 billion as of March 31, 2024 mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB), Accounts Payable and inter-agency payables vis-à-vis the decrease in Financial Liabilities.

Stockholder's Equity. Stockholder's Equity as of March 31, 2024 totalled ₱36.053 billion vis-à-vis the stockholders' equity as of March 31, 2023 in the amount of ₱22.884 billion. The increase in the account is attributable to the comprehensive income in 2024.

Presented hereunder is the discussion of the Company's key performance indicators:

Performance Indicators	As of 03/31/2024 (Unaudited)	As of 03/31/2023 (Unaudited)	Explanation
Current/Liquidity Ratios			
Current Ratio **(Current Assets Divided by Current Liabilities)**	0.28	0.23	This ratio evaluates the ability of the company to pay its current debt promptly. Current ratio of 0.23 as of March 31, 2023 slightly increased to 0.28 as of March 31, 2024 due to cash inflows provided by operating activities.
Solvency Ratios			
Debt to Assets **(Total Liabilities Divided by Total Assets)**	41.18%	47.50%	Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts. The ratio decreased from 47.50% as of March 31, 2023 to 41.18% as of March 31, 2024 brought mainly by the appraisal increase of Investment Property vis-à-vis accrual of the 2% penalty charges on unpaid concession fees.
Debt to Equity **(Total Liabilities Divided by Total Equity)**	70.00%	90.49%	Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and stockholders of the business. The ratio decreased from 90.49% as of March 31, 2023 to 70.00% as of March 31, 2024 was brought by the appraisal od Investment Property against the accrual of the 2% penalty charges on unpaid concession fee to the Toll Regulatory Board (TRB).
Asset to Equity Ratio (Total Assets Divided by Total Equity)	170.00%	190.49%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The significant improvement of the ratio from 190.49% as of March 31, 2023 to 170.00% as of March 31, 2024 is due to the comprehensive income in 2024.
Interest Rate Coverage Ratio (Income Before Interest/Penalty/Penalty and Taxes Divided by Interest/Penalty)	2.48	1.79	Determines how easily a company can pay interest on outstanding debt. The ratio increased from 1.79 as of March 31, 2023 to 2.48 as of March 31, 2024 due to recognition of higher income in March 31, 2024 as compared to same period in 2023.
Profitability Ratios			
Return on Assets **(Net Income (Loss) Divided by Total Assets)**	0.15%	0.12%	Measures the Company's earnings in relation to all the resources it had at its disposal. The ratio of 0.12% as of March 31, 2023 vis-à-vis the ratio of 0.15% as of March 31, 2024 was the outcome of the income recognition of ₱93.971 million for March 31, 2023 as compared with the recognized comprehensive income of ₱50.222 million for the quarter ended March 31, 2023.
Return on Equity **(Net Income (Loss) Divided by Total Equity)**	0.26%	0.22%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital. The increase in the ratio from 0.22% to 0.26% is attributable to

the increase in stockholder's equity as a result of higher comprehensive income in March 31, 2024 vis-à-vis March 31, 2023.

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. Indicate course of action that the Company has taken or proposes to take to remedy the deficiency.

i.a The Company's inability to settle its outstanding obligations with the Toll Regulatory Board and the National Government brought about by the difficulties in collecting its receivables from various government agencies.

i.b Pending labor cases which consists of those filed against the Company involving dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants, pending appeal by the Company before the National Labor Relation Commission (NLRC).

i.c Pending lawsuits/litigations which consists of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various regional Trial Courts (RTC). Discussion is contained under Note 37 of the 2023 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

i.d Pending assessments on deficiency taxes. Discussion is contained under Note 36 of the 2023 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, the Company implemented a program of manpower rightsizing and corporate restructuring in 2001 and has been pursued gradually until this year. Also, the Company will continue to pursue and invigorate its revenue share from Joint Venture Companies, earnings from leased FCA property, and the contracted participation in the Joint Venture's C6 Projects, Pasig River Expressway (PAREX) Project, Quezon-Bicol Expressway (QUBEX)/ South Luzon Toll Road 5 (TR5) Project and Greater Capital Region Integrated Expressway Network (GCRIEN) project. Partnership with PT Citra Lamtoro for the implementation of the Metro Manila Expressway of C6 and Metro Manila Skyway Stage 3 and the completion and commercial operation on revenue sharing basis for both Project Roads. The revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The default in payment of its TRB loan, the recognition of debts to the NG, pending assessments on tax deficiencies and contingent liabilities with respect to claims and lawsuits from Asiavest Merchant Bankers and Superlines Transportation Co. Inc.

(iii) There are no material off-balance sheet transactions, arrangements.

(iv) There are no material commitments for capital expenditures.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

v.a The continued decline in the construction industry resulted to the Company's incurrence of severe losses from the said operation. Thus, to prevent from suffering greater losses as it had experienced for the last several years, Management decided to veer away with the construction business (since 2002) and focus on its tollways operation.

v.b. The turn over of the North Luzon Tollway operations to the MNTC on February 10, 2005 had affected the revenue generating capacity of the Company.

v.c. The hand-over of the South Luzon Tollway operation to the SLTC on May 02, 2010 likewise had an unfavorable impact on the Company's revenue.

v.d The Supreme Court decision, 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 04, 2009), ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC 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 of the toll fees and the net income derived after May 01, 2007 from the toll assets and facilities, including the Company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

Pending TRB's issuance of the Final Implementing Rules and Guidelines relative to the determination of the net income remittable by the Company to the National Government, the Company receives only the following revenue shares based on TRB's interim guidelines: 10% of 6% share on the MNTC(now NLEX Corporation) gross revenue; 10% of 3.5% share on the CMMTC (now SMC Skyway Corporation) gross revenue; 10% of 3.00% share on the SLTC (now SMC SLEX, Inc.) gross revenue; and 100% of 2.5% share on the CCEC(now SMC Skyway Stage 3 Corporation) gross revenue. It also receives 10% dividend in the equity share from CMMTC(now SMC Skyway Corporation).

(vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.

(vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

(viii) **Material changes to the Company's Statement of Financial Position as of March 31, 2024 compared to March 31, 2023 (increased/decrease of 5% or more)**

*Cash in*creased by ₱79.534 million or 308.86% from ₱25.751 million as of March 31, 2023 to ₱105.285 million as of March 31, 2024 due to the cash flows used in Company's operating activities and investing activities.

Short term investment increased by ₱535.192 million or 26.49% from ₱2.020 billion as of March 31, 2023 to ₱2.555 billion as of March 31, 2024 due to the cash inflows from operating activities.

Inventories - increased by ₱0.600 million or 28.41% from ₱2.113 million as of March 31, 2023 to ₱2.713 million as of March 31, 2024 due mainly to the increase in office supplies and fuel and oil.

Other current assets - increased by ₱13.765 million or 37.47% from ₱36.736 million as of March 31, 2023 to ₱50.502 million as of March 31, 2024 due mainly to increases in withholding tax at source.

Investment Property - increased by ₱16.978 billion or 45.70% from ₱37.149 billion as of March 31, 2023 to ₱54.127 billion as of March 31, 2024 due mainly to the appraisal of investment property.

*Financial Liabilities – Accounts Payable de*creased by ₱4.276 million or 15.65% from ₱27.326 million as of March 31, 2023 to ₱23.050 million as of March 31, 2024 due to decrease on unpaid accounts to suppliers of goods and services that are normally settled within twelve (12) months from the reporting period.

Inter-Agency payable increased by ₱35.663 million or 149.31% from ₱23.886 million as of March 31, 2023 to ₱59.548 million as of March 31, 2024 due to increases in Income Tax Payable, SSS, Philhealth and HDMF liabilities.

Trust Liabilities- increased by ₱65.254 million or 118.49% from ₱55.081 million as of March 31, 2023 to ₱120.345 million as of March 31, 2024 due to increases in Customers deposit or advances from previous contract.

Deferred credits/Unearned Revenue/Income - decreased by ₱94.380 million or 67.59% from ₱139.633 million as of March 31, 2023 to ₱45.253 million as of March 31, 2024 mainly due to the recognition of income from PCPI.

Deferred tax liabilities - increased by ₱4.268 billion or 43.49% from ₱9.814 billion as of March 31, 2023 to ₱14.083 billion as of March 31, 2024 mainly due to the deemed tax on the increase in value of investment property as required by PAS 12.

Material changes to the Company's Statement of Income for the quarter ended March 31, 2024 compared to the quarter ended March 31, 2023 (increase/decrease of 5% or more)

*Business Income in*creased by ₱39.316 million or 31.59% from ₱124.447 million as of March 31, 2023 to ₱163.763 million as of March 31, 2024 due to increases in share in JVs Revenue and Rental vis-à-vis the decrease in Service Income.

*Other Income/Charges in*creased by 74.75% or ₱18.763 million from ₱25.103 million *as of* March 31, 2023 *to* ₱43.866 million as of March 31, 2024 mainly due to the increase in Interest Income, Dividend Income and Miscellaneous Income in 2024.

General and Administrative Expenses increased by 39.09% or ₱9.388 million from ₱24.015 million for the quarter ended March 31, 2023 to ₱33.403 million for the quarter ended March 31, 2024 due to the increases in Personnel Cost brought about by CPCS implementation effective August 19, 2023 while the increase in MOOE was due to additional security guard at Dampa Seaside and Taxes and Licenses i.e. registration of vehicles and business permits.

*Income Tax in*creased by 42.25% or ₱4.942 million from ₱11.696 million *as of* March 31, 2023 *to* ₱16.638 million as of March 31, 2024 mainly due to the increase in Revenue in 2024.

Comprehensive Income (Loss) increased by 87.11% or ₱43.749 million from ₱50.222 million for the quarter ended March 31, 2023 to ₱93.971 million for the quarter ended March 31, 2024 due to the reasons discussed above.

Re: SEC Form 17Q - 2nd Quarterly report

From ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
To <corpsec@pncc.ph>
Date 2024-08-15 09:19

Thank you for reaching out to ictdsubmission@sec.gov.ph!

Your submission is subject for Verification and Review of the Quality of the Attached Document only for Secondary Reports. The Official Copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order through the SEC Express at https://secexpress.ph/. For further clarifications, please call (02) 8737-8888.

---------- NOTICE TO COMPANIES ----------

Please be informed of the reports that shall be filed only through ictdsubmission@sec.gov.ph.

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at ictdsubmission@sec.gov.ph such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15.BP-FCLC 20.S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through https://efast.sec.gov.ph/user/login.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

Please be informed that the submission of the abovementioned eleven (11) reports through the ictdsubmission@sec.gov.ph shall no longer be accepted. For further information, please access this link Notice for guidance on the filing of reports:

Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at https://efast.sec.gov.ph/user/login :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS - Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link - https://apps010.sec.gov.ph/

For your information and guidance.

Thank you.

ANNEX "H"

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF SECURITIES REGULATION CODE AND SRC RULE 17(2)b THEREUNDER

1. For quarterly period ended June 30, 2024

2. SEC Identification Number 30939 BIR Tax Identification No. 000-058-330-000

3. Exact name of registrant as specified in its charter
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

4. Metro Manila, Philippine
Province, Country or other jurisdiction

6. (SEC Use Only)
Industry Classification Code:

7. PNCC Complex, KM. 15, East Service Road, Bicutan, Parañaque City

8. (02) 8846-2655
Registrant's telephone number, including area code

9. _____
Former name, former address and former year, if changed last report

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	*Number of Shares*
Common	75,000,000
Special Common	10,000,000
Preferred	10,000,000
	95,000,000

Note:

The Philippine National Construction Corporation (PNCC) has 141,519,380 shares (99,444,759 common shares and 42,074,621 preferred shares) issued to different Government Financial Institution in 1983. For purposes of registration of said shares, PNCC with Feria Law offices as consultant filed its Amended Registration Statement on 15 August 2001. On December 19, 2001, SEC, under Resolution No. 726, Series of 2001 ruled that the equity securities of PNCC are exempt from registration requirements in accordance with Section 9.1 of the Securities Regulation Code.

11. Are any or all of these securities listed on the Philippines Stock Exchange?

Yes [x] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

PHILIPPINE STOCK EXCHANGE (PSE)

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA Rule 11(a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports);

Yes [ ] No [x]

(b) has been subject to such filing requirements for the past 90 days.

Yes [x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Financial Statements and, if applicable, Pro Forma Financial Statements meeting the requirements of RSA Rule 68, Form and Content of Financial Statements shall be furnished as specified therein. (Refer to attached)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Refer to attached)

PART II – OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously report in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**

Signature and Title ..... President & CEO

Duly Authorized Representative MIGUEL E. UMALI

Date 15 August 2024

Signature and Title ..... Treasurer

Principal Financial Officer CRISTY M. MEDIAVILLO

Date 15 August 2024

Signature and Title ..... Controller

Principal Accounting Officer/Controller VERONICA B. TACDERAS

Date 15 August 2024

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and June 30, 2023
(In Philippine Peso)

	June	
	2024 (UnAudited)	2023 (UnAudited)
ASSETS		
Current Assets		
Cash	56,195,852	16,881,489
Other investments	2,731,674,469	2,153,264,944
Receivables, net	552,231,849	396,112,274
Inventories	2,406,827	2,547,063
Other current assets	53,080,227	40,206,835
	3,395,589,223	**2,609,012,606**
Non-Current Assets		
Financial Assets	771,970	771,970
Investments in Subsidiaries	61,200,000	61,200,000
Investments in Joint Venture	1,485,816,700	1,485,816,700
Other Investments	2,275,883	2,275,883
Receivables	98,491,690	98,491,690
Investment property	54,126,958,000	37,148,652,772
Property and equipment, net	2,293,302,193	2,192,832,510
Deferred tax assets	24,646,804	24,542,414
Other non-current assets, net	88,266,591	87,759,117
	58,181,729,832	**41,102,343,056**
TOTAL ASSETS	**61,577,319,055**	**43,711,355,662**
LIABILITIES		
Current Liabilities		
Financial liabilitiles	26,528,825	33,433,096
Other financial liabilities (Due to NG and GOCCs)	10,965,958,916	10,707,956,516
Inter-agency payables	46,451,779	24,265,636
Trust liabilities	120,613,949	123,602,523
Deferred credits/unearned income	45,955,020	58,715,632
	11,205,508,489	**10,947,973,403**
Non-Current Liabilities		
Deferred tax liabilities	14,082,671,258	9,814,416,871
Trust liabilities	3,789,629	3,789,629
	14,086,460,887	**9,818,206,500**
TOTAL LIABILITIES	**25,291,969,376**	**20,766,179,903**
EQUITY	**36,285,349,679**	**22,945,175,759**
TOTAL LIABILITIES AND EQUITY	**61,577,319,055**	**43,711,355,662**

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Quarter Ended June 30, 2024
(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 (Notes 4.16, 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, 2023		2,283,758,120.00	46,137,443.00	5,551,726,307.00	(56,158,831.00)	(16,699,918.00)	1,706,972,962.00	26,444,446,923.00	(49,000.00)	35,960,134,006.00
Add (Deduct):										0
Correction of prior year's income	35							132,604,444.85	0	132,604,444.85
As at January 1, 2024, as restated		2,283,758,120.00	46,137,443.00	5,551,726,307.00	(56,158,831.00)	(16,699,918.00)	1,706,972,962.00	26,577,051,367.85	(49,000.00)	36,092,738,450.85
Changes in equity for 2024										
Add (Deduct):										
Comprehensive income for the year		0	0	0	0	0	0	192,611,228.62	0.00	192,611,228.62
Balance at June 30, 2024		2,283,758,120.00	46,137,443.00	5,551,726,307.00	(56,158,831.00)	(16,699,918.00)	1,706,972,962.00	26,769,662,596.47	(49,000.00)	36,285,349,679.47

FINANCIAL INFORMATION

Management's Discussion and Analysis

2nd Quarter 2024 vs. 2nd Quarter 2023

Results of Operations

Revenue. Revenue for the quarter ended June 30, 2024 stood at ₱330.333 million, higher by 31.57% or ₱79.271 million compared to ₱251.063 million for the quarter ended June 30, 2023. The increase was attributable to the increase in JV Revenue Shares, Rental Income vis-a-vis the decrease in SOMCO services due to its termination in December 2023.

General and Administrative Overhead. Overhead account increased by 50.50% or ₱22.22 million from ₱44.005 million for the quarter ended June 30, 2023 to ₱66.227 million for the quarter ended June 30, 2024 due to the increases in employees cost due to CPCS implementation effective August 19, 2023 and other operating costs brought by the additional Security Guards posted at Dampa Seaside Market and increases in Taxes and Licenses due to Registration of new vehicles and increase in Business Permit.

Income from Operation. Income from operation for the quarter ended June 30, 2024 increased by 27.12% or ₱56.340 million from ₱207.759 million for the quarter ended June 30, 2023. Said favorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a balance of ₱90.056 million for the quarter ended June 30, 2024 compared to ₱55.642 million for the quarter ended June 30, 2023. The 61.85% increase was due to the increases in Interest Income, Dividend Income, Miscellaneous Income and Depreciation expense.

Comprehensive Income (Loss). Net Comprehensive Income for the quarter ended June 30, 2024 amounted to ₱192.611 million compared to the net income of ₱115.757 million for the quarter ended June 30, 2023. The variance was due to the reasons discussed above.

Financial Position

Current Assets. Current assets increased by 30.15% or ₱786.577 million from ₱2.609 billion as of June 30, 2023 to ₱3.396 billion as of June 30, 2024 mainly due to the cash flows provided by the Company's operating and investing activities, inventories and other non-current assets.

Current Liabilities. Current liabilities increased by 2.35% or ₱257.535 million from ₱10.948 billion as of June 30, 2023 to ₱11.206 billion as of June 30, 2024 mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB), Accounts Payable and inter-agency payables vis-à-vis the decrease in Financial Liabilities.

Stockholder's Equity. Stockholder's Equity as of June 30, 2024 totalled ₱36.285 billion vis-à-vis the stockholders' equity as of June 30, 2023 in the amount of ₱22.945 billion. The increase in the account is attributable to the comprehensive income in 2024.

Presented hereunder is the discussion of the Company's key performance indicators:

Performance Indicators	As of 06/30/2024 (Unaudited)	As of 06/30/2023 (Unaudited)	Explanation
Current/Liquidity Ratios			
Current Ratio **(Current Assets Divided by Current Liabilities)**	0.30	0.24	This ratio evaluates the ability of the company to pay its current debt promptly. Current ratio of 0.24 as of June 30, 2023 slightly increased to 0.30 as of June 30, 2024 due to cash inflows provided by operating activities.
Solvency Ratios			
Debt to Assets **(Total Liabilities Divided by Total Assets)**	41.07%	47.51%	Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts. The ratio decreased from 47.51% as of June 30, 2023 to 41.07% as of June 30, 2024 brought mainly by the appraisal increase of Investment Property vis-à-vis accrual of the 2% penalty charges on unpaid concession fees.
Debt to Equity **(Total Liabilities Divided by Total Equity)**	69.70%	90.50%	Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and stockholders of the business. The ratio decreased from 90.50% as of June 30, 2023 to 69.70% as of June 30, 2024 brought by the appraisal od Investment Property against the accrual of the 2% penalty charges on unpaid concession fee to the Toll Regulatory Board (TRB).
Asset to Equity Ratio (Total Assets Divided by Total Equity)	169.70%	190.50%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The significant improvement of the ratio from 190.50% as of June 30, 2023 to 169.70% as of June 30, 2024 is due to the comprehensive income in 2024.
Interest Rate Coverage Ratio (Income Before Interest/Penalty/Penalty and Taxes Divided by Interest/Penalty)	2.51	1.90	Determines how easily a company can pay interest on outstanding debt. The ratio increased from 1.90 as of June 30, 2023 to 2.51 as of June 30, 2024 due to recognition of higher income in June 30, 2024 as compared to same period in 2023.
Profitability Ratios ***Return on Assets*** **(Net Income (Loss) Divided by Total Assets)**	0.31%	0.26%	Measures the Company's earnings in relation to all the resources it had at its disposal. The ratio of 0.26% as of June 30, 2023 vis-à-vis the ratio of 0.31% as of June 30, 2024 was the outcome of the income recognition of ₱115.757 million for June 30, 2023 as compared with the recognized comprehensive income of ₱192.611 million for the quarter ended June 30, 2024.
Return on Equity **(Net Income (Loss)**			

Divided by Total Equity)	0.53%	0.50%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital. The increase in the ratio from 0.50% to 0.53% is attributable to the increase in stockholder's equity as a result of higher comprehensive income in June 30, 2024 vis-à-vis June 30, 2023.

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. Indicate course of action that the Company has taken or proposes to take to remedy the deficiency.

i.a The Company's inability to settle its outstanding obligations with the Toll Regulatory Board and the National Government brought about by the difficulties in collecting its receivables from various government agencies.

i.b Pending labor cases which consists of those filed against the Company involving dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants, pending appeal by the Company before the National Labor Relation Commission (NLRC).

i.c Pending lawsuits/litigations which consists of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various regional Trial Courts (RTC). Discussion is contained under Note 36 of the 2023 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

i.d Pending assessments on deficiency taxes. Discussion is contained under Note 35 of the 2023 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, the Company implemented a program of manpower rightsizing and corporate restructuring in 2001. Also, the Company will continue to pursue and invigorate its revenue share from Joint Venture Companies, earnings from leased FCA property, and the contracted participation in the Joint Venture's C6 Projects, Pasig River Expressway (PAREX) Project, Quezon-Bicol Expressway (QUBEX)/ South Luzon Toll Road 5 (TR5) Project and Greater Capital Region Integrated Expressway Network (GCRIEN) project. Partnership with PT Citra Lamtoro for the implementation of the Metro Manila Expressway of C6 and Metro Manila Skyway Stage 3 and the completion and commercial operation on revenue sharing basis for both Project Roads. The revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The default in payment of its TRB loan, the recognition of debts to the NG, pending assessments on tax deficiencies and contingent liabilities with respect to claims and lawsuits from Asiavest Merchant Bankers.

(iii) There are no material off-balance sheet transactions, arrangements.

(iv) There are no material commitments for capital expenditures.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

v.a The continued decline in the construction industry resulted to the Company's incurrence of severe losses from the said operation. Thus, to prevent from suffering greater losses as it had experienced for the last several years, Management decided to veer away with the construction business (since 2002) and focus on its tollways operation.

v.b. The turn over of the North Luzon Tollway operations to the MNTC on February 10, 2005 had affected the revenue generating capacity of the Company.

v.c. The hand-over of the South Luzon Tollway operation to the SLTC on May 02, 2010 likewise had an unfavorable impact on the Company's revenue.

v.d The Supreme Court decision, 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 04, 2009), ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC 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 of the toll fees and the net income derived after May 01, 2007 from the toll assets and facilities, including the Company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

Pending TRB's issuance of the Final Implementing Rules and Guidelines relative to the determination of the net income remittable by the Company to the National Government, the Company receives only the following revenue shares based on TRB's interim guidelines: 10% of 6% share on the MNTC(now NLEX Corporation) gross revenue; 10% of 3.5% share on the CMMTC (now SMC Skyway Corporation) gross revenue; 10% of 3.00% share on the SLTC (now SMC SLEX, Inc.) gross revenue; and 100% of 2.5% share on the CCEC(now SMC Skyway Stage 3 Corporation) gross revenue. It also receives 10% dividend in the equity share from CMMTC(now SMC Skyway Corporation).

(vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.

(vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

(viii) **Material changes to the Company's Statement of Financial Position as of June 30, 2024 compared to June 30, 2023 (increased/decrease of 5% or more)**

*Cash in*creased by ₱39.314 million or 232.88% from ₱16.881 million as of June 30, 2023 to ₱56.196 million as of June 30, 2024 due to the cash flows used in Company's operating activities and investing activities.

Short term investment increased by ₱578.410 million or 26.86% from ₱2.153 billion as of June 30, 2023 to ₱2.732 billion as of June 30, 2024 due to the cash inflows from operating activities.

Receivables increased by ₱156.120 million or 39.41% from ₱396.112 million as of June 30, 2023 to ₱552.232 million as of June 30, 2024 due to the booking of COAs NFDs re: gratuity benefit to BODs, car plan benefit, etc.

Inventories - decreased by ₱0.140 million or 5.51% from ₱2.547 million as of June 30, 2023 to ₱2.407 million as of June 30, 2024 due to the decrease in fuel and oil lubricants.

Other current assets - increased by ₱12.873 million or 32.02% from ₱40.207 million as of June 30, 2023 to ₱53.080 million as of June 30, 2024 due mainly to increases in withholding tax at source.

Investment Property - increased by ₱16.978 billion or 45.70% from ₱37.149 billion as of June 30, 2023 to ₱54.127 billion as of June 30, 2024 due mainly to the appraisal of investment property in 2023.

*Financial Liabilities – Accounts Payable de*creased by ₱6.904 million or 20.65% from ₱33.433 million as of June 30, 2023 to ₱26.529 million as of June 30, 2024 due to decrease on unpaid accounts to suppliers of goods and services that are normally settled within twelve (12) months from the reporting period.

Inter-Agency payable increased by ₱22.186 million or 91.43% from ₱24.266 million as of June 30, 2023 to ₱46.452 million as of June 30, 2024 due to increases in Income Tax Payable, SSS, Philhealth and HDMF liabilities.

Deferred credits/Unearned Revenue/Income - decreased by ₱12.761 million or 21.93% from ₱58.716 million as of June 30, 2023 to ₱45.955 million as of June 30, 2024 mainly due to the recognition of income from PCPI.

Deferred tax liabilities - increased by ₱4.268 billion or 43.49% from ₱9.814 billion as of June 30, 2023 to ₱14.083 billion as of June 30, 2024 mainly due to the deemed tax on the increase in value of investment property as required by PAS 12.

Material changes to the Company's Statement of Income for the quarter ended June 30, 2024 compared to the quarter ended June 30, 2023 (increase/decrease of 5% or more)

*Service and Business Income in*creased by ₱75.958 million or 21.94% from ₱346.177 million as of June 30, 2023 to ₱422.135 million as of June 30, 2024 due to increases in share in JVs Revenue and Rental vis-à-vis the decrease in Service Income.

*Gains in*creased by 3600.65% or ₱0.304 million from ₱0.008 million *as of* June 30, 2023 *to* ₱0.312 million as of June 30, 2024 mainly due to sale of unserviceable PPE .

Other Non-operating income increased by 442.53% or ₱1.399 million from ₱0.316 million *as of* June 30, 2023 to ₱1.715 million as of June 30, 2024 mainly due to the interest charges on PCPIs late rental payment.

General and Administrative Expenses increased by 50.50% or ₱22.222 million from ₱44.005 million for the quarter ended June 30, 2023 to ₱66.227 million for the quarter ended June 30, 2024 due to the increases in Personnel Cost brought about by CPCS implementation effective August 19, 2023 while the increase in MOOE was due to additional security guard at Dampa Seaside and Taxes and Licenses i.e. registration of vehicles and business permits.

Income Tax increased by 70.55% or ₱13.900 million from ₱19.703 million *as of* June 30, 2023 to ₱33.603 million as of June 30, 2024 mainly due to the increase in Revenue in 2024.

Comprehensive Income (Loss) increased by 66.39% or ₱76.854 million from ₱115.757 million for the quarter ended June 30, 2023 to ₱192.611 million for the quarter ended June 30, 2024 due to the reasons discussed above.

ANNEX "J"

SUMMARY OF BOARD RESOLUTIONS PASSED IN 2023

JANUARY 19, 2023 – SPECIAL

BD-01-2023 RESOLVED, AS IT IS HEREBY RESOLVED, to approve the implementation of the employees' gratuity pay of PESOS: Five Thousand (PHP5,000.00) each, or the total amount of PESOS: One Million Three Hundred Twenty Three Thousand (PHP1,323,000.00);

RESOLVED FURTHER, to realign the unexpended amounts in the 2022 COB which is enough to cover the cited budget allocation shortage in order to fund the gratuity pay benefits of PNCC employees, subject to the usual accounting and auditing rules and regulations.

BD-02-2023 *No Resolution/s passed*

JANUARY 26, 2023 – REGULAR

BD-03-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, with its remaining Members still constituting a quorum, unanimously elects Mr. HERCULANO CLETO CO, JR. as Acting Member of the PNCC Board of Directors, *vice* William T. Yu, effective immediately.

RESOLVED further, that the Board expresses its deepest appreciation to Mr. William T. Yu for his invaluable service to the company.

BD-04-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, with its remaining Members still constituting a quorum, unanimously elects Mr. MIGUEL ERMITAÑO UMALI as Acting Member of the PNCC Board of Directors, effective immediately.

BD-05-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, with its remaining Members still constituting a quorum, unanimously elects Mr. LAMBERTO BASA MERCADO JR. as Acting Member of the PNCC Board of Directors, effective immediately.

BD-06-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, with its remaining Members still constituting a quorum, unanimously elects Mr. JONATHAN SALVADOR AVANCEÑA as Acting Member of the PNCC Board of Directors, effective immediately.

BD-07-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, with its remaining Members still constituting a quorum, unanimously elects Mr. ALEX LIMUACO SEMBRANO as Acting Member of the PNCC Board of Directors, *vice* Salvador B. Calanoy IV, effective immediately.

RESOLVED further, that the Board expresses its deepest appreciation to Mr. Salvador B. Calanoy IV for his invaluable service to the company.

BD-08-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, with its remaining Members still constituting a quorum, unanimously elects Mr. OSCAR TOLETE ZALDIVAR as Acting Member of the PNCC Board of Directors, *vice* Mohamad Taha A. Guinomla, effective immediately.

RESOLVED further, that the Board expresses its deepest appreciation to Mr. Mohamad Taha A. Guinomla for his invaluable service to the company.

BD-09-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, with its remaining Members still constituting a quorum, unanimously elects Mr. DANILO SANTOS CONSTANTINO Acting Member of the PNCC Board of Directors, *vice* Pedro B. Cabatingan, Jr., effective immediately.

RESOLVED further, that the Board expresses its deepest appreciation to Mr. Pedro B. Cabatingan, Jr for his invaluable service to the company.

BD-10-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, with its remaining Members still constituting a quorum, unanimously elects Mr. MARIANO JESUS SOLLA AVERIA as Acting Member of the PNCC Board of Directors, *vice* Manuel Luis C. Antonio, effective immediately.

RESOLVED further, that the Board expresses its deepest appreciation to Mr. Manuel Luis C. Antonio for his invaluable service to the company.

BD-11-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously appoints and designates Mr. KEVIN JORDAN DE LEON MENDOZA as Corporate Secretary of PNCC effective immediately, with an honorarium/premium of PESOS: PHP 25,000.00 / per month and entitlement to per diem of PHP 1,500.00 for every board or committee meeting for as long as he is performing such function.

RESOLVED Further, that the Board, constituting a quorum, unanimously appoints and designates Mr. JOHN BENEDICK RIGOS DELA CRUZ as Assistant Corporate Secretary effective immediately, with an honorarium/premium of PESOS: PHP 20,000.00 / per month and entitlement to per diem of PHP 1,500.00 for every board or committee meeting for as long as he is performing such function.

RESOLVED Finally, RENATO M. MONSANTO shall be appointed/designated as Administrative Support-Corporate Secretariat with a new Service Contract for a period of six (6) months with the same compensation and benefits as his previous Service Contract.

BD-12-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, reconstitutes the standing Board Committees of PNCC, as follows:

Corporate Governance -

1. Herculano C. Co, Jr.	Chairman
2. Miguel E. Umali	Vice-Chairman
3. Ruben D. Torres	Member
4. Oscar T. Zaldivar	Member
5. Danilo S. Constantino	Member

Audit Committee -

1. Lamberto B. Mercado, Jr.	Chairman
2. Herculano C. Co, Jr.	Vice-Chairman
3. Jonathan S. Avanceña	Member
4. Mariano Jesus S. Averia	Member
5. Alex L. Sembrano	Member

Finance Committee -

1. Alan R. Luga	Chairman
2. Herculano C. Co, Jr.	Vice-Chairman
3. Miguel E. Umali	Member
4. Danilo S. Constantino	Member
5.Carlo Antonio B. Almirante	Member

Legal and Compliance Committee -

1. Oscar T. Zaldivar	Chairman
2. Herculano C. Co, Jr.	Vice-Chairman
3. Miguel E. Umali	Member
4. Ruben D. Torres	Member
5. Carlo Antonio B. Almirante	Member
6. Lamberto B. Mercado Jr.	Member
7. Mariano Jesus S. Averia	Member

Business Development Committee -

1. Alex L. Sembrano	Chairman
2. Herculano C. Co, Jr.	Vice-Chairman
3. Miguel E. Umali	Member
4. Alan R. Luga	Member
5. Lamberto B. Mercado, Jr.	Member

Performance Agreement Negotiation Committee (PAN)

1. Mariano Jesus S. Averia	Chairman
2. Herculano C. Co, Jr.	Vice-Chairman
3. Miguel E. Umali	Member
4.Jonathan S. Avanceña	Member
5. Carlo Antonio B. Almirante	Member

Executive Committee -

1. Herculano C. Co, Jr.	Chairman
2. Miguel E. Umali	Vice-Chairman
3. Lamberto B. Mercado, Jr.	Member
4. Alan R. Luga	Member
5. Oscar T. Zaldivar	Member

BD-13-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously elects Mr. HERCULANO CLETO CO JR. as Chairman of the Philippine National Construction Corporation, effective immediately.

RESOLVED Further, that the Board, constituting a quorum, unanimously elects Mr. MIGUEL ERMITAÑO UMALI as President and Chief

Executive Officer/Vice-Chairman of Philippine National Construction Corporation, effective immediately.

BD-14-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously appoints and designates Chairman HERCULANO C. CO, JR. and/or President & CEO MIGUEL E. UMALI as the authorized representative/s of PNCC in the Joint Venture Companies, to wit:

1. SMC Skyway Corporation (formerly CMMTC-S1 & 2)	Chairman Herculano C. Co Jr.
2. SMC Skyway Stage 4 Corp. (formerly CITI)	Chairman Herculano C. Co Jr.
3. SMC Skyway Stage 3 Corp (formerly CCEC)	President and CEO Miguel E. Umali
4. South Luzon Tollroad-5 Expressway, Inc. (SLTR5)	Chairman Herculano C. Co Jr. and President and CEO Miguel E. Umali
5. Pasig River Expressway Corporation (PAREX Project)	Chairman Herculano C. Co Jr. and President and CEO Miguel E. Umali
6. SMC Southern Access Link Expressway Corporation (SMC SALEX Project)	Chairman Herculano C. Co Jr. and President and CEO Miguel E. Umali
7. SMC Northern Access Link Expressway Corporation (SMC NALEX Project)	Chairman Herculano C. Co Jr. and President and CEO Miguel E. Umali
8. SMC Central Access Link Expressway Corporation (CALEX)	Chairman Herculano C. Co Jr. and President and CEO Miguel E. Umali

RESOLVED Further, that the Board confirm, as it hereby confirms, the authority of Chairman HERCULANO C. CO JR. and/or President and CEO Miguel E. Umali to: (1) attend and represent the Corporation at any Annual or Special Meeting of the Stockholders of JVCs, or any and all postponements and/or adjournments thereof including the Special Meeting of its stockholders and (2) vote upon any and all matters to be taken up at any such meetings, according to the number of shares of stock in JVCs of which the Corporation is the lawful and beneficial owner.

BD-15-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously nominates the new Board of Directors of PNCC Subsidiaries, as follows:

DISC Contractors, Builders & General Services Inc. (DISC) -

1. Director Lamberto B. Mercado Jr.
2. Director Jonathan S. Avanceña
3. Director Mariano Jesus S. Averia
4. Director Alex L. Sembrano
5. Director Oscar T. Zaldivar

CDCP Farms Inc. -

1. Director Lamberto B. Mercado Jr.
2. Director Jonathan S. Avanceña
3. Director Mariano Jesus S. Averia
4. Director Alex L. Sembrano
5. Director Oscar T. Zaldivar
6. Director Danilo S. Constantino

Alabang-Sto. Tomas Development Inc. (ASDI) –

1. Director Lamberto B. Mercado Jr.
2. Director Jonathan S. Avanceña
3. Director Mariano Jesus S. Averia
4. Director Danilo S. Constantino

RESOLVED Further, for the President & CEO Miguel E. Umali, to officially inform the GCG of the new list of nominees to the PNCC subsidiaries for the purpose of securing the requisite appointment letters of the aforesaid nominees to the said positions.

FEBRUARY 09, 2023 – SPECIAL

BD-16-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, hereby confirms the election and on boarding of Mr. Herculano C. Co Jr., Mr. Miguel E. Umali, Mr. Lamberto B. Mercado Jr., Mr. Jonathan S. Avanceña, Mr. Alex L. Sembrano, Mr. Oscar T. Zaldivar, Mr. Danilo S. Constantino, Mr. Mariano Jesus S. Averia, as members of the PNCC Board of Directors.

RESOLVED Further, that the composition of the new Board of Directors of PNCC as of 26 January 2023, is now as follows:

Herculano C. Co, Jr. – Chairman
Miguel E. Umali – President & CEO/ Vice-Chairman
Alex L. Sembrano- Director
Oscar T. Zaldivar - Director
Danilo S. Constantino - Director

Lamberto B. Mercado Jr. – Director
Jonathan S. Avanceña – Director
Carlo Antonio B. Almirante – Director
Mariano Jesus S. Averia - Director
Alan R. Luga – Director
Ruben D. Torres – Director (representing Private Sector)

BD-17-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously designates Ms. Veronica B. Tacderas, Mr. Paul C. Vicente, and Manuel R. Forbes as Authorized Representatives of PNCC to submit with the BIR the following documentary requirements, to wit:

1. Application for Authority to Print (ATP) Receipts and Invoices;
2. Application for Registration of Books of Accounts;
3. Application for Permit to Use Manual Loose Leaf;
4. Application for TIN Card Issuance/Registration Information Updates;
5. Application for Transfer of Registration; and
6. To submit Registration Update Sheet.

RESOLVED, Further, that the herein authorized representatives of PNCC is also authorized to sign, execute and deliver any all documents necessary to achieve the above stated purpose and to perform any and all acts necessary for the fulfilment of the given authority.

BD-18-2023 RESOLVED, that the Board, hereby APPROVES the following:

1. The PNCC CY 2023 proposed performance scorecard and all other documents as required under GCG M.C. No. 2023-01, and its submission to the GCG;

2. Authorization of the following officers and employees to constitute the PNCC Technical Panel to provide the GCG all necessary information relevant and material to the measures and targets in the proposed performance scorecard:

NAME	POSITION/DESIGNATION
1.Rosalyn S. Delivios	Head - MIS
2. Ilie Lionel B. Gramata	Head – Corporate Legal Department
3. Kevin Jordan DL. Mendoza	Legal Officer
4. Veronica B. Tacderas	Head – Controllership Department
5. Cristy M. Mediavillo	Head – Treasury Department

3. Authorization of the President and CEO, or upon his written authority, a duly authorized representative, to take such steps, sign all documents and papers, and perform such acts as may be necessary to carry out and implement the foregoing authority;

4. Authorization of the President and CEO to represent PNCC during the Performance Target Conference (PTC) for the setting of the final performance targets of the GOCC.

BD-19-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board hereby sets a fixed schedule of its regular meetings on the fourth (4th) Thursday of every month. Thus, the following dates shall be the schedule of the regular board meeting for CY 2023 unless otherwise fix by a subsequent board resolution, to wit:

1.	26 January 2023	7.	27 July 2023
2.	23 February 2023	8.	24 August 2023
3.	23 March 2023	9.	28 September 2023
4.	27 April 2023	10.	26 October 2023
5.	25 May 2023	11.	23 November 2023
6.	22 June 2023	12.	28 December 2023

MARCH 08, 2023 – SPECIAL

BD-20-2023 RESOLVED, AS IT IS HEREBY RESOLVED, to adopt the joint committees' recommendation to approve the transmittal of the 2022 Financial Statement to the COA for final audit.

BD-21-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the annual stockholders' meeting of PNCC scheduled to be held on March 28, 2023 pursuant to the Corporation's By-Laws be postponed to October 24, 2023 at 3:00 P.M. and that the appropriate notices of postponement of the annual stockholders' meeting be effected by the Corporate Secretary.

BD-22-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously appoints and designates Mr. Kevin Jordan DL. Mendoza, the Corporate Secretary of PNCC, as Acting Compliance Officer of PNCC in addition to his function as Corporate Secretary and shall remain as such until his appointment is revoked or terminated.

MARCH 28, 2023 – REGULAR

BD-23-2023 RESOLVED, AS IT IS HEREBY RESOLVED, to designate Atty. Kevin Jordan DL. Mendoza, in his capacity as Corporate Secretary, to represent the Corporation and act for it in the submission of reportorial requirements with the SEC through the Online Submission Tool (OST).

BD-24-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously authorizes PNCC's President & CEO Miguel E.

Umali as the authorized representative of PNCC to sign the Security Service Agreement with Golden Z-5 Security & Investigation Agency.

BD-25-2023

RESOLVED, AS IT IS HEREBY RESOLVED, that the Board constituting a quorum, after due deliberation, in so far as the charge of unauthorized practice of law finds Atty. Rey Nathaniel C. Ifurung to have committed a violation of Section 7(b)(2) of R.A. No. 6713 and accordingly order his REMOVAL and DISMISSAL as Compliance Officer effective 28 March 2023, on the grounds of violation of Section 7(b)(2) of R.A. No. 6713, serious misconduct and breach of trust and confidence;

RESOLVED FURTHER, that on the second charge constituting 1) failure to submit or comply with the PSE requirement of timely submission of the Disclosure on the List of Top 100 Stockholders; 2) refusal to sign the required Disclosure of the List of Top 100 Stockholders for submission to the PSE; and 3) refusal to sign the required Disclosure on the election of New Board Members, the Board, after due deliberation, finds Atty. Rey Nathaniel C. Ifurung liable thereto and orders his REMOVAL and DISMISSAL as Compliance Officer effective 28 March 2023, on the grounds of serious misconduct, gross neglect in the performance of his duties and for breach of trust and confidence and to be ultimately held liable for the penalty imposed by the Philippine Stock Exchange, Inc. against PNCC, if and when the same becomes final and executory;

RESOLVED FURTHER, that on the third charge constituting 1) Atty. Rey Nathaniel C. Ifurung's, with the assistance of his former secretary, direct and active participation in the drafting and preparation of the Complaint Letter dated December 22, 2022 addressed to the Office of the Ombudsman ostensibly coming from the PNCC Employees Union (PEU), securing the signatures of the officers of the PEU thereon, filing thereof with the Office of the Ombudsman and leaking the same to the media; 2) directing, orchestrating and manipulating the PEU, thru its President, Venjie E. Namocatcat, to file a letter complaint dated January 16, 2023 against the President & CEO and Head of HR; and 3) meeting with the union officers and members at the Shakeys Restaurant SM Bicutan on January 17, 2023 at around 7:00 PM to give words of assurance to the officers who signed the Ombudsman Complaint and urge them to submit their Salaysay, the Board after due deliberation, finds Atty. Rey Nathaniel C. Ifurung to have committed the charges levelled against him and accordingly orders his REMOVAL and DISMISSAL as Compliance Officer effective 28 March 2023, on the grounds of serious misconduct, breach of trust and confidence, conflict of interest and disloyalty;

RESOLVED FINALLY, that the President & CEO is directed to officially inform Atty. Rey Nathaniel C. Ifurung of the Board's decision ordering his REMOVAL and DISMISSAL as the Compliance Officer of the Company effective 28 March 2023, for the reasons/grounds stated in this Resolution.

BD-26-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board constituting a quorum, directs the President & CEO to refer the matter to the OGCC for the filing of the appropriate case, if any, against Atty. Rey Nathaniel C. Ifurung for violation of Section 7(b)(2) of R.A. No. 6713.

BD-27-2023 RESOLVED, AS IT IS HEREBY RESOLVED, to designate as authorized signatories for the said account the following:

1.	Miguel E. Umali	-	President & CEO
2.	Cristy M. Mediavillo	-	Head of Treasury
3.	Felix M. Erece, Jr.	-	Head of Human Resources

RESOLVED FURTHER, that any transaction to be executed for and on behalf of the Company involving the said account should have the signatures of any of the two authorized signatories.

RESOLVED FINALLY, that for transactions amounting to PhP 50,000.00 and above, the authorized signatories shall be the President & CEO and one from either of the two signatories. For transactions below PhP 50,000, the President & CEO need not sign, and signatures from both of the two signatories shall be deemed sufficient.

APRIL 18, 2023 – SPECIAL

BD-28-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously revokes the appointment/designation of Kevin Jordan DL. Mendoza as Acting Compliance Officer effective April 18, 2023.

RESOLVED FURTHER, that the Board, appoints and designates Mr. ILIE LIONEL B. GRAMATA as the Compliance Officer, concurrent with his position as Vice-President – Head of Corporate Legal Department of PNCC effective April 18, 2023, with an honorarium/responsibility premium of PESOS: PHP 30,000.00 / per month.

RESOLVED FINALLY, that the Board, constituting a quorum, unanimously appoints and designates Ms. ROSALYN S. DELIVIOS as Assistant Compliance Officer, concurrent with her position as Senior Manager – Head of MIS Department effective April 18, 2023, with an honorarium/responsibility premium of PESOS: PHP 25,000.00 / per month.

BD-29-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously elects and designates CRISTY M. MEDIAVILLO as the Corporate Treasurer concurrent with her position as Senior Manager – Head of Treasury, effective April 18, 2023, with an honorarium/responsibility premium of PESOS: PHP 25,000.00/ per month

as long as she occupies the position of Corporate Treasurer and until a replacement is duly elected and qualified.

RESOLVED FURTHER, that the Board, hereby revokes any Board Resolution issued inconsistent with the foregoing.

MAY 09, 2023 – SPECIAL

BD-30-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously approves the MOA to be signed by TRB, PNCC and NLEX Corporation.

RESOLVED FURTHER, that the Board, constituting a quorum, unanimously authorizes PNCC's President & CEO Miguel E. Umali as the authorized representative of PNCC to sign the Memorandum of Agreement.

MAY 25, 2023 – REGULAR

BD-31-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously elects Ms. EVELINA G. ESCUDERO as a member of the Board of Directors of PNCC, effective 25 May 2023 *vice* Atty. Carlo Antonio B. Almirante.

RESOLVED FURTHER, that Ms. Evelina G. Escudero shall replace Atty. Carlo Antonio B. Almirante as member of the Finance Committee and Performance Agreement Negotiation Committee.

RESOLVED FINALLY, that the Board expresses its deepest appreciation to Atty. Carlo Antonio B. Almirante for his invaluable service to the company.

JUNE 08, 2023 – SPECIAL

BD-32-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously adopts the SALN Policy and directs the PNCC Management to undertake the necessary actions for its implementation.

JULY 20, 2023 – SPECIAL

BD-33-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously approves the proposed Three-Year Vehicle Re-Fleeting Program as follows:

ANNEX "J"

YEAR 1 (2023)

PURCHASE	INTENDED USER	BUDGET	SERVICE VEHICLE TO BE REPLACED	YEAR ACQUIRED/AGE
1. One (1) SUV	OP	P 2,800,000.00	Nissan Patrol 3.0L (XRY-900)	Mar. 13, 2009 /14 y.o. (Non-operational)
2. One (1) MPV/E (MPV for Exec)	Legal Dept.	P 2,300,000.00	Ford Escape 3.0L (ZBG-958)	Oct. 13, 2005 / 18 y.o. (Non-operational)
3. One (1) EV/SUV (Exec. Van/SUV)	OC/Board	P 3,500,000.00	Hyundai Starex (NSQ-692)	Oct. 12, 2009/ 14 y.o. (Non-operational)
4.One (1) MPV/C (MPV for Carpool)	Carpool	P 1,200,000.00	Toyota Corolla Altis 1.6L (XTG-867)	Jun. 17, 2005/ 18 y.o. (Non-operational)
5. One (1) MPV/C (MPV for Carpool)	Carpool	P 1,200,000.00	Toyota Corolla Altis 1.6L (XTG-377)	Jun. 12, 2005/ 18 y.o. (Operational)
6. One (1) MC Motorcycle	Carpool	P 150,000.00	Yamaha FZ6, 125 cc	Feb. 21, 2008 /15 y.o. (Non-operational)
5 MVs + 1 MC	**Total:**	**P 11,150,000.00**		

YEAR 2 (2024)

PURCHASE	INTENDED USER	BUDGET	SERVICE VEHICLE TO BE REPLACED	YEAR ACQUIRED/AGE
1. One (1) SUV	OC/Board	P 2,800,000.00	Mits. Montero 2.5L (NCI-504)	Apr. 1, 2009 /14 y.o. (Operational)
2. One (1) EV/SUV (Exec. Van/SUV)	OP	P 3,500,000.00	Hyundai Starex 2.5L (UKO-172)	Mar. 13, 2013/ 10 y.o. (Operational)
3. One (1) MPV/E (MPV for Exec)	HRD	P 2,300,000.00	Kia Sorento 2.5L (ZEA-381)	Jul. 18, 2006/ 17 y.o. (Operational)
4. One (1) PU (Pick-up)	Carpool	P 1,700,000.00	Toyota Hi-Lux 2.5L (ZIM-977)	Jul. 5, 2007/ 16 y.o. (Operational)
5. One (1) UV (Utility Van)	Carpool	P 1,200,000.00	Toyota Innova 2.5L (NCQ-660)	Jun. 16, 2009/ 14 y.o. (Operational)
5 MVs	Total:	**P 11,500,000.00**		

YEAR 3 (2025)

PURCHASE	INTENDED USER	BUDGET	SERVICE VEHICLE TO BE REPLACED	YEAR ACQUIRED/AGE
1. One (1) MPV/C (MPV for Carpool)	Carpool	P 1,200,000.00	Toyota Corolla Altis 1.6L (NCO-576)	May 20, 2009 /14 y.o. (Operational)
2. One (1) MPV/C (MPV for Carpool)	Carpool	P 1,200,000.00	Toyota Corolla Altis 1.6L (NCO-631)	May 20, 2009/ 14 y.o. (Operational)
3. One (1) UV (Utility Van)	Carpool	P 1,200,000.00	Toyota Hi-Ace GL Grandia (NQY-621)	Mar. 17, 2010/ 13 y.o. (Operational)
4. One (1) PU (Pick-up)	Carpool	P 1,700,000.00	Toyota Hi-Lux 2.5L (NQF-657)	Apr. 26, 2010/ 13 y.o. (Operational)
4 MVs	**Total:**	**P 5,300,000.00**		

RESOLVED FURTHER, that the Board approves the supplemental budget in the amount of Eleven Million One Hundred Fifty Thousand Pesos (PhP 11,150,000.00) to be included in the 2023 Corporate Operating Budget (COB).

RESOLVED FINALLY, that the Board authorizes the management, thru its President & CEO Miguel E. Umali, to comply and complete all necessary submissions to the DBM and secure the requisite Authority to Purchase Motor Vehicle (APMV) from the DBM for the said Three-Year Vehicle Re-Fleeting Program.

JULY 27, 2023 – REGULAR

BD-34-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves to renew the Service Contract of RENATO M. MONSANTO for a period of three (3) months with the same compensation and benefits as his previous Service Contract.

RESOLVED FURTHER, that the Board authorizes PNCC's President & CEO Miguel E. Umali to sign the new Service Contract of RENATO M. MONSANTO.

BD-35-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously approves to apply for the transfer of electric service connection with MERALCO from the former Company's Lessee Marvin Sedano to and under the name of Philippine National Construction Corporation.

RESOLVED FURTHER, that the Board authorizes PNCC's President & CEO Miguel E. Umali as the authorized representative of PNCC to apply for, to sign, and to transact with MERALCO as may be deemed necessary for the above-mentioned purpose.

BD-36-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously approves to apply for the transfer of water service connection with MAYNILAD from the former Company's Lessee Marvin Sedano to and under the name of Philippine National Construction Corporation.

RESOLVED FURTHER, that the Board authorizes PNCC's President & CEO Miguel E. Umali as the authorized representative of PNCC to apply for, to sign, and to transact with MAYNILAD as may be deemed necessary for the above-mentioned purpose.

BD-37-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board hereby resets a fixed schedule of its regular meetings on the fourth (4^{th}) Wednesday of every month starting August 2023 and for this purpose Board Resolution No. BD19-2023 is deemed amended/revoked. Thus, the following dates

shall be the schedule of the regular board meeting for CY 2023 unless otherwise fix by a subsequent board resolution, to wit:

1. 23 August 2023
2. 27 September 2023
3. 25 October 2023
4. 22 November 2023
5. 27 December 2023

AUGUST 09, 2023 – SPECIAL

BD-38-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, and by unanimous vote, to temporarily allow the continued presence of the former sub-lessees of Sps. Sedano in the FCA (Seaside Dampa) Property, for the purpose of continuing their current business operation under the management of PNCC, and to directly remit their payments to PNCC for their use and occupation of the property on a month to month basis (and on the basis of known and existing actual rental rate being paid) until such time the Board finally decides on the plan of action to be taken with the FCA (Seaside Dampa) Property vis-à-vis its planned lease and development of the 9.9-hectares as contained in the TOR submitted to the OP.

BD-39-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously appoints and designates P/MGen. CHRISTOPHER A. LAXA (Ret) as the Administrative/Security Representative of PNCC in the FCA Property effective 09 August 2023, with an honorarium/responsibility premium of PESOS: PHP 70,000.00 / per month for a period of three (3) months.

RESOLVED FURTHER, that P/MGen. CHRISTOPHER A. LAXA (Ret) shall directly report and be accountable to the Board of Directors of PNCC through the Chairman of Business and Development Committee and the President & CEO.

RESOLVED FURTHER, that the Board authorizes the augmentation by five (5) to ten (10) security guards in the FCA (Seaside Dampa) Property who shall then be deployed to the subject property to secure the said property and to assist P/MGen. CHRISTOPHER A. LAXA (Ret) in the performance of his duties and responsibilities.

RESOLVED FINALLY, that the Board authorizes PNCC's President & CEO Miguel E. Umali to execute and sign the Service Contract of P/MGen. CHRISTOPHER A. LAXA (Ret) after the same passes the usual contract review process with the Office of the Government Corporate Counsel (OGCC).

BD-40-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves to amend and revise the Quality Policy, to wit:

> **"The PHILIPPINE NATIONAL CONSTRUCTION CORPORATION** is committed to provide excellent services in the toll road business and realty management to the full satisfaction of all its stake holders.
>
> To achieve this, the company shall comply with all applicable requirements of an effective and efficient QMS and ensure its continual improvement.
>
> The Company's Quality Policy has the full support and commitment of the Management and the Board of Directors.
>
> All employees are required to understand, implement and maintain the elements of the QMS in relation to their functions in the company.
>
> This Quality Policy shall be communicated and made readily available to all relevant interested parties."

AUGUST 23, 2023 – REGULAR

BD-41-2023 RESOLVED, AS IT IS HEREBY RESOLVED, to DENY Atty. Rey Nathaniel C. Ifurung's Request for Reconsideration for the reason that no new issues were raised in the said Request for Reconsideration and it contains a mere rehash of the same arguments and explanation he earlier provided during the administrative investigation of his cases and to AFFIRM the Board Resolution No. BD 25-2023 passed and approved by the Board during its Regular Board meeting held on 28 March 2023 ordering the REMOVAL and DISMISSAL of Atty. Rey Nathaniel C. Ifurung as Compliance Officer effective 28 March 2023;

RESOLVED FURTHER, that the President/CEO shall officially communicate this decision to Atty. Rey Nathaniel C. Ifurung and furnish him with the appurtenant documents.

BD-42-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves to amend and revise the Charter of the Corporate Governance Committee, to include as one of its purposes the following: "(i) Ensures the effective implementation of Material Related Party Transactions Policy.

ANNEX "J"

BD-43-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation be authorized to open a new account with Land Bank of the Philippines, GSIS Branch located particularly at Level 1 GSIS Headquarters Building Financial Center, Brgy. 076, Pasay City.

RESOLVED FURTHER, to designate as authorized signatories for the opening of the aforesaid account the following:

Name of Authorized Signatories		Position	Signature
1.	Miguel E. Umali	President & CEO	_____
2.	Cristy M. Mediavillo	Corporate Treasurer	_____
3.	Felix M. Erece, Jr.	Head of HRD	_____

RESOLVED FURTHER, that any transaction to be executed for and on behalf of the Company involving the said account should have the signatures of any of the two authorized signatories.

RESOLVED FURTHER, that for transactions amounting to PhP 50,000.00 and above, the authorized signatories shall be the President & CEO and one from either of the two signatories. For transactions below PhP 50,000, the President & CEO need not sign, and signatures from both of the other two signatories shall be deemed sufficient.

RESOLVED FURTHER, that the above-mentioned signatories be authorized to effect fund transfers and/or enroll the corporate bank account in Fund Transfer Facilities; to apply for and obtain from Land Bank of the Philippines, in the name of the corporation, any of its banking services including other services such as, but not limited to, Deposit Pick Up, Cash Delivery, Payroll and Bills Payment Services, under such terms and conditions as are or may be required by Land Bank of the Philippines; to apply for, invest in and/or obtain from Land Bank of the Philippines any of its Treasury Products such as, but not limited to, Fixed Income Security, Money Market, Foreign Exchange, and Derivatives (hereinafter referred to as banking/treasury transactions) in the name of the corporation, subject to such terms and conditions and collateral agreements, if any, as are or may be required by Land Bank of the Philippines.

RESOLVED FURTHER, further that said signatories be authorized to renew, roll-over, amend, revise, convert or substitute, as may be necessary and/or applicable, the above-mentioned deposits, placements, investments, banking/treasury transactions and other banking services, obtained from Land Bank of the Philippines;

RESOLVED FINALLY, to authorize Cristy M. Mediavillo, Corporate Treasurer of PNCC, to represent Philippine National Construction Corporation for the negotiation with the Land Bank of the Philippines – GSIS branch for the opening of a High Yield Savings Account thereat.

SEPTEMBER 13, 2023 – SPECIAL

BD-44-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the annual stockholders' meeting of PNCC scheduled to be held on 24 October 2023 be postponed to 26 March 2024 as provided by the Corporation's By-Laws, or such other date as may be determined by the Board, and that the appropriate notices of postponement of the annual stockholders' meeting be effected by the Corporate Secretary.

BD-45-2023 RESOLVED, AS IT IS HEREBY RESOLVED, for PNCC to adopt the Category 3, GOCC Grade 18, Tier 4 Salary Structure of the CPCS as contained in the Authorization to Implement CPCS under E.O. 150 dated 10 August 2023 issued by the GCG.

RESOLVED FURTHER, to authorize the Management to provisionally and partially implement the CPCS effective 17 August 2023, pursuant to and in accordance with the provisions contained in the GCG Implementing Guidelines No. 2021-01 while the matter on retroactive implementation is being clarified with GCG and subject to the usual accounting rules and regulations.

RESOLVED FURTHER, for the Management to follow up its letter-inquiry with the GCG as regards the eleven (11) positions not included in the Authorization to Implement the CPCS and the three (3) positions that were assigned with very high or very low Job Grades.

RESOLVED FURTHER, that a supplemental budget in the amount of Six Million Eight Hundred Thousand (P6,800,000.00) to the 2023 Corporate Operating Budget (COB) is hereby approved to fund the implementation of the Salary Structure under the Authorization to Implement the CPCS dated 10 August 2023 issued by the GCG.

RESOLVED FINALLY, for Management to seek the needed clarification with the GCG on the matter of effectivity date of the implementation of the CPCS considering that PNCC has substantially complied with the CPCS requirements as required under the CPCS Implementing Guidelines No. 2021-01.

BD-46-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously ratifies the act of PNCC Management, through the

President & CEO Miguel E. Umali, to discontinue/terminate the manpower service arrangement with SOMCO effective 31 October 2023.

OCTOBER 11, 2023 – SPECIAL

BD-47-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously designates the Head of Corporate Legal Department, Atty. Ilie Lionel B. Gramata and the Head of Treasury, Ms. Cristy M. Mediavillo (as alternate) as the authorized representatives of PNCC who shall be authorized to decide on behalf of the PNCC regarding matters pertinent to the implementation of the liquidation process of abolished PNCC subsidiaries.

OCTOBER 25, 2023 – REGULAR

BD-48-2023 RESOLVED, that the Board, hereby APPROVES the following:

1. The PNCC CY 2024 proposed performance scorecard and all other documents as required under GCG M.C. No. 2023-01, and its submission to the GCG;

2. Authorization of the following officers and employees to constitute the PNCC Technical Panel to provide the GCG all necessary information relevant and material to the measures and targets in the proposed performance scorecard:

NAME	POSITION/DESIGNATION
1.Rosalyn S. Delivios	Head - MIS
2. Ilie Lionel B. Gramata	Head – Corporate Legal Department
3. Kevin Jordan DL. Mendoza	Legal Officer
4. Veronica B. Tacderas	Head – Controllership Department
5. Cristy M. Mediavillo	Head – Treasury Department

3. Authorization of the President and CEO, or upon his written authority, a duly authorized representative, to take such steps, sign all documents and papers, and perform such acts as may be necessary to carry out and implement the foregoing authority;

4. Authorization of the President and CEO or his duly authorized representative to represent PNCC during the Performance Target Conference (PTC) for the setting of the final performance targets of PNCC.

BD-49-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves to renew the Service Contract of P/MGen. CHRISTOPHER A. LAXA (Ret) as the Administrative/Security Representative of PNCC in the FCA Property for a period of six (6) months from 09 November 2023 to 09 May 2024, with an increased compensation in the amount of Ninety Thousand Pesos (PhP 90,000.00) as long as he is performing such function.

RESOLVED FURTHER, that the Board authorizes PNCC's President & CEO Miguel E. Umali to sign the new Service Contract of P/MGen. CHRISTOPHER A. LAXA (Ret).

RESOLVED FINALLY, that the PNCC's President & CEO Miguel E. Umali, is given the authority for the subsequent renewal of the Service Contract of P/MGen. CHRISTOPHER A. LAXA (Ret).

NOVEMBER 15, 2023 – SPECIAL

BD-50-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves the proposed Corporate Operating Budget for 2024 that was submitted by the Management.

DECEMBER 6, 2023 – SPECIAL

BD-51-2023 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board approves the supplemental budget in the amount of up to Four Million Five Hundred Thousand Pesos (PhP 4,500,000.00) to be included in the 2023 Corporate Operating Budget (COB) to cover the monetary award in the case of Superlines Transportation Company, Inc. vs. PNCC pursuant to the final and executory Decision rendered by the Supreme Court and the COA Decision dated 22 March 2023 on the Petition for Money Claims filed by Superlines Transportation Company Inc.

DECEMBER 20, 2023 – REGULAR

BD-52-2023 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves and adopts the PNCC's Competency Framework and the competencies for each category as recommended by the ISO Sub-Committee on PNCC Competency Framework in its Memorandum dated 11 December 2023.

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