12 August 2025

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 20, 2025** 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. Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on November 21, 2024
5. Ratification of all previous acts by the Board of Directors
6. Report of the President
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 29 August 2025 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 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. For the approval of Voluntary Delisting with the Philippine Stok Exchange, the affirmative vote of the a] stockholders representing at least 2/3 of the entire membership of the Board, including the majority, b] stockholders owning at least 2/3 of the total outstanding and listed shares of PNCC.
   7. The Election of the directors shall be by plurality of votes. Every stockholder shall be entitled to cumulate his vote.
   8. The stockholders may cast their votes anytime during the meeting.
   9. 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.
   10. 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. Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on 21 November 2024

   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 21 November 2024.

   Proposed Resolution:

4. "RESOLVED, that the minutes of the stockholders' meeting dated 21 November 2024 is hereby approved."

5. 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."

6. 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 2024 and the outlook for 2025. Audited Financial Statements (AFS) as of December 31, 2024 (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, 2024 be, as they are hereby accepted and approved, and the Corporate Secretary is instructed to file the same as parts of these minutes."

7. 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 July 2025. 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.

8. 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.

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 20 November 2025.

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 _____ 2025.

By:

_____

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 20, 2025, 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

September 29, 2025

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 20, 2025
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 29 August 2025 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 2024-2025 (prior to the 20 November 2025 Annual Stockholders' Meeting):

1. Avancena, Jonathan S.	7. Sembrano, Alex L.
2. Averia, Mariano Jesus S.	8. Torno, Beatriz G.
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. Mercado, Lamberto Jr. B.	

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 2025:

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

(b) Record Date: 29 August 2025

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.

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 2025:

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 31 July 2025:

Title of Class	Name of Beneficial Owner/ Address	Amount/Nature of Record Beneficial Ownership	Citizenship	% of Class
Common	**Jonathan S. Avancena**	100 (Qualifying)	Filipino	00.00%
Common	**Mariano Jesus S. Averia**	25 (Qualifying)	Filipino	00.00%
Common	**Herculano C. Co, Jr.**	12 (Qualifying)	Filipino	00.00%
Common	**Danilo S. Constantino**	1 (Qualifying)	Filipino	00.00%
Common	**Evelina G. Escudero**	50 (Qualifying)	Filipino	00.00%
Common	**Lamberto B. Mercado, Jr.**	25 (Qualifying)	Filipino	00.00%
Common	**Alex L. Sembrano**	50 (Qualifying)	Filipino	00.00%
Common	**Beatriz G. Torno**	50 (Qualifying)	Filipino	00.00%
Common	**Ruben D. Torres**	100 (Direct)	Filipino	00.00%
Common	**Miguel E. Umali**	1 (Qualifying)	Filipino	00.00%
Common	**Oscar T. Zaldivar**	101 (Qualifying)	Filipino	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, 2025 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**: 6 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**: 60; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: President and CEO; **No. of Years in PNCC**: 6 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**: 8 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**: 64; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 2 years **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**: 65; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 2 years **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	• Bachelor of Science, Philippine Military Academy

& Achievements/Awards	• Master in Management, Philippine Christian University

6. EVELINA G. ESCUDERO

Personal Information	**Age**: 82; **Nationality**: Filipino; **Gender**: Female; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 2 years **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	• Trustee, 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. BEATRIZ G. TORNO

Personal Information	**Age**: 71; **Nationality**: Filipino; **Gender**: Female; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 1 year **First Election to the Position**; May 21, 2025; **Last Election**: N/A
Affiliations in Publicly Listed Companies (PLCs)	N/A
Affiliations in Non-PLCs	• Trustee, Government Service Insurance System • Independent Director of East West Rural Bank • Professor/Lecturer/Course Specialist for Polytechnic University of the Philippines, Graduate School of Don Honorio Ventura State University, Jose Rizal University, GURO21, eXCELS – Excellence in School Leadership and Strategic Teaching Innovations for Southeast Asia • Consultant in the Licensure Examination for Teachers Review Center
Civic/Advisory Board	N/A
Educational Background & Achievements/Awards	• Bachelor of Science in Elementary Education, Philippine Normal College, Manila (Magna Cum Laude) • Master of Arts in Science and Mathematics, Philippine Normal College, Manila • Master in Business Administration, University of the East • Master in Government Management, Pamantasan ng Lungsod ng Maynila • Doctor in Public Management, Pamantasan ng Lungsod ng Maynila

8. LAMBERTO B. MERCADO, JR.

Personal Information	**Age**: 57; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 8 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**: 65; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 2 years **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**: 82; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 3 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**: 67; **Nationality**: Filipino; **Gender**: Male; **Current Position in PNCC**: Director; **No. of Years in PNCC**: 2 years **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 2024.

	Name of D	Date of Election in the Board	Date of Resignation / Replaced	No. of Meetings Held during Incumbency	No. of Meetings Attended	%	Length of Service in the Board
Member	Avanceña, Jonathan S.	08/15/2017	N/A	24	24	100%	7.33 years
Member	Averia, Mariano Jesus S.	01/26/2023	N/A	24	24	100%	1.91 years
Chairman	Co, Herculano Jr. C.	01/26/2023	N/A	24	24	100%	1.91 years
Member	Constantino, Danilo S.	01/26/2023	N/A	24	24	100%	1.91 years
Member	Escudero, Evelina G.	05/25/2023	N/A	24	24	100%	1.58 years
Member	Luga, Alan R.	04/17/2017	N/A	24	24	100%	7.66 years
Member	Mercado, Lamberto Jr. B.	04/17/2017	N/A	24	24	100%	7.66 years
Member	Sembrano, Alex L.	01/26/2023	N/A	24	24	100%	1.91 years
Member	Torres, Ruben D.	06/08/2022	N/A	24	24	100%	2.5 years
Vice Chairman / President & CEO	Umali, Miguel E.	02/19/2019	N/A	24	23	95.83%	5.83 years
Member	Zaldivar, Oscar T.	01/26/2023	N/A	24	24	100%	1.91 years
Average Attendance for CY 2024 : 99.62% **Average Directors' Attendance per meeting : 99.62%**							

b) **The Executive Officers**

As of June 30, 2025, the Executive Officers and Management of the Corporation are the following:

Name	Age	Position	Citizenship
Miguel E. Umali	60	President and Chief Executive Officer	Filipino
John Benedick R. Dela Cruz	34	Corporate Secretary	Filipino
Erika Grace E. Velasco	33	Assistant Corporate Secretary	Filipino
Ilie Lionel B. Gramata	49	Compliance Officer, Head of Corporate Legal Department	Filipino
Rosalyn S. Delivios	54	Assistant Compliance Officer, Head of Management Information System Department	Filipino
Cristy M. Mediavillo	60	Corporate Treasurer	Filipino
Felix M. Erece, Jr.	64	Head, Human Resource Department	Filipino
Demosthenes F. Faminiano	60	Head, Materials Management Department, concurrent Head, Realty Department	Filipino
Veronica B. Tacderas	63	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 Member, Technical Working Group – Tollways Development Projects (TWG)	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. He is also a member of the Gender and Development Committee of PNCC. 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. She is also a member of Bids and Awards Committee, Alternate Chief Information Officer and member of Gender and Development Committee. 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 2014-2015. 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 the Philippine Bar in 2023.
ILIE LIONEL B. GRAMATA Compliance Officer Head, Legal Department Chairman, BA Chairman, Committee on Anti-Red Tape (CART) Chairman, 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 the following committees: Bids and Awards Committee, Technical Working Group for Tollway Development Project and Committee on Anti-Red Tape. He is also an 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	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

Internal Quality Auditor	served as ISO Committee Secretariat, Document Controller and Internal Quality Auditor. In 2009, she completed the Lead Auditor's Training and was certified Lead Auditor for ISO 9001:2008 by International Register of Certificated Auditors (IRCA), a division of the Chartered Quality Institute (CQI). She was instrumental to the grant of ISO 9001:2008 Certification for Tollway Operation. At present, she serves as Deputy Quality Management Representative spearheading the documentation, implementation and maintenance of the company's Quality Management System in line with the maintenance of its ISO 9001:2015 certification. On concurrently capacity she also serves as Chief Information Officer, member of Committee on Anti-Red Tape, Consultant for Inventory Committee, PBB Focal Person, FOI Receiving Officer 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 Chairperson of Gender and Development Committee, 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 and Gender and Development 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 and Gender and Development 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 co-terminus 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. <u>Debt of P5.552 Billion Remained Unconverted to Equity</u>

   The Corporation's debt of P5.552 billion which remained unconverted to equity is treated as part of equity in the Corporation's books, instead of a liability. The interest and penalties unilaterally charged thereon by the Privatization Management Office (PMO)/ Bureau of the Treasury (BTr)

amounting to P66.295 billion and P63.255 billion as of December 31, 2021 and 2020 were not taken up in the Corporation's books.

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

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

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

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

On May 19, 2022, the Office of the President has promulgated its Decision ruling in favor of the PMO, ordering the Corporation to pay the principal amount plus accrued interests and penalties and to reimburse the amount of mortgage loan including interest thereon. The Corporation filed a Motion for Reconsideration of the Decision on July 22, 2022. Subsequently, PNCC filed a Supplemental Motion for Reconsideration on February 16, 2023.

Awaiting resolution/action of the OP on PNCC's Motion for Reconsideration.

2. <u>Asiavest Merchant Bankers (M) Berhad vs. PNCC (Civil Case No. 64367)</u>

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 their complaint with COA.

3. <u>Asiavest Merchant Bankers (M) Berhad vs. PNCC (Civil Case No. 56368)</u>

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.

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 2024, 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. Mercado, Lamberto Jr. B.	*Please see profile under Directors and Corporate Officer*
7. Sembrano, Alex L.	*Please see profile under Directors and Corporate Officer*
8. Torno, Beatriz G.	*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 current 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
	Beatriz G. Torno	-	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. Ibarra G. Paulino. 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 Ibarra G. Paulino 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. IBARRA G. PAULINO

Personal Information	**Age**: 73; **Nationality**: Filipino; **Gender**: Male;
He is currently the Chief of Staff of International Federation of Asian And Western Pacific Contractors' Association Inc. and formerly the Executive Director of the Philippine Contractors Association from 2015 to April 2025. He was a member of the Philippines Roadmap Technical Working Group, and is one of the champions who work in translating the roadmap into detailed action plans that were presented at 4th Philippine Construction Congress last January of 2020. He is also involved in various initiatives, including the training of construction supervisors in collaboration with the Technical Education and Skills Development Authority (TESDA) in the Philippines to support the "Build, Build, Build" program and forums of IFAWPCA member countries. He has also represented IFAWPCA and PCA in various events and agreements aimed at improving the construction industry in the Philippines and the Asia Pacific.	

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 2024.

Audit Committee

The Audit Committee performs its role by providing independent oversight to the Board of Directors. The purpose of the Committee is to provide a structured, systematic oversight of the organization's governance, risk management and internal control practices.

For 2024, the Audit Committee, further to compliance with applicable corporate governance law, confirms their accomplishment for the year 2024:

1. The Committee had nine (9) 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 function 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 oversight 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. Pursuant to Section 5.3.d.7 of the Corporate Governance Manual of PNCC, the Board through its Board Risk Oversight Committee (BROC) which duties and responsibilities has been assumed by the Audit Committee, the Committee reviewed and approved the action plans on identified risks as contained in the 2024 Management Risks and Opportunities Register;

5. 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;

6. As part of the its oversight responsibilities, the Committee reviewed and discussed the audited financial statements of PNCC for the year ended December 31, 2024 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 2024

	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	Avanceña, Jonathan S.	08/15/2017	02/06/2019	N/A	9	9	100%	5.83 years
Member	Averia, Mariano Jesus S.	01/26/2023	01/26/2023	N/A	9	9	100%	1.91 years
Vice Chairman	Co, Herculano Jr. C.	01/26/2023	01/26/2023	N/A	9	9	100%	1.91 years
Chairman	Mercado, Lamberto Jr. B.	04/17/2017	04/17/2017	N/A	9	9	100%	7.66 years
Member	Sembrano, Alex L.	01/26/2023	01/26/2023	N/A	9	9	100%	1.91 years
Member	Torres, Ruben D.	06/08/2022	01/24/2023	N/A	9	9	100%	0.91 years
Member	Zaldivar, Oscar T.	01/26/2023	01/24/2024	N/!	9	9	100%	0.91 years
Average Attendance for 2024 : 100%								

Corporate Governance Committee

The Committee is currently composed of five (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 2024

	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	12	12	100%	1.91 years
Member	Constantino, Danilo S.	01/26/2023	01/26/2023	N/A	12	12	100%	1.91 years
Member	Torres, Ruben D.	06/08/2022	06/08/2022	N/A	12	12	100%	2.5 years
Vice Chairman	Umali, Miguel E.	02/19/2019	02/19/2019	N/A	12	12	100%	5.83 years
Member	Zaldivar, Oscar T.	01/26/2023	01/26/2023	N/A	12	12	100%	1.91 years
Average Attendance for 2024 : 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 2024

	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	10	10	100%	1.91 years
Member	Constantino, Danilo S.	01/26/2023	01/26/2023	N/A	10	10	100%	1.91 years
Member	Escudero, Evelina G.	05/25/2023	05/25/2023	N/A	10	10	100%	1.58 years
Chairman	Luga, Alan R.	04/17/2017	04/17/2017	N/A	10	10	100%	7.66 years
Member	Umali, Miguel E.	02/19/2019	02/19/2019	N/A	10	10	100%	5.83 years
Average Attendance for CY 2024 : 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 is currently composed of seven (7) directors. 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 2024

	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	Avanceña, Jonathan S.	08/15/2017	08/15/2017	N/A	9	9	100%	7.33 years
Chairman	Averia, Mariano Jesus S.	01/26/2023	01/26/2023	N/A	9	9	100%	1.91 years
Vice Chairman	Co, Herculano Jr. C.	01/26/2023	01/26/2023	N/A	9	9	100%	1.91 years
Member	Constantino, Danilo S.	01/26/2023	01/24/2024	N/A	9	9	100%	0.91 years
Member	Escudero, Evelina G.	05/25/2023	05/25/2023	N/A	9	9	100%	1.58 years
Member	Umali, Miguel E.	02/19/2019	02/19/2019	N/A	9	9	100%	5.83 years
Member	Sembrano, Alex L.	01/26/2023	01/24/2024	N/A	9	8	88.88%	0.91 years
Average Attendance for CY 2024: 98.41%								

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 2024

	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	Averia, Mariano Jesus S.	01/26/2023	01/26/2023	N/A	12	12	100%	1.91 years
Vice Chairman	Co, Herculano Jr. C.	01/26/2023	01/26/2023	N/A	12	12	100%	1.91 years
Chairman	Mercado, Lamberto Jr. B.	04/17/2017	04/17/2017	N/A	12	12	100%	7.66 years
Member	Torres, Ruben D.	06/08/2022	06/08/2022	N/A	12	12	100%	2.5 years
Member	Umali, Miguel E.	02/19/2019	02/19/2019	N/A	12	12	100%	5.83 years
Chairman	Zaldivar, Oscar T.	01/26/2023	01/26/2023	N/A	12	12	100%	1.91 years
Average Attendance for CY 2024 : 100%								

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 2024

	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	Avancena, Jonathan S.	08/15/2017	01/24/2024	N/A	13	12	92.3%	0.91% years
Vice Chairman	Co, Herculano Jr. C.	01/26/2023	01/26/2023	N/A	13	13	100%	1.91 years
Member	Luga, Alan R.	04/17/2017	01/26/2023	N/A	13	13	100%	1.91 years
Member	Mercado, Lamberto Jr. B.	04/17/2017	01/26/2023	N/A	13	13	100%	1.91 years
Chairman	Sembrano, Alex	01/26/2023	01/26/2023	N/A	13	13	100%	1.91 years
Member	Umali, Miguel E.	02/19/2017	02/19/2017	N/A	13	13	100%	5.83 years
Average Attendance for CY 2023 : 100%								

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

Summary Compensation Table

For the calendar years December 31, 2024 and 2023, 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	2023 2024 Projected 2025	11.091M 14.077M 14.675M	2.133M 2.564M 2.620M	.974M 1.757M 3.026M
All other Officers and Directors as a Group Unnamed	2023 2024 Projected 2025	8.484M 17.573M 12.622M	1.382M 2.147M 2.488M	.514M 16.504M 12.209M

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

*Annual Compensation of Directors in 2024**

Directors	Remuneration for Board, Executive Committee Meetings Attended
Executive Director	
Umali, Miguel E.	6,710,677.99
Non-Executive Directors	
Avanceña, Jonathan S.	1,601,582.56
Averia, Mariano Jesus S.	1,164,439.33
Constantino, Danilo S.	1,021,092.36
Escudero, Evelina G.	1,139,649.09
Luga, Alan R.	1,178,584.52
Mercado, Lamberto Jr. B.	1,230,909.08
Sembrano, Alex L.	1,238,485.33
Torno, Beatriz G.[1]	------
Torres, Ruben D.	1,321,424.83
Zaldivar, Oscar T.	1,497,112.96
Chairman of the Board	
Co, Herculano Jr. C.	1,385,130.53

* The amounts listed are the grand totals of salaries, allowances and other emoluments by each official and directors which can be found in COA Report on Salaries and Allowances (ROSA) in 2024.

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 2023 and 2024.

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

[1] Dir. Torno replaced Dir. Luga to the PNCC Board only on 21 May 2025.

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 ₱3,187,707 for CY 2024 and ₱ 3,740,987 for 2023.

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, Beatriz G. Torno, Ruben D. Torres, Oscar T. Zaldivar 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 2024 and 2023, 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 2024 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 May 30, 2025 and July 30, 2025 consecutively. 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, 2025.

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 Minutes of the November 21, 2024 Annual Stockholders' Meeting;

3. Approval of the Annual Report of Management and the Audited Financial Statements for the Fiscal Year Ending December 31, 2024;

4. Ratification of all Acts and Resolutions of the Board of Directors, Board Committees during 2023 up to November 20, 2025 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 and 2024 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.

During the last stockholders' meeting dated November 21, 2024, there was no quorum present due to the absence of the holder of the shares of the National Government, the Privatization Management Office, (52.39% of the total issued and outstanding Preferred D shares).

The Corporate Secretary, Atty. John Benedick R. Dela Cruz reported that of 37.77% of the total issued and outstanding common shares were present wherein 37.71% thereof attended through proxies and 0.06% attended in person.

The Directors present during the meeting were:

Herculano C. Co, Jr .	-	Chairman
Miguel E. Umali	-	President and CEO
Oscar T. Zaldivar	-	Director
Alan R. Luga	-	Director
Evelina G. Escudero	-	Director
Danilo S. Constantino	-	Director
Alex L. Sembrano	-	Director
Jonathan S. Avanceña	-	Director
Lamberto B. Mercado, Jr.	-	Director
Ruben D. Torres	-	Director

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

No proposed amendment on Charter, Bylaws or other documents.

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. FINANCIALL STATEMENTS

The Financial Statements of the Registrant as of and for the year ended December 31, 2024 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 July 31, 2024 (based on the number of accounts 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 2023 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.

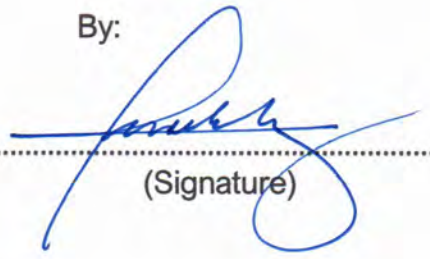
As of December 31, 2023, the Company was not able to fully satisfy the Manual on Corporate Governance because of peculiar circumstances of PNCC as a corporation. The Board is taking the preliminary steps to move towards the adherence to principles and practices of good corporate governance.

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)

ANNEX "A"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, IBARRA G. PAULINO Filipino, of legal age and a resident of 86 Josefa Ave, NSEV, Old Balara, QCMM, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Philippine National Construction Corporation (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
Brightbox, Inc. /	Director / part owner	2008 to present
COS / IFAD PCA	Chief of Staff	2017 to present

3. I posse ss 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
N.A.	N.A.	N.A.

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.	N.A.	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 PNCC, 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 17 JUL 2025 day of July, at PARAÑAQUE CITY

Affiant

SUBSCRIBE AND SWORN to before me this 17 JUL 2025 day of _____ at PARAÑAQUE CITY affiant personally appeared before me and exhibited to me his/her DSC4 ID No. 06700003133638 issued at Quezon City on 2021/04/16.

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Book No. 07
Series of 2025

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. 254-2025, Until December 31, 2026
Lifetime Member No. 015111; 06/13/2016; Pasig City
PTR No. 3739832; 01/02/2025; Parañaque City
Roll No. 66641
MCLE No. VIII-0032290; 04/14/2028

ANNEX "B"

Management's Discussion and Analysis of Results of Operations and Financial Condition

SELECTED FINANCIAL DATA

Financial Summary (Amount in Million Pesos)	Three Months Ended June 30 (April-June)			Six Months Ended June 30 (January-June)		
	2025	2024	% Change	**2025**	2024	% Change
Statement of Comprehensive Income						
Income						
Service and Business Income	**229.631**	214.316	7.146	**463.350**	422.135	9.763
Gains	**0.000**	0.312	-100.000	**0.000**	0.312	-100.000
Other non-operating income	**0.017**	1.212	-98.563	**0.019**	1.715	-98.896
	229.648	215.840	6.397	**463.369**	424.162	9.243
Expenses						
Personnel Services	**20.317**	21.083	-3.630	**40.343**	38.437	4.957
Maintenance and other operating expenses	**12.716**	11.748	8.237	**26.316**	27.790	-5.303
Financial Expenses						
Penalty charges on unpaid concession fee	**64.324**	64.324	0.000	**127.941**	127.941	0.000
Bank charges	**0.002**	0.001	166.667	**0.010**	0.008	34.309
Direct Costs	**0.000**	0.000	0.000	**0.000**	0.000	0.000
Non-Cash Expenses	**1.442**	3.079	-53.177	**2.861**	3.772	-24.166
	98.801	100.235	-1.431	**197.470**	197.948	-0.241
Income BeforeTax	**130.848**	115.606	13.185	**265.898**	226.215	17.543
Income Tax expense	**21.826**	16.965	28.652	**43.531**	33.603	29.543
Net Income (Loss)	**109.022**	98.640	10.524	**222.368**	192.611	15.449
Other Comprehensive income	**0.000**	0.000	0.000	**0.000**	0.000	0.000
Total Comprehensive Income	**109.022**	98.640	10.524	**222.368**	192.611	15.449
Cash Flow						
Net Cash Provided by Operating Activities	**60.406**	79.288	-23.815	**168.670**	192.915	-12.568
Net Cash Used in Investing Activities	**-100.101**	-101.513	-1.391	**-182.688**	-242.005	-24.511
Net Increase (Decrease) in Cash	**-39.695**	-22.225	78.606	**-14.017**	-49.089	-71.445
Cash at the Beginning of the Year	**128.894**	105.285	22.424	**128.894**	105.285	22.424
Cash at End of Year	**89.199**	83.060	7.391	**114.877**	56.196	104.423
Balance Sheet						
Total Assets	**154.707**	288.497	-46.375	**62679.261**	61577.319	1.790
Total Liabilities	**46.445**	55.677	-16.582	**25636.332**	25291.969	1.362
Stockholders' Equity	**108.262**	232.819	-53.499	**37042.929**	36285.350	2.088

Overview

The company's primary purpose is to undertake general contracting business with private parties, government agencies, and instrumentalities relative to construction of infrastructure projects and to engage in other related services in a manner that will contribute to the economic development of the country. 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.

PNCC's additional revenue is derived from renting out investment property which includes Financial Center Area (FCA) in Pasay City and a property in Porac, Pampanga.

Tollway Projects

In 1995, PNCC entered into a Business and Joint Venture Agreement with PT Citra Lamtoro Gung Persada (CITRA) and formed the joint venture company Citra Metro Manila Tollways Corporation (CMMTC) to finance, design and construct the South Metro Manila (SMMS) Project (Skyway Stage 1). In October 1999, Skyway Stage 1 marked the start of its full operation. The PNCC's wholly-owned subsidiary, PNCC Skyway Corporation (PSC), originally managed the operation and maintenance of the SMMS Project. In December 2007, the PNCC entered into a Memorandum of Agreement (MOA) with CMMTC and PSC where PNCC was to have been provided ₱2M by CMMTC for PNCC to subscribe to the par value of up to 20 percent of the total outstanding capital stock of the Skyway Operation and Maintenance Corporation (SOMCO). PSC turned over the operation and maintenance (O&M) of the SMMS Project to SOMCO. In April 2009, CMMTC received the Notice to Proceed (NTP) from TRB and it officially started the SMMS Project Stage 2 from Bicutan to Alabang. In May 2011, Skyway Stage 2 was completed with toll facilities and other ancillary requirements ready in place.

In 1997, PNCC entered into a JVA with First Philippine Infrastructure Development Corporation (FPIDC) and formed the JV company Manila North Tollways Corporation (MNTC) for the rehabilitation of the NLEX. MNTC was granted with the Supplemental Toll Operation Agreement (STOA) in 1998 to finance, design, construct, operate and maintain toll roads, toll facilitites and other facilities generating toll-related income in respect of the NLEX. Its commercial operations started on February 1, 2005. The operation and maintenance of NLEX is with Tollways Management Corporation (TMC). In 2008, FPIDC was acquired by the Metro Pacific Investments Corporation (MPIC).

In 2006, PNCC entered into a JVA with MTD Manila Expressways, Inc. (MTDME) and formed its joint venture company South Luzon Tollway Corporation (SLTC). SLTC was granted with a STOA in 2006 to undertake all works required for the SLEX rehabilitation and expansion of the existing toll road from Alabang to Calamba and the construction of the extension of the SLEX to Sto. Tomas, Batangas with the associated spur to the Southern Tagalog Arterial Road. The Manila Toll Expressway Systems, Inc. (MATES) managed the operation and maintenance of SLEX.

On April 27, 2007, TRB issued a Toll Operation Certificate to the PNCC for the O&M of the SLEX. The said authority from TRB, allowed PNCC to operate and maintain the SLEX and to collect toll fees, in the interim after its franchise expiration on April 30, 2007. Effective date of the TOC commenced on May 1, 2007. In 2010, the operation was officially turned over to SLTC and MATES.

In 2009 and 2010, in the case of Ernesto B. Francisco vs. TRB, PNCC et al. (G.R. Nos. 166910, 169917, 173630 and 183599, or the *Francisco Case*) and in the case of Strategic Development Corporation vs. Radstock Securities Limited et al. (G.R. No. 178158, 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 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 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 has been receiving 10 percent of the revenue and dividend shares from the JVCs, while 90 percent 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 werer 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.*

With the issuance of IRG, PNCC receives the following:

- 10% of 6% share on the MNTC Gross Revenue
- 10% of 3.5% share on the CMMTC Gross Revenue
- 10% of 3% share on the SLTC Gross Revenue
- 10% of dividends on 3.5% share

The PNCC holds updated partnership 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 extended and eventually connected to the NLEX.

On January 9, 2012, CITRA and PNCC executed a Supplement to the Business and Joint Venture Agreement 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 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, Citra Central Expressway Corporation (CCEC), the JVC 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% equity on CCEC, 10% of which is "Free Carry" i.e. not paid for by the PNCC and can never be diluted; while the other 10% is to be paid for. In case of the PNCC's inability to fund the 10%, CITRA needs to get the PNCC's approval to nominate another shareholder. The 10% initial investment in CCEC amounted to ₱12.5M.
- Projected share in gross revenues amounting to about ₱35.06B for the duration of the operation period (30 years)
- Projected share in net profits amounting to about P21.24B for the duration of the operation period (30 years)

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.

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 in September 2013.

The project was inaugurated on January 14, 2021 and became fully operational the following day, toll-free until July 12, 2021.

Refer to Note 2 of the 2024 Audited Financial Statements, pages 14-22 for the details of other on-going Toll Road Projects of PNCC not yet in operation.

Financial Condition and Results of Operation in the Second Quarter of 2025 and Full Year End 2024

Results of Operations

Balance Sheet Highlights (Amount in Pesos)	As of June 30, 2025	% Change (from 12/31/2024)
Total Assets	**62,679,261,284**	**0.570**
Current Assets	4,098,683,632	9.465
Non-current Assets	58,580,577,652	0.001
Total Liabilities	**25,636,332,456**	**0.524**
Current Liabilities	11,454,490,899	1.181
Non-current Liabilities	14,181,841,557	0.000
Stockholders' Equity	37,042,928,828	0.602
Book Value per share	₱ 20.77	

Financial Position

Current Assets. Current assets increased by 9.465 percent or ₱ 354.426 million, compared with the beginning of the year, owing to the cash flows provided by the Company's operating and investing activities, operating lease receivables and withholding tax at source.

Non-Current Assets. Non-current assets increased by 0.001 percent or ₱ 0.881 million from ₱ 58.580 billion as of December 31, 2024 to ₱ 58.581 billion as of June 30, 2025 due to acquisition of new vehicles and new Accounting Software vis-à-vis the decrease in other non-current assets.

Current Liabilities. Current liabilities increased by 1.181 percent or ₱ 133.701 million from ₱11.321 billion as of December 31, 2024 to ₱11.454 billion as of June 30, 2025 due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB) and other deferred credits and liabilities to suppliers of goods and services vis-à-vis the decrease in inter-agency payables.

Stockholder's Equity. Stockholder's Equity at the end of the first half of the year stood at ₱37.043 billion vis-à-vis the stockholders' equity as of December 31, 2024 in the amount of ₱36.821 billion. The increase in the account is attributable to the comprehensive income in 2025.

(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 2024 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 2024 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.

Financial Condition and Results of Operation For the Year Ended December 31, 2024 compared with Year Ended December 31, 2023

The Company generated a net income of ₱434.172M for the year 2024. This represents a decrease on net income of 96.666% mainly attributable to gain from changes in the fair value of Investment Property in 2023.

The Service and Business Income account is consists of Service Income and Rental/Lease Income, Share in Profit/Revenue of Joint Venture, Dividend Income and Interest Income.

Service and Business Income

Amount In Million Pesos	As of December 31, 2024		
	2024	2023	% Change
Service Income	**0**	89.307	-100.000
Rental/Lease Income	**290.515**	199.446	45.661
Share in Profit/Revenue of Joint Venture	**391.357**	346.617	11.939
Dividend Income	**63.066**	50.246	25.515
Interest Income	**144.369**	87.910	64.224
	889.307	776.526	14.524

Notes:

1. Service Income account pertains to income earned from the supply of manpower to Skyway O&M Corporation.

2. Rental/Lease Income account represents the revenue derived from the Company's real estate properties:

Amount in Million Pesos	**2024**	2023	% Change
Pasay City	**290.515**	199.446	45.661
Porac, Pampanga	**0.000**	0.000	0.000
Sta. Rita, Bulacan	**0**	0.000	0.000
	290.515	199.446	45.661

PNCC is the lessor under an operating lease agreement with Pacific Concrete Products, Inc. (PCPI) and Dampa Seaside Market 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 and May 2022 respectively. However, TGC and SMHC terminated the operating lease agreements on July 6, 2022 and July 19, 2022, respectively.

3. The Share in Profit/Revenue Share of Joint Venture account consists of the following:

Amount in Million Pesos	**2024**	2023	% Change
CCEC *(now SMC Skyway Stage 3 Corporation)*	**220.600**	204.975	7.623
MNTC (*now NLEX Corporation)*	**105.014**	87.612	19.864
CMMTC *(now SMC Skyway Corporation)*	**41.124**	35.866	14.660
SLTC *(now SMC SLEX, Inc.)*	**24.618**	21.164	16.320
	391.357	349.617	11.939

4. Dividend Income is consists of the following:

Amount in Million Pesos	**2024**	2023	% Change
Citra Metro Manila Tollways Corporation	**62.361**	49.668	25.556
Alabang Sto. Tomas Development, Inc.	**.704**	.577	22.026
	63.066	50.246	25.515

5. Interest Income consists of interest earned on investments amounting th ₱133.202 Million and ₱87.910 Million in 2024 and 2023 respectively.

Revenue. Revenue for the year ended December 31, 2024 stood at ₱681.872 million, higher by 20.13% or ₱114.278 million compared to ₱567.594 million for the year ended December 31, 2023. The increase was attributable to the increase in JV Revenue Shares and Rental Income.

General and Administrative Overhead. Overhead account increased by 35.82% or ₱34.159 million from ₱95.351 million for the year ended December 31, 2023 to ₱129.510 million for the year ended December 31, 2024 brought by increase in Personnel cost due to CPCS implementation effective August 19, 2023 while the increase in MOOE was due to add'l fifteen (15) Security Guard at Dampa Seaside, increase in Taxes and Licenses i.e. registration of new vehicles and Business Permits and other expenses.

Income from Operation. Income from operation for the year ended December 31, 2024 increased by 16.97% or ₱80.120 million from ₱472.243 million as of December 31, 2023 to ₱552.363 million for the year ended December 31, 2024. Said favorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a balance of ₱219.080 million for the year ended December 31, 2024 compared to ₱17.107 billion for the year December 31, 2023. The 98.72% decrease was brought by the Gain from Changes in Fair Value of Investment Property in 2023.

Comprehensive Income (Loss). Net Comprehensive Income for the year ended December 31, 2024 amounted to ₱438.172 million compared to the net income of ₱13.023 billion for the year ended December 31, 2023. The variance was due to the reasons stated above.

Financial Position

Current Assets. Current assets increased by 21.75% or ₱668.808 million from ₱3.075 billion as of December 31, 2023 to ₱3.744 billion as of December 31, 2024 due to the increases in Cash, Investment in Time Deposit, Receivables and Other Current Assets vis-à-vis the decrease in Inventories.

Current Liabilities. Current liabilities increased by 2.16% or ₱239.373 million from ₱11.081 billion as of December 31, 2023 to ₱11.325 billion as of December 31, 2024 due to the accrual of the 2% penalty charges on unpaid concession fee payable to

the Toll Regulatory Board (TRB) and Inter-agency Payables and Other Deferred Credits vis-à-vis the decrease in Accounts Payable, Customer's Deposit Payable and Output Tax.

Stockholder's Equity. Stockholder's Equity as of December 31, 2024 totalled ₱36.821 billion vis-à-vis the stockholders' equity as of December 31, 2023 in the amount of ₱36.474 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		Explanation
	12/31/2023	12/31/2022	
Current/Liquidity Ratios ***Current Ratio*** **(Current Assets Divided by Current Liabilities)**	0.33	0.28	This ratio evaluates the ability of the company to pay its current debt promptly. Current ratio of 0.33 as of December 31, 2024 is an improvement from 2023 of 0.28 due to additional operating revenues.
Solvency Ratios ***Debt to Assets*** **(Total Liabilities Divided by Total Assets)**	40.92%	40.83%	Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts. The ratio has improved from 40.83% as of December 31, 2023 to 40.92% as of December 31, 2024. This improvement was caused by additional operating revenues that offset the yearly 2% penalty charges on unpaid concession fees.
Debt to Equity **(Total Liabilities Divided by Total Equity)**	69.26%	69.00%	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 69.26% as of December 31, 2024 from 69.00% as of December 31, 2023. The slight decrease was 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 2024.
Asset to Equity Ratio (Total Assets Divided by Total Equity)	169.26%	169.00%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The ratio decreased to 169.26% as of December 31, 2024 from 169.00% as of December 31, 2023 due to higher income in 2023 brought about by the recognition of the gain from Changes in Fair Value of Investment Property.
Interest Rate Coverage Ratio (Income Before Interest/Penalty/Penalty and Taxes Divided by Interest/Penalty)	2.68	51.47	Determines how easily a company can pay interest on outstanding debt. The ratio decreased to 2.68 as of December 31, 2024 from 51.47 as of December 31, 2023 due to higher income in 2023 brought about by the recognition of the gain from Changes in Fair Value of Investment Property.
Profitability Ratios ***Return on Assets*** **(Net Income (Loss) Divided by Total Assets)**	0.70%	21.13%	Measures the Company's earnings in relation to all the resources it had at its disposal. The ratio of 0.70% as of December 31, 2024 vis-à-vis the

			ratio of 21.13% as of December 31, 2023 was the outcome of the income recognition of ₱434.172 million for 2024 as compared with the recognized comprehensive income of ₱13.023 billion for the year ended 2023 brought by the recognition of the gain from Changes in Fair Value of Investment Property in 2023 in the amount of ₱ 16.971 billion.
Return on Equity **(Net Income (Loss) Divided by Total Equity)**	1.18%	35.70%	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 35.70% to 1.18% is attributable higher comprehensive income in 2023 brought by the gain from Changes 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 2024 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 2024 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 MMS Stage 3, MME Stage 4 or C6 Project, 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 composed of Northern Access Link (NALEX), Southern Access Link (SALEX) and Central Access Link (CALEX). 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 2024 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, Corp.) 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, 2024 compared to December 31, 2023 (increased/decrease of 5% or more)**

*Cash and Cash Equivalents in*creased by ₱23.609 million or 22.42% from ₱105.285 million as of December 31, 2023 to ₱128.894 million as of December 31, 2024 due to the cash flows used in Company's operating activities and investing activities.

Short term investment increased by ₱520.067 million or 21.73% from ₱2.394 billion as of December 31, 2023 to ₱2.914 billion as of December 31, 2024 due to the cash inflows from operating activities.

Accounts Receivable-Loans and Receivable Accounts decreased by ₱43.873 million or 23.89% from ₱183.674 million as of December 31, 2023 to ₱139.801 million as of December 31, 2024 due to the collection of revenue from JV Company's and the termination of manpower supply to Skyway O&M Corporation vis-à-vis the increase in Interest Receivable.

Accounts Receivable-Lease Receivable increased by ₱151.386 million or 295.84% from ₱51.171 million as of December 31, 2023 to ₱202.557 million as of December 31, 2024 due to the deferment of PCPI rental.

Accounts Receivable-Other Receivable increased by ₱8.353 million or 6.01% from ₱139.051 million as of December 31, 2023 to ₱147.404 million as of December 31, 2024 due to COA disallowances on Car plan benefits and other bonuses of employees still connected and no longer employed by PNCC as well.

Inventories - decreased by ₱0.492 million or 16.75% from ₱2.935 million as of December 31, 2023 to ₱2.444 million as of December 31, 2024 was due to the decrease in Office Supplies, Fuel and Oil and Materials Inventory vis-à-vis the increase in medical/dental and laboratory supplies.

Other Assets – Prepayments, increased by ₱10.012 million or 20.62% from ₱48.544 million as of December 31, 2023 to ₱58.556 million as of December 31, 2024 due to the increase in Prepaid Insurance and Withholding Tax At Source vis-à-vis the decrease in Prepaid-Registration.

*Financial Liabilities – Accounts Payable de*creased by ₱9.507 million or 29.07% from ₱32.707 million as of December 31, 2023 to ₱23.199 million as of December 31, 2024 was due to payments to suppliers of goods and services that are normally settled within twelve (12) months from the reporting period.

Inter-Agency Payable increased by ₱12.708 million or 28.93% from ₱43.923 million as of December 31, 2023 to ₱56.631 million as of December 31, 2024 due to increase in income tax payable.

Trust Liabilites – decreased by ₱22.122 million or 17.82% from ₱124.135 million as of December 31, 2023 to ₱102.013 million as of December 31, 2024 mainly due to the decrease in Customer's Deposit Payable.

Deferred Credits – Output Tax decreased by ₱8.937 million or 39.79% from ₱22.464 million as of December 31, 2023 to ₱13.527 million as of December 31, 2024 due to the decrease in value-added tax.

Material changes to the Company's Statement of Income for the year ended December 31, 2024 compared to the year ended December 31, 2023 (increase/decrease of 5% or more)

*Service Income de*creased by 100.00% or ₱89.307 million due to the termination of manpower supply services in December 2023.

*Rent Income in*creased by ₱91.069 million or 45.66% from ₱199.446 million as of December 31, 2023 to ₱290.515 million as of December 31, 2024 due to additional Rental from Hobbies of Asia beginning October 2024.

*Dividend Income in*creased by ₱12.820 million or 25.51% from ₱50.246 million as of December 31, 2023 to ₱63.066 million as of December 31, 2024 due to higher dividend declaration of CMMTC and ASDI.

*Interest Income in*creased by 64.22% or ₱56.459 million from ₱87.910 million *as of December 31, 2023 t*o ₱144.369 million as of December 31, 2024 due to increase in Investment by 21.73% and higher interest rate from 5.40% to 6.20% for CY2023 and 2024, respectively.

*Revenue share in Joint Venture in*creased by 11.94% or ₱41.740 million from ₱349.617 million *as of December 31, 2023 t*o ₱391.357 million as of December 31, 2024 due to increases in Toll revenue from NLEX Corporation, SMC Skyway Corporation, SLEX Corporation and SMC Skyway Stage 3 Corporation.

*Gain de*creased by ₱16.970 billion or 99.99% from ₱16.971 billion as of December 31, 2023 to ₱1.224 million as of December 31, 2024 mainly due to Gain from Changes in Fair Value of Investment Property in 2023.

*Other Non-operating Income in*creased by 2003.91% or ₱15.860 million from ₱0.791 million *as of December 31, 2023 t*o ₱16.651 million as of December 31, 2024 mainly due to reversal of impairment loss on receivables from inactive accounts and other miscellaneous income i.e forfeited security deposits of FCA lessees due to violation of Contract of Lease and sale of bid documents.

Personnel Services increased by 38.93% or ₱21.385 million from ₱54.934 million for the year ended December 31, 2023 to ₱76.319 million for the year ended December 31, 2024 due to CPCS implementation effective August 2023.

Maintenance and Other Operating Expenses increased by 31.59% or ₱12.765 million from ₱40.410 million for the year ended December 31, 2023 to ₱53.175 million for the year ended December 31, 2024 due to the increase in Travelling expenses, Training, Supplies, Insurance and Security Services vis-à-vis the decreases in Utility expenses, Communication, Legal services, Repairs and Maintenance and Other MOOE.

Direct Cost decreased by 100.00% or ₱70.777 million due to the termination of manpower supply services in December 2023.

Non-cash Expenses increased by 139.13% or ₱3.625 million from ₱2.606 million for the year ended December 31, 2023 to ₱6.231 million for the year ended December 31, 2024 due to the increase in depreciation expense brought about by acquisition of new service vehicles.

Comprehensive Income decreased by 96.67% or ₱12.588 billion from ₱13.023 billion for the year ended December 31, 2023 to ₱434.172 million for the year ended December 31, 2024 due to the recognition of Gain from Changes in Fair Value of Investment Property in 2023.

Financial Condition and Results of Operation For the Year Ended December 31, 2023 compared with Year Ended December 31, 2022

The Company generated a net income of ₱13.03B for the year 2023. This represents an impressive net income growth of 191.39% attributable to the gain from changes in the fair value of investment property in 2023 amounting to ₱16.978B which 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. While the other income is derived from the Company's Service and Business Income.

The Service and Business Income account is consists of Service Income and Rental/Lease Income, Share in Profit/Revenue of Joint Venture, Dividend Income and Interest Income.

Service and Business Income

Amount In Million Pesos	As of December 31, 2023		
	2023	2022	% Change
Service Income	**89.307**	88.761	0.616
Rental/Lease Income	**199.446**	59.468	235.386
Share in Profit/Revenue of Joint Venture	**352.951**	284.272	24.159
Dividend Income	**50.246**	41.965	19.733
Interest Income	**87.910**	24.788	254.651
	779.860	499.253	56.205

Notes:

1. Service Income account pertains to income earned from the supply of manpower to Skyway O&M Corporation.

2. Rental/Lease Income account represents the revenue derived from the Company's real estate properties:

Amount in Million Pesos	**2023**	2022	% Change
Pasay City	**199.446**	54.783	264.067
Porac, Pampanga	**0**	3.748	-100.00
Sta. Rita, Bulacan	**0**	.937	-100.00
	199.446	59.468	235.386

PNCC is the lessor under an operating lease agreement with Pacific Concrete Products, Inc. (PCPI) and Dampa Seaside Market 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 and May 2022 respectively. However, TGC and SMHC terminated the operating lease agreements on July 6, 2022 and July 19, 2022, respectively.

3. The Share in Profit/Revenue Share of Joint Venture account consists of the following:

Amount in Million Pesos	**2023**	2022	% Change
CCEC *(now SMC Skyway Stage 3 Corporation)*	**205.051**	158.674	29.228
MNTC (*now NLEX Corporation)*	**91.156**	70.994	28.400
CMMTC *(now SMC Skyway Corporation)*	**35.701**	34.872	2.376

SLTC *(now SMC SLEX, Inc.)*	**21.042**	19.732	6.642
	352.951	284.272	24.159

4. Dividend Income is consists of the following:

Amount in Million Pesos	**2023**	2022	% Change
Citra Metro Manila Tollways Corporation	**49.668**	41.390	20.00
Alabang Sto. Tomas Development, Inc.	**0.577**	0.574	0.504
	50.246	41.965	19.733

5. Income Income consists of interest income earned on investments amounting th P87.910 Million and P24.788 Million in 2023 and 2022 respectively.

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 (Loss) Divided by Total Assets)**	21.32%	0.16%	Measures the Company's earnings in relation to all the resources it had at its disposal. 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.

(viii) 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.

(ix) 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.

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

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

(xii) 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).

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

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

(xv) **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 Interest/Penalty/Penalty and Taxes Divided by Interest/Penalty)	1.26	16.74	Determines how easily a company can pay interest on outstanding debt. 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 t*o ₱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.

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 40 of the December 31, 2024 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"

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, 2024 and 2023

6/23/25

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

CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 4 - INDUSTRIAL AND AREA DEVELOPMENT

June 10, 2025

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
Office of the Chairman
Received by: JANNA CASTILLO
Date: JUN 11 2025 Time: 3:53 PM

THE BOARD OF DIRECTORS
Philippine National Construction Corporation
Parañaque City

Gentlemen:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the Philippine National Construction Corporation (PNCC) for the years ended December 31, 2024 and 2023.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and the Status of Implementation of Prior Year's Audit Recommendations.

The Auditor rendered an adverse opinion on the fairness of the presentation of the financial statements of PNCC for the years 2024 and 2023 because of pervasive material misstatements due to the recognition of the unconverted debts amounting to P5.552 billion as equity, instead of liability, and the non-recognition of interest and other charges thereon resulting in the understatement of total liabilities and overstatement of total equity both by P82.086 billion and by P78.250 billion as at December 31, 2024 and 2023, respectively. There should have been a deficit of P49.131 billion and P45.740 billion instead of retained earnings of P27.403 billion and P26.958 billion, respectively, as at December 31, 2024 and 2023.

We reiterated our previous year's recommendations that Management:

a) Recognize the P5.552 billion unconverted debts as liability, instead of equity;

b) Reconcile and recognize the unrecorded principal liabilities as confirmed by the Privatization and Management Office and the Bureau of Treasury (BTr); and

c) Provide provisions for interest, penalties, and other charges in compliance with Philippine Accounting Standard (PAS) 37.

The other observations and recommendations that need immediate action are as follows:

1. The faithful representation of Accounts Receivable account totaling P640.463 million as of December 31, 2024, could not be ascertained due to the discrepancy of P40.456 million between the balance per books and the confirmed balances from various debtors, contrary to PAS 1.

   We reiterated our previous year's recommendations that Management:

   a) Direct the Controllership Department to continue with the reconciliation of the variances;

   b) Effect the necessary adjusting journal entries in the books of accounts;

   c) Instruct the Corporate Legal Department to coordinate with the National Labor Relations Commission (NLRC) regarding the status of labor cases and resolve the issue of the discrepancy of the recorded appeal bonds; and

   d) Monitor regularly the status of cases with the NLRC to ensure the proper recording and disclosure of appeal bonds.

2. A provision arising from a judgment award for Money Claims against PNCC remained unrecorded in the books, contrary to Paragraph 14 of PAS 37, resulting in the understatement of liabilities of at least P51.146 million, excluding applicable interest and legal costs.

   We recommended that Management:

   a) Evaluate and determine the appropriate amount of provision, based on the judgment award, to be recognized in the books of accounts;

   b) Make the necessary adjusting journal entries to recognize the unrecorded liability; and

   c) Henceforth, ensure the timely monitoring and recognition of provisional liabilities arising from legal cases involving PNCC.

3. The accuracy of PNCC's recorded revenue share amounting to P391.357 million remitted by the Joint Venture (JV) Companies operating the NLEX, SLEX, Skyway, and Skyway Stage 3 could not be ascertained due to the absence of verifiable data or information supporting the computation of such share, affecting the faithful representation of the account in the financial statements contrary to Paragraph 15 of PAS 1.

   We reiterated with modifications our previous year's recommendations that Management:

   a) Make persistent efforts to obtain documents to be used as a basis for the computation of the revenue share of PNCC and to validate the same;

   b) Furnish the Audit Team with subject documents and results of validation;

c) Coordinate with the Toll Regulatory Board to collectively pursue negotiations or dialogue with JV Companies to gain access to toll revenue data, which is critical in validating the remittance due to PNCC and the National Treasury; and

d) Resort to legal remedies if the JV Companies continuously ignore the request for the needed data.

4. The existence, completeness, and valuation of the Property and Equipment account with a net book value of P19.265 million could not be ascertained due to the non-submission of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE), affecting the faithful representation of the account in the financial statements contrary to PAS 1.

   We recommended that Management:

   a) Instruct the Property Officer and the Inventory Committee to expedite the preparation of the RPCPPE and submit the same to the Office of the Auditor as soon as possible; and

   b) Initiate the early conduct of the annual physical inventory count of property and equipment to facilitate the timely preparation and submission of the RPCPPE.

5. The non-payment of concession fees to the National Government (NG) totaling P7.592 billion (principal amount of P1.060 billion and penalty charges of P6.532 billion) is not compliant with Clause 2 of the Toll Operation Agreement, resulting in annual penalty charges of at least P258 million, which negatively impacts PNCC's financial performance.

   We recommended that Management:

   a) Initiate the planned meeting with the BTr to discuss the formal process of offsetting;

   b) Take immediate action to implement the settlement plan to prevent the accumulation of penalties and ensure compliance with its financial obligations; and

   c) Develop a payment plan duly approved by the Board of Directors (BOD) for the settlement of unpaid concession fees to NG should the planned offsetting fail to materialize.

6. Lack of a definitive action plan by the Management and BOD on the lease and development plan of the 9.9-hectare portion of the Financial Center Area (FCA) property, contrary to Section 2 of P.D. No. 1445, resulted in continued non-utilization and loss of potential income of at least P714.255 million for CY 2024.

   We reiterated our previous year's recommendations that Management:

   a) Establish PNCC's authority to develop the FCA property;

   b) Assess and develop a definitive action plan based on current property conditions (whether to proceed or withdraw from the project), for the lease and development of the 9.9-hectare FCA property;

c) Proceed and initiate appropriate action to implement the BOD-approved action plan; and

d) Apprise the Audit Team of the status and developments on the 9.9-hectare portion of the FCA property.

7. The non-collection of rental income totaling P204.185 million from Pacific Concrete Products, Inc. (PCPI) for the period December 2023 to December 2024 is contrary to the Amended Lease Contract, exposing the PNCC to credit losses.

   We recommended that Management:

   a) Demand the full settlement of unpaid rentals amounting to P204.185 million, including interest charges in accordance with the terms of the Amended Lease Contract. Resort to legal remedies to enforce collection, if warranted;

   b) Conduct a thorough financial and operational assessment of PCPI to determine its capacity to fulfill its lease obligations. This includes reviewing their payment history, financial position, and ongoing business viability; and

   c) If warranted by the assessment and in light of PCPI's continued non-compliance and sufficient grounds for termination, initiate the termination of the lease agreement in accordance with the provisions of the Contract of Lease to prevent further financial exposure and credit risk.

8. PNCC did not strictly enforce the Notices of Finality of Decision (NFD) totaling P130.010 million contrary to the dispositive portions of the respective NFDs and Item No. 7 of COA Resolution No. 2017-021 dated November 3, 2017, resulting in non-settlement of disallowed amounts, depriving PNCC of funds that could be available for its operations.

   We reiterated our previous year's recommendations that Management:

   a) Take appropriate legal action to collect from persons liable who are no longer connected with PNCC;

   b) Demand full payment from former employees who were rehired under Contract of Service; and

   c) Enforce collection from current employees upon receipt of approval or disapproval of the application for installment payment.

The audit observations, together with the recommended courses of action, which were discussed with concerned Management officials and staff during the exit conference conducted on May 15, 2025, are presented in detail in Part II of the report.

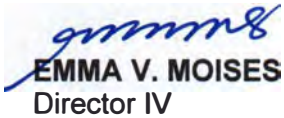
In a letter of even date, we requested the PNCC President and CEO to take appropriate action on the recommendations contained in Part II of this report and inform this Office of the actions taken thereon within 60 days from the date of receipt.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:



EMMA V. MOISES
Director IV
Cluster Director

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Senate Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library

The other observations and recommendations that need immediate action are as follows:

1. The faithful representation of Accounts Receivable account totaling P640.463 million as of December 31, 2024, could not be ascertained due to the discrepancy of P40.456 million between the balance per books and the confirmed balances from various debtors, contrary to PAS 1.

   We reiterated our previous year's recommendations that Management:

   a) Direct the Controllership Department to continue with the reconciliation of the variances;

   b) Effect the necessary adjusting journal entries in the books of accounts;

   c) Instruc National Labor Relations Commission (NLRC) regarding the status of labor cases and resolve the issue of the discrepancy of the recorded appeal bonds; and

   d) Monitor regularly the status of cases with the NLRC to ensure the proper recording and disclosure of appeal bonds.

2. A provision arising from a judgment award for Money Claims against PNCC remained unrecorded in the books, contrary to Paragraph 14 of PAS 37, resulting in the understatement of liabilities of at least P51.146 million, excluding applicable interest and legal costs.

   We recommended that Management:

   a) Evaluate and determine the appropriate amount of provision, based on the judgment award, to be recognized in the books of accounts;

   b) Make the necessary adjusting journal entries to recognize the unrecorded liability; and

   c) Henceforth, ensure the timely monitoring and recognition of provisional liabilities arising from legal cases involving PNCC.

3. The accuracy of PNCC's recorded revenue share amounting to P391.357 million remitted by the Joint Venture (JV) Companies operating the NLEX, SLEX, Skyway, and Skyway Stage 3 could not be ascertained due to the absence of verifiable data or information supporting the computation of such share, affecting the faithful representation of the account in the financial statements contrary to Paragraph 15 of PAS 1.

   We reiterated with modifications our previous year's recommendations that Management:

   a) Make persistent efforts to obtain documents to be used as a basis for the computation of the revenue share of PNCC and to validate the same;

   b) Furnish the Audit Team with subject documents and results of validation;

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 (P.D.) No. 1113 issued on March 31, 1977, as amended by P.D. 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 PNCC.

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 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, while the O&M for the SMMS 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 PNCC 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 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 PNCC's Board of Directors (BOD) and its Shareholders, respectively, approved the amendment to the 4th Article of the Articles of Incorporation to extend the corporate term for 50 years from November 22, 2016, which amendment was approved by Securities and Exchange Commission on November 21, 2016.

FINANCIAL HIGHLIGHTS

I. Comparative Financial Position

(In thousand pesos)

	2024	2023 (As restated)	Increase/ (Decrease)
Assets	62,323,954	61,641,822	682,132
Liabilities	25,502,632	25,167,878	334,754
Equity	36,821,322	36,473,944	347,378

II. Comparative Results of Operations
(In thousand pesos)

	2024	2023 (As restated)	Increase/ (Decrease)
Income	907,182	17,748,132	(16,840,950)
Personnel services	76,319	54,934	21,385
Operating expenses	317,423	371,802	(54,379)
Income before tax	513,440	17,321,396	(16,807,956)
Income tax expense	79,293	4,298,854	(4,219,561)
Net income	434,147	13,022,542	(12,588,395)

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, 2024, 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, 2024 and 2023. 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 the financial statements of PNCC because of pervasive material misstatements due to the recognition of the unconverted debts amounting to P5.552 billion as equity, instead of liability, and the non-recognition of interest and other charges thereon resulting in the understatement of total liabilities and overstatement of total equity both by P82.086 billion and by P78.250 billion as at December 31, 2024 and 2023, respectively. There should have been a deficit of P49.131 billion and P45.740 billion instead of retained earnings of P27.403 billion and P26.958 billion, respectively, as at December 31, 2024 and 2023.

For the above observation, which caused the issuance of an adverse opinion, we reiterated our previous year's 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 totaling P76.534 billion as of December 31, 2024, 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 faithful representation of the Accounts Receivable account totaling P640.463 million as of December 31, 2024, could not be ascertained due to the discrepancy of P40.456 million between the balance per books and the confirmed balances from various debtors, contrary to Philippine Accounting Standard (PAS) 1.

We reiterated our previous year's recommendations that Management:

a) Direct the Controllership Department to continue with the reconciliation of the variances;

b) Effect the necessary adjusting journal entries in the books of accounts;

c) Instruct the Corporate Legal Department to coordinate with the National Labor Relations Commission (NLRC) regarding the status of labor cases and resolve the issue of the discrepancy of the recorded appeal bonds; and

d) Monitor regularly the status of cases with the NLRC to ensure the proper recording and disclosure of appeal bonds.

2. A provision arising from a judgment award for Money Claims against PNCC remained unrecorded in the books, contrary to Paragraph 14 of PAS 37, resulting in the understatement of liabilities of at least P51.146 million, excluding applicable interest and legal costs.

   We recommended that Management:

   a) Evaluate and determine the appropriate amount of provision, based on the judgment award, to be recognized in the books of accounts;

   b) Make the necessary adjusting journal entries to recognize the unrecorded liability; and

   c) Henceforth, ensure the timely monitoring and recognition of provisional liabilities arising from legal cases involving PNCC.

3. The accuracy of PNCC's recorded revenue share amounting to P391.357 million remitted by the Joint Venture (JV) Companies operating the NLEX, SLEX, Skyway, and Skyway Stage 3 could not be ascertained due to the absence of verifiable data or information supporting the computation of such share, affecting the faithful representation of the account in the financial statements contrary to Paragraph 15 of PAS 1.

   We reiterated with modifications our previous year's recommendations that Management:

   a) Make persistent efforts to obtain documents to be used as a basis for the computation of the revenue share of PNCC and to validate the same;

   b) Furnish the Audit Team with subject documents and results of validation;

   c) Coordinate with TRB to collectively pursue negotiations or dialogue with JV Companies to gain access to toll revenue data, which is critical in validating the remittance due to PNCC and the National Treasury; and

   d) Resort to legal remedies if the JV Companies continuously ignore the request for the needed data.

4. The existence, completeness, and valuation of the Property and Equipment account with a net book value of P19.265 million could not be ascertained due to the non-submission of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE), affecting the faithful representation of the account in the financial statements contrary to PAS 1.

We recommended that Management:

a) Instruct the Property Officer and the Inventory Committee to expedite the preparation of the RPCPPE and submit the same to the Office of the Auditor as soon as possible; and

b) Initiate the early conduct of the annual physical inventory count of property and equipment to facilitate the timely preparation and submission of the RPCPPE.

5. The non-payment of concession fees to the National Government (NG) totaling P7.592 billion (principal amount of P1.060 billion and penalty charges of P6.532 billion) is not compliant with Clause 2 of the Toll Operation Agreement, resulting in annual penalty charges of at least P258 million, which negatively impacts PNCC's financial performance.

   We recommended that Management:

   a) Initiate the planned meeting with the Bureau of Treasury to discuss the formal process of offsetting; and

   b) Take immediate action to implement the settlement plan to prevent the accumulation of penalties and ensure compliance with its financial obligations.

   Further, we reiterated our previous recommendation that, should the planned offsetting fail to materialize, develop a payment plan duly approved by the BOD for the settlement of unpaid concession fees to NG.

6. Lack of a definitive action plan by the Management and BOD on the lease and development plan of the 9.9-hectare portion of the Financial Center Area (FCA) property, contrary to Section 2 of P.D. No. 1445, resulted in continued non-utilization and loss of potential income of at least P714.255 million for CY 2024.

   We reiterated our previous year's recommendations that Management:

   a) Establish PNCC's authority to develop the FCA property;

   b) Assess and develop a definitive action plan based on current property conditions (whether to proceed or withdraw from the project), for the lease and development of the 9.9-hectare FCA property;

   c) Proceed and initiate appropriate action to implement the BOD approved action plan; and

   d) Apprise the Audit Team of the status and developments on the 9.9-hectare portion of the FCA property.

7. The non-collection of rental income totaling P204.185 million from Pacific Concrete Products, Inc. (PCPI) for the period December 2023 to December 2024 is contrary to the Amended Lease Contract, exposing the PNCC to credit losses.

   We recommended that Management:

   a) Demand the full settlement of unpaid rentals amounting to P204.185 million, including interest charges in accordance with the terms of the Amended Lease Contract. Resort to legal remedies to enforce collection, if warranted;

b) Conduct a thorough financial and operational assessment of PCPI to determine its capacity to fulfill its lease obligations. This includes reviewing their payment history, financial position, and ongoing business viability; and

c) If warranted by the assessment and in light of PCPI's continued non-compliance and sufficient grounds for termination, initiate the termination of the lease agreement in accordance with the provisions of the Contract of Lease to prevent further financial exposure and credit risk.

8. PNCC did not strictly enforce the Notices of Finality of Decision (NFD) totaling P130.010 million contrary to the dispositive portions of the respective NFDs and Item No. 7 of COA Resolution No. 2017-021 dated November 3, 2017, resulting in non-settlement of disallowed amounts, depriving PNCC of funds that could be available for its operations.

   We reiterated our previous year's recommendation that Management take appropriate legal action to collect from persons liable who are no longer connected with PNCC.

   Further, we recommended that Management:

   a) Demand full payment from former employees who were rehired under a Contract of Service; and

   b) Enforce collection from current employees upon receipt of approval or disapproval of the application for installment payment.

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES, AND CHARGES

As of December 31, 2024, 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	16	141.162
NDs with Notice of Finality of Decision and COA Order of Execution	17	154.921
Total	**37**	**468.551**

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the 37 prior year's recommendations, 21 were implemented/reconsidered and the remaining 16 were not implemented but reiterated in Part II of this Report. Details are presented in Part III of this Report.

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PART I

AUDITED FINANCIAL STATEMENTS

REPUBLIC OF THE PHILIPPINES

COMMISSION ON AUDIT

CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 4 - INDUSTRIAL AND AREA DEVELOPMENT

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

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MARILOU S VALLES
Chief, LTDPQAD

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, 2024 and 2023, 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 *Bases for Adverse Opinion* paragraph of this report, the accompanying financial statements do not present fairly the financial position of PNCC as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Bases for Adverse Opinion

We rendered an adverse opinion on the financial statements of PNCC because of pervasive material misstatements due to the recognition of the unconverted debts amounting to P5.552 billion as equity, instead of liability, and the non-recognition of interest and other charges thereon resulting in the understatement of total liabilities and overstatement of total equity both by P82.086 billion and by P78.250 billion as at December 31, 2024 and 2023, respectively. There should have been a deficit of P49.131 billion and P45.740 billion instead of retained earnings of P27.403 billion and P26.958 billion, respectively, as at December 31, 2024 and 2023.

In addition, the faithful representation of the following accounts could not be obtained:

1. Accounts Receivable account totaling P640.463 million could not be ascertained due to the discrepancy of P40.456 million between the balance per books and the confirmed balances from various debtors, contrary to Philippine Accounting Standard (PAS) 1.

2. Service and Business Income account because the recorded revenue share amounting to P391.357 million remitted by the Joint Venture (JV) Companies operating the NLEX, SLEX, Skyway, and Skyway Stage 3 could not be verified due to the absence of verifiable data or information supporting the computation of such share contrary to Paragraph 15 of PAS 1.

3. Liabilities account, because a provision arising from a judgment award for Money Claims against PNCC remained unrecorded in the books, contrary to Paragraph 14 of PAS 37, resulting in the understatement of liabilities of at least P51.146 million, excluding applicable interest and legal costs

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.

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

As disclosed in Notes to financial statements, PNCC continues to classify P5.552 billion in advances from the national government as equity, despite the absence of formal conversion into capital stock. Furthermore, related interests and penalties have not been recognized. This matter is significant due to the material impact on the financial statements and involves complex considerations regarding legal obligations, the probability of settlement, and the application of PAS 37.

To address this matter, we reviewed the related government issuances or official communications to understand the nature and legal substance of the advances. We assessed management's rationale for classifying the P5.552 billion as equity by examining related government actions and supporting legal opinions of the Office of the Solicitor General and the Office of the General Corporate Counsel. In addition, we sent confirmation requests to the concerned government agencies to verify the status of the advances and whether any formal conversion to equity had been approved. We evaluated the classification in light of the relevant financial reporting requirements, particularly PAS 37, to determine whether the advances should be presented as liabilities rather than equity. Finally, we assessed the adequacy and accuracy of the related disclosures in the financial statements to ensure that they provided a fair presentation of the matter.

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, 2024, but does not include the financial statements and our auditor's report thereon. The SEC Form No. 20-IS,

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MARICOR S VALLES
Chief, LIDPQAD

SEC Form 17-A, and Annual Report for the year ended December 31, 2024, 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 it 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 controls.

- 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.

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MARIOUS VALLES
Chief, LTDPCAD

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PNCC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause PNCC to cease to continue as a going concern.

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

COMMISSION ON AUDIT

Atty. DENNIS CRO DE LEON
OIC - Supervising Auditor

May 22, 2025

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MARILOU S VALLES
Chief, LIDPQAD

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 2024, 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 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 PNCC or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing 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 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.
Chairman of the Board

MIGUEL E. UMALI
President and CEO

CRISTY M. **MEDIAVILLO**
Head, Treasury/Corp. Treasurer

SUBSCRIBED AND SWORN to before me this 22 MAY 2025 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. 343
Page No. 08
Book No. 05
Series of 2025

ATTY. JOSE MARI ANGEL O. DIONIO, CPA
Notary Public for Parañaque City
1st Floor, No. 64 Soledad Avenue,
Barangay Don Bosco, Parañaque City
Not. Com No. 25-2025, Until December 31, 2026
Lifetime Member No. [illegible], 06/13/2016; Pasig City
PTR No. 3739832, 01/02/2025; Parañaque City
Roll No. [illegible]
MCLE No. VIII-0003228; [illegible]

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MARILOU S. VALLES
Chief, LTDPQAD

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MARILOU S VALLES
Chief LTDPQAD

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2024 and 2023
(In Philippine Peso)

	Note	2024	2023 (As restated)	January 1, 2023 (As restated)
ASSETS				
Current Assets				
Cash	6	**128,894,489**	105,285,346	17,039,889
Other investments	7	**2,913,899,616**	2,393,832,366	1,895,446,414
Receivables, net	8	**640,462,927**	524,851,781	449,880,614
Inventories	9	**2,443,852**	2,935,458	2,305,270
Other current assets	10	**58,555,950**	48,543,866	35,898,048
		3,744,256,834	3,075,448,817	2,400,570,235
Non-Current Assets				
Financial Assets	11	**796,970**	771,970	771,970
Investments in Subsidiaries	12	**61,200,000**	61,200,000	61,200,000
Investments in Joint Venture	13	**1,485,816,700**	1,485,816,700	1,485,816,700
Other Investments	14	**2,275,883**	2,275,883	2,275,883
Receivables	8	**98,491,690**	98,491,690	98,469,394
Investment property	15	**54,516,776,758**	54,516,938,000	37,546,293,272
Property and equipment, net	16	**2,301,164,981**	2,288,066,955	2,194,163,820
Intangible asset	17	**357,143**	0	0
Deferred tax assets	33	**24,542,414**	24,542,414	24,542,414
Other non-current assets, net	18	**88,274,371**	88,269,913	87,754,118
		58,579,696,910	58,566,373,525	41,501,287,571
TOTAL ASSETS		**62,323,953,744**	61,641,822,342	43,901,857,806
LIABILITIES				
Current Liabilities				
Financial liabilitiles	19	**23,199,373**	32,706,528	26,086,333
Other financial liabilities	20	**11,096,020,416**	10,838,018,016	10,580,015,616
Inter-agency payables	21	**56,630,922**	43,922,648	12,198,395
Trust liabilities	22	**98,223,157**	120,345,199	123,602,523
Deferred credits	23	**46,716,319**	46,424,528	90,238,139
		11,320,790,187	11,081,416,919	10,832,141,006
Non-Current Liabilities				
Deferred tax liabilities	34	**14,178,051,928**	14,082,671,258	9,814,416,871
Trust liabilities	22	**3,789,629**	3,789,629	3,789,629
		14,181,841,557	14,086,460,887	9,818,206,500
TOTAL LIABILITIES		**25,502,631,744**	25,167,877,806	20,650,347,506
EQUITY		**36,821,322,000**	36,473,944,536	23,251,510,300
TOTAL LIABILITIES AND EQUITY		**62,323,953,744**	61,641,822,342	43,901,857,806

The notes on pages 10 to 88 form part of these financial statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2024 and 2023
(In Philippine Peso)

	Note	2024	2023 (As restated)
Income			
Service and business income	27	**889,306,833**	776,526,177
Gains	28	**1,224,253**	16,970,814,415
Other non-operating income	29	**16,651,267**	791,444
		907,182,353	17,748,132,036
Expenses			
Personnel services	30	**76,319,373**	54,933,955
Maintenance and other operating expenses	31	**53,174,743**	40,409,820
Financial expenses			
Penalty charges on unpaid concession fee	20	**258,002,400**	258,002,400
Bank charges		**15,520**	7,210
Direct costs	32	**0**	70,777,142
Non-Cash Expenses	33	**6,230,611**	2,605,517
		393,742,647	426,736,044
Income Before Tax		**513,439,706**	17,321,395,992
Income Tax Expense	34	**79,293,027**	4,298,854,050
Net Income		**434,146,679**	13,022,541,942
Other Comprehensive Income	35	**25,000**	0
Total Comprehensive Income		**434,171,679**	13,022,541,942

The notes on pages 10 to 88 form part of these financial statements.

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DATE June 24, 2025

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MARILOU S VALLES
Chief, LIDPCAD

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2024 and 2023
(In Philippine Peso)

	Note	Share Capital (Notes 24)	Share Premium	Equity Adjustment-Loans Transferred to National Gov't (Note 26)	Subscriptions Receivable (Note 25)	Treasury Stock (Notes 24)	Revaluation Surplus	Retained Earnings	Accumulated Other Comprehensive Income (loss)	TOTAL
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)	22,653,869,800
Add (Deduct):										
Correction of prior year's income		0	0	0	0	0	0	397,640,500	0	397,640,500
As at January 1, 2023, as restated		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,636,059,652	13,806,736,527	(49,000)	23,251,510,300
Changes in equity for 2023										
Add (Deduct).										
Comprehensive income for the year, as restated		0	0	0	0	0	0	13,022,541,942	0	13,022,541,942
Correction of prior year's errors (Note 39)		0	0	0	0	0	0	127,239,944	0	127,239,944
Other comprehensive income										
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	434,780	0	0	434,780
Balance at December 31, 2023, as restated		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,706,972,962	26,958,257,453	(49,000)	36,473,944,536
Changes in equity for 2024										
Add (Deduct)										
Comprehensive income for the year		0	0	0	0	0	0	434,146,679	0	434,146,679
Correction of prior year's errors		0	0	0	0	0	0	8,586,455	0	8,586,455
Other comprehensive income for the year										
Unrealized loss on financial asset at FVOCI		0	0	0	0	0	0	0	25,000	25,000
Movement in revaluation increment, net of tax		0	0	0	0	0	0	0	0	0
Other adjustments										
Piecemeal realization of revaluation increment		0	0	0	0	0	(1,829,420)	1,829,420	0	0
Reduction in deferred tax liability		0	0	0	0	0	(95,380,670)	0	0	(95,380,670)
Balance at December 31, 2024		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,609,762,872	27,402,820,007	(24,000)	36,821,322,000

The notes on pages 10 to 88 form part of these financial statements

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MARILOU S. VALLES
Chief, LRDPQAD

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023
(In Philippine Peso)

	Note	2024	2023
CASH INFLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of income/revenue		**576,705,667**	590,584,797
Collection of receivable		**77,404,691**	122,627,847
Other receipts		**4,122,124**	3,543,413
Total Cash Inflows		**658,232,482**	716,756,057
Cash Outflows			
Payment of expenses		**139,010,745**	126,852,161
Release of inter-agency fund transfers		**120,316,281**	91,286,304
Remittance of personnel contribution and mandatory deductions		**17,040,772**	27,718,977
Purchase of inventories		**3,436,389**	2,537,028
Grant of cash advances		**4,241,265**	2,382,932
Prepayments		**0**	944,688
Other disbursements		**4,369,198**	629,033
Total Cash Outflows		**288,414,650**	252,351,123
Net Cash Provided by Operating Activities		**369,817,832**	464,404,934
CASH INFLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Receipt of cash dividends		**63,065,654**	50,245,512
Proceeds from sale of other assets		**1,741,170**	9,460
Receipt of interest earned		**27,234**	16,899
Proceeds from redemption of investment		**0**	321,568,653
Total Cash Inflows		**64,834,058**	371,840,524
Purchase of investments		**395,000,000**	748,000,000
Purchase of property and equipment		**16,042,747**	0
Total Cash Outflows		**411,042,747**	748,000,000
Net Cash Used in Investing Activities		**(346,208,689)**	(376,159,476)
NET INCREASE IN CASH		**23,609,143**	88,245,458
CASH AT BEGINNING OF THE YEAR		**105,285,346**	17,039,888
CASH AT END OF YEAR	6	**128,894,489**	105,285,346

The notes on pages 10 to 88 form part of these financial statements.

CERTIFIED TRUE COPY

MARILOU S VALLES
Chief, IDPQAD

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 CDCP 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 Southeast Asian countries.

On March 31, 1977, Presidential Decree (P.D.) 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.) P.D. No. 1113 was amended by P.D. 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 CDCP 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 CDCP 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 the GFIs guaranteed. With the implementation of LOI No. 1295, the GFIs became the majority stockholders 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 stock, while the remaining P5.6 billion was left unconverted.

On December 7, 1983, the SEC approved the increase of the CDCP's authorized capital stock from P1.6 billion to P2.7 billion following LOI No. 1295.

CDCP was later renamed as the 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 and the Asset Privatization Trust (APT). Also in 1986, under Administrative Order (AO) 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 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 and the Land Bank of the Philippines with 20.96 per cent and 0.29 per cent, respectively. The remaining 23.03 per cent of PNCC's equity is under private ownership.

In 1988, under AO Nos. 14 and 64, the Development Bank of the Philippines, Philippine National Bank, Philguarantee, and NDC transferred their interests in 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 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 Joint Venture Agreement 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 PNCC for the O&M of the SLEX. The said authority from TRB, pursuant to its powers under its charter (P.D. 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 into 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 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*. 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, 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. 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 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, 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 SEC 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 on 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 (BJVA) (Supplement to BJVA), which governs the implementation of the MMS Stage 3 Project and Stage 4 Project, also known as the 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 signage. 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 the 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:

- Overall Accomplishment (Section 1: Skyway FTI to C5/Diego Silang) = 3.28%
- Workable area along C5 (Section 1: Pier 61 to 66) = 99% completed
- Ongoing ROW acquisition by DPWH
- No ROW Development from Skyway Connection to P67
- Detailed Engineering Design (DED) for Section 1A Realignment approved by TRB. No available workable area for construction activities.
- DED for Section 2 Realignment = 99.10% accomplishment
  - Highway Drawing and partial structural drawings submitted to TRB, as approved by the Independent Consultant (IC)
  - Remaining structural drawings, with ongoing revision and for evaluation of the IC

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 PAREx 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 the 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 (P.D.) No. 1894.

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

PNCC, SMHC, and the Government through the 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:

- Notice of Award (NOA) issued to Pertconsult International as an IC
- Ongoing Environment Compliance Certificate (ECC) application
- Ongoing review for harmonization with the Pasig River Esplanade Project and other various DPWH Projects
- Ongoing DED Services at 94.77% accomplishment
  - Ongoing IC review and evaluation

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:

- Approved IC: Pertconsult- J.F. Cancio & Associates Joint Venture,
- Ongoing DED Services for Segment 1 (Lucena to Gumaca) at 99.10% accomplishment
  - IC Certified drawings, submitted to TRB
  - Structural drawings partially approved by the IC; other drawings are ongoing IC evaluation, and for resubmission
- Proposed Padre Burgos Interchange: Ongoing DED and awaiting approval from TRB
- Ongoing 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 P.D. 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 2024:

Northern Access Link Expressway:
- Ongoing DED and Studies at 87.69% accomplishment
- Final Engineering Drawing for Phase 1 Sections 1 and 2
  - IC Certified drawings submitted to TRB
  - Other drawings, ongoing IC review and evaluation
- Ongoing Advance Works (15 Piers: Metro Manila Skyway Stage 3 to Tullahan)
  - Ongoing pouring of the remaining CIP Slap (pier) -12/15 completed
- Ongoing Right of Way (ROW) Research and Survey

Southern Access Link Expressway:
- Approved Independent Consultant by TRB: TCGI Engineers
- Ongoing DED and studies at 91.65% accomplishment
  - IC-certified drawings for Sections 1 and 2, submitted to TRB
  - Other drawings, ongoing IC review and for resubmission
- Advance works along Radial Road 10:
  - Completed 20/20 bored piles and 20/20 columns

  - On hold construction of column. 1/20 completed
  - Ongoing restoration of median island
- 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 the 3.5 per cent share on the Citra Metro Manila Tollways Corporation (CMMTC) Gross Revenue; and

- 10 per cent of the 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 P170.757 million and P144.642 million in 2024 and 2023, respectively (Note 27.1), while it earned dividends from CMMTC amounting to P62.361 million and P49.668 million in 2024 and 2023, respectively (Note 27.4).

Lease Income

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

On October 15, 2019, a Contract of Lease was entered into 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 P168.150 million and P160.714 million in 2024 and 2023, respectively (Note 27.2).

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. On September 10, 2024, PNCC took over the Hobbies of Asia portion of the FCA with an area of 2.4 hectares. Total rent income derived from the aforementioned portion of FCA property amounted to P122.365 million and P36.631 million in 2024 and 2023, respectively.

Equity Participation in CMMTC

It is the position of the PNCC that it has equity participation in CMMTC based on P.D. 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 P.D. 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 P.D. 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 P.D. 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 P.D. No. 1894 and that only assets "that are related to its franchise under P.D. 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 P.D. 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 action 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 totaling 551.87 million shares, which is equivalent to 8.11 per cent of the total outstanding shares of CMMTC. The dividends and revenue shares from 2008 to 2024 amount to P7.036 billion, of which the PNCC received 10 per cent or P703.609 million pursuant to the interim rules and guidelines issued by the TRB. However, it is the position of PNCC that all revenue and dividends arising from its investment in CMMTC belong to PNCC.

Issuance of Final Implementing Rules and Guidelines (IRG) by the TRB

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 the 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 2024, amounting to P6.532 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 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 P76.534 billion and P72.698 billion as of December 31, 2024 and 2023, were not taken up in 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 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 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, 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 20.3).

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Presentation of Financial Statements

The financial statements of 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 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, 2024, and 2023 were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on February 12, 2025.

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, 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

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.

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

PNCC classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. 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 19, 20, 21 and 22).

3.4 Impairment of Financial Assets at Amortized Cost and FVOCI

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

- 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 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 the 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 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 Instruments 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 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 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 they 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

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 in financial assets measured at fair value and recognized as other comprehensive income or loss.

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, 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 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 its carrying amount at the date of change in use. If the property occupied by PNCC as an owner-occupied property becomes an investment property, 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 Intangible Asset

Computer Software

Computer software is stated at cost less accumulated amortization and any impairment in value. PNCC capitalizes computer software licensing costs, which are being amortized using the straight-line method over three years, the estimated finite useful life of the software. The amortization of the computer software is included under the "Depreciation and amortization" account.

An item of computer software is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of computer software (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of comprehensive income in the year the asset is derecognized.

3.14 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 a 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.

3.15 Fair Value Measurement

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 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.

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, PNCC determines whether transfers have occurred between levels in the hierarchy by reassessing the categorization at the end of each reporting period.

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

3.16 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.

3.17 Equity

Share Capital and Share Premium

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 shares. 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 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 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.

3.18 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to 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 duties. 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 PNCC as a lessor, is recognized on a straight-line basis over the term of the relevant lease. The lease income is derived from 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, 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 PNCC for its administrative expenses, PNCC recognized 10 per cent of its share from the gross toll revenues of the JVCs, pending issuance of the Final Implementing Rules and Guidelines.

Dividend Income

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

Interest Income

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

Other Income

Other income is recognized when earned.

3.19 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.

3.20 Borrowing Costs

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

3.21 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.

3.22 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, PNCC takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. 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 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 they relate 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.

3.23 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.

3.24 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 PNCC less allowance for probable losses. CWT are deductible from income tax payable.

3.25 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.

3.26 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, 2024 and 2023, the PNCC has no dilutive equity instruments.

3.27 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.

3.28 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 the financial statements when material.

4. CHANGES IN ACCOUNTING POLICIES

Adoption of New and Amended PFRS

a. Effective in 2024 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, 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. It requires a seller-lessee to account for variable lease payments that arise in a sale-and-leaseback transaction as follows:

    - On initial recognition, include variable lease payments when measuring a lease liability arising from a sale-and-leaseback transaction.

    - After initial recognition, apply the general requirements for subsequent accounting of the lease liability such that no gain or loss relating to the retained right of use is recognized.

  Seller-lessees are required to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation of IFRS 16 in 2019.

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – The amendments improve the information an entity provides when its right to defer settlement of a 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.

  The amendments clarify that the classification of liabilities as current or noncurrent is based solely on an entity's right to defer settlement for at least 12 months after

the reporting date. The right needs to exist at the reporting date and must have substance.

Only covenants with which an entity must comply on or before the reporting date affect this right. Covenants to be complied with after the reporting date do not affect the classification of a liability as current or noncurrent at the reporting date. However, disclosure about covenants is now required to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

The amendments also clarify that the transfer of an entity's own equity instruments is regarded as the settlement of a liability, in certain circumstances. If a liability has any equity conversion options, they generally affect its classification as current or noncurrent (e.g., if the conversion option is bifurcated as an embedded derivative from the host debt), unless these conversion options are recognized as equity under IAS 32, *Financial Instruments: Presentation*.

b. Effective in 2024 that are not relevant to the PNCC

- Amendments to PAS 7 and PFRS 7, Supplier Finance Arrangements – The amendments require an entity (the buyer) to disclose qualitative and quantitative information about its supplier finance arrangements, such as terms and conditions, including, for example, extended payment terms and security or guarantees provided.

  Amongst other characteristics, PAS 7 explains that a supplier finance arrangement provides the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date.

c. 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, 2024, and have not been applied in preparing the financial statements, are summarized below.

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

- Amendments to PFRS 17, Insurance Contracts – The main changes resulting from the 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 an 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.

- Amendments to PAS 21, Lack of Exchangeability – The amendments applies when one currency cannot be exchanged into another. This may occur, for example, because of government-imposed controls on capital imports and exports, or a limitation on the volume of foreign currency transactions that can be undertaken at an official exchange rate. The amendments clarify when a currency is considered exchangeable into another currency and how an entity estimates a spot rate for currencies that lack exchangeability. The amendments introduce new disclosures to help financial statement users assess the impact of using an estimated exchange rate.

Effective for annual periods beginning on or after January 1, 2026:

- Amendments to PFRS 9 and PFRS 7, Amendments to the Classification and Measurement of Financial Instruments – Clarifies that financial assets and financial liabilities are recognized and derecognized at the settlement date, except for regular way purchases or sales of financial assets and financial liabilities meeting conditions for a new exception. The new exception permits companies to elect to derecognize certain financial liabilities settled via electronic payment systems earlier than the settlement date.

They also provide guidelines to assess contractual cash flow characteristics of financial assets, which apply to all contingent cash flows, including those arising from environmental, social, and governance (ESG)-linked features.

Additionally, these amendments introduce new disclosure requirements and update others.

Effective for annual periods beginning on or after January 1, 2027:

- PFRS 18 replaces PAS 1, Presentation and Disclosure in Financial Statements – The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing – and present subtotals for operating profit or loss and profit or loss before financing and income taxes.

  Further, operating expenses are presented directly on the face of the income statement – classified either by nature (e.g., employee compensation), by function (e.g., cost of sales), or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature.

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 that 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. PNCC has entered into various lease agreements either as a lessor or a lessee. 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 P290.515 and P199.446 million in 2024 and 2023, respectively (Note 27.2).

Rent expenses recognized in profit or loss amounted to nil in 2024 and 2023, respectively.

Contingencies. PNCC is currently involved in various pending claims and lawsuits that could be decided in favor of or against PNCC. 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. 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 37).

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

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. PNCC reviews the age and status of receivables and identifies accounts that are to be provided with allowances on a continuous basis. 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:

	2024	2023
Cash in bank – local currency	**128,579,489**	104,950,346
Cash with collecting/disbursing officer	**315,000**	335,000
	128,894,489	105,285,346

Cash in bank – local currency earns interest at the prevailing bank deposit rates. Interest earned on cash in banks amounted to P34,043 and P16,900 in 2024 and 2023, respectively.

7. OTHER INVESTMENTS-CURRENT

This account consists of money placements in Land Bank of the Philippines and Development Bank of the Philippines in the amount of P2.914 billion and P2.394 billion in 2024 and 2023, 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 6.00 per cent to 6.20 per cent.

Interest earned on these investments amounted to P133.202 and P87.910 million in 2024 and 2023, respectively (Note 27.3).

8. RECEIVABLES

This account consists of the following:

	2024	2023 (As restated)
Current:		
Loans and receivables	**257,273,491**	301,146,250
Lease receivables	**257,385,891**	105,999,907
Inter-agency receivables	**150,700,082**	150,955,610
Other receivables	**169,817,300**	161,463,851
	835,176,764	719,565,618
Allowance for impairment losses	**(194,713,837)**	(194,713,837)
	640,462,927	524,851,781
Non-Current:		
Accounts receivables	**50,879,182**	50,879,182
Receivables from former officers and employees	**52,433,459**	52,433,459
	103,312,641	103,312,641
Allowance for impairment losses	**(4,820,951)**	(4,820,951)
	98,491,690	98,491,690

Allowance for impairment losses is provided for receivables as follows:

	2024	2023
Loans and other receivables	**117,472,088**	117,472,088
Lease receivables	**54,828,519**	54,828,519
Other receivables	**22,413,230**	22,413,230
	194,713,837	194,713,837

8.1 *Loans and receivables account* consists of the following:

	2024	2023 (As restated)
Accounts receivable	**195,857,933**	222,243,991
Interest receivable	**32,470,035**	24,374,070
Receivables from Joint Ventures	**28,875,523**	54,525,389
Contributions and premiums receivable	**70,000**	2,800
	257,273,491	301,146,250

Accounts receivable under the Loans and receivables account consist 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 the 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 the 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.

  On April 24, 2024, PNCC, through its statutory counsel, the Office of the Government Corporate Counsel (OGCC), received a copy of the 17 April 2024 MR filed by PMMA. Accordingly, PNCC filed a Comment/Opposition to PMMA's MR dated May 13, 2024. COA has yet to rule on PMMA's MR of the COA Resolution No. 2023-259 dated July 27, 2023.

- Receivable from the Department of Transportation for the Light Rail Transit 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.

- 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.

- Billed and Claim receivable from Philippine National Bank (PNB) for escalation claims and time extension/overhead rate for PNB Building Project amounting to P11.129 million, of which is already provided with a 100 per cent allowance for impairment.

8.2 Breakdown of the Inter-agency receivables account:

	2024	2023
Due from National Government Agencies (NGAs)	**150,000,000**	150,000,000
Due from subsidiaries/associates/affiliates	**700,082**	955,610
	150,700,082	150,955,610

Due from NGAs 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 20 and 26).

Due from subsidiaries/associates/affiliates totaling P0.700 million and P0.956 million for December 31, 2024 and 2023, respectively, represents various accommodations to the PNCC's subsidiaries.

8.3 Breakdown of the Other receivables account:

	2024	2023 (as restated)
Due from officers and employees	**161,669**	236,012
Other receivables	**169,655,631**	161,227,839
	169,817,300	161,463,851

Due from officers and employees consist of receivables from resigned Executive Assistants of the Directors due to excess professional fees paid by PNCC amounting to P62,828; under-withholding of taxes from compensation of officers and employees amounting to P48,486; receivable from retired or separated employees amounting to P30,324; other receivables from officers amounting to P10,423 and unliquidated cash advances of officers and employees amounting to P9,608.

Other receivables account consists of the following:

- Receivable from persons liable per various Notice of Finality of Decisions and COA Order of Execution totaling P142.851 million.

- Advances to contractors and subcontractors amounting to P21.667 million.

- 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.

8.4 Non-Current accounts receivable

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, while the remaining P4.151 million is receivable from locators with a 100 per cent allowance. 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 collateral 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 an 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:

	2024	2023
Office Supplies	**713,014**	808,700
Fuel, oil, and lubricants	**555,776**	802,465
Medical, dental, and laboratory supplies	**429,138**	493,880
Other materials and supplies	**4,745,886**	4,830,375
	6,443,814	6,935,420
Allow. for impairment losses-Other materials & supplies	**(3,999,962)**	(3,999,962)
	2,443,852	2,935,458

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

Inventories recognized as expenses amounted to P5.053 million and P3.372 million in 2024 and 2023, respectively.

10. OTHER CURRENT ASSETS

This account consists of the following:

	2024	2023
Withholding tax at source	**57,074,801**	46,973,602
Prepaid registration	**823,209**	953,429
Prepaid insurance	**547,462**	506,357
Creditable input tax	**74,572**	74,572
Other prepayments	**35,906**	35,906
	58,555,950	48,543,866

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:

	2024	2023
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	**216,500**	191,500
	796,970	771,970

12. INVESTMENTS IN SUBSIDIARIES

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

	% of Ownership	**2024**	2023
Under dissolution			
DISC Contractors, Builders and General Services Inc.	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 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. 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 a higher return upon sale.

- On September 30, 2015, DCBGSI was closed pursuant to the 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, 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 the Securities and Exchange Commission on its request for the shortening of the life.

13. INVESTMENTS IN JOINT VENTURE

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

	2024	2023
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:

	2024	2023
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 buildings that 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 of the account are as follows:

	Land	Buildings and Improvements	Total
At December 31, 2023 (As restated)			
Cost	77,400,201	5,321,007	82,721,208
Accumulated Depreciation	0	(3,856,387)	(3,856,387)
	77,400,201	1,464,620	78,864,821
Appraisal increase	54,117,727,799	320,345,380	54,438,073,179
	54,195,128,000	**321,810,000**	**54,516,938,000**
At December 31, 2024			
Cost	77,400,201	1,464,620	78,864,821
Depreciation this year	0	(161,242)	(161,242)
Closing Net Book Value	77,400,201	1,303,378	78,703,579
Fair Value Adjustment, at the end of the year	54,117,727,799	320,345,380	54,438,073,179
Balance at the end of the year	**54,195,128,000**	**321,648,758**	**54,516,776,758**
At December 31, 2024			
Cost	77,400,201	5,321,007	82,721,208
Accumulated Depreciation	0	(4,017,629)	(4,017,629)
Closing Net Book Value	77,400,201	1,303,378	78,703,579
Appraisal Increase	54,117,727,799	320,345,380	54,438,073,179
Balance at the end of the year	**54,195,128,000**	**321,648,758**	**54,516,776,758**

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. of 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 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 P290.515 million and P199.446 million in 2024 and 2023, respectively (Note 27.2).

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, 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
Santa Ines, Pampanga	110,465	6,627,900	383,352,100	389,980,000
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

Location	Area (in sq.m.)	Cost	Appraisal Increase/ Decrease	Fair Value
Bocaue, Bulacan	9,926	162,678	43,537,322	43,700,000
Sapang Maisac, Pampanga	27,905	32,027	46,032,973	46,065,000
	533,484	**12,804,446**	**2,378,135,554**	**2,390,940,000**

In 2011, the Land Bank of the Philippines, engaged by 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 approved the sale of the property to NDC at a price not lower than P150/sq.m. The Asset Privatization Trust, 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 20, 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 to 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 a Supplemental MR on February 16, 2023.

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 2024 and 2023 amounted to P290.515 million and P199.446 million, respectively. The gain through a change in the fair value of investment property recognized in profit or loss amounted to P16.978 billion and P3.302 billion in 2023 and 2021, respectively.

15.4 The direct operating expenses incurred by the PNCC from rental income-generating and non-rental income-generating investment property amounted to P12.962 million and P6.583 million, for 2024 and 2023, 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, 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**
At December 31, 2024						
Cost						
Opening net book value	7,765,061	95	979,269	3,246,158	112,418	12,103,001
Additions	0	0	0	16,626,665	336,607	16,963,272
Disposal/Write-off	0	0	(1)	(5)	0	(6)
Depreciation for the year	0	0	0	(1,859,357)	(176,463)	(2,035,820)
Closing net book value	**7,765,061**	**95**	**979,268**	**18,013,461**	**272,562**	**27,030,447**
Revaluation						
Opening net book value	2,261,147,468	14,816,482	1	0	3	2,275,963,954
Depreciation for the year	0	(1,829,420)	0	0	0	(1,829,420)
Closing net book value	**2,261,147,468**	**12,987,062**	**1**	**0**	**3**	**2,274,134,534**
At December 31, 2024						
Cost	10,115,936	36,800,884	9,563,566	47,053,440	9,802,780	113,336,606
Accumulated	(2,350,875)	(36,800,789)	(8,584,298)	(29,039,979)	(9,530,218)	(86,306,159)
Net book value	**7,765,061**	**95**	**979,268**	**18,013,461**	**272,562**	**27,030,447**
Revaluation Increment	2,282,419,058	90,571,222	330,000	0	209,000	2,373,529,280
Accumulated	(21,271,590)	(77,584,160)	(329,999)	0	(208,997)	(99,394,746)
Net book value	**2,261,147,468**	**12,987,062**	**1**	**0**	**3**	**2,274,134,534**
	2,268,912,529	**12,987,157**	**979,269**	**18,013,461**	**272,565**	**2,301,164,981**

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 lighting:

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

17. INTANGIBLE ASSET

Intangible asset pertains to computer software licenses recognized based on acquisition cost and any related costs in bringing up the software to use, which will be amortized over the expected useful life of five years. The costs associated with maintaining the said software are recognized as expenses when incurred.

The carrying amount of PNCC's intangible asset is as follows:

	2024	2023
Balance at the beginning of the year	**0**	0
Additions	**357,143**	0
Adjustment	**0**	0
Disposal/Write-off	**0**	0
Balance at the end of the year	**357,143**	0

18. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2024	2023
Guaranty deposits	**71,072,000**	71,072,000
Restricted cash	**16,262,236**	16,244,741
Other deposits	**828,226**	825,728
Other assets, net of allowance for impairment losses	**111,909**	127,444
	88,274,371	88,269,913
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	**653,955,592**	651,751,463
Allowance for impairment losses	**(653,955,592)**	(651,751,463)
	0	0
Deferred charges	**6,802,733**	6,802,733
Allowance for impairment losses	**(6,802,733)**	(6,802,733)
	0	0
	88,274,371	88,269,913

18.1 Guaranty deposits

This account pertains to the guarantee/collateral for the Investors Assurance Corporation (IAC) Bond No. G (16) 0015764 in favor of IAC amounting to P71.072 million. This is also in connection with the Ernesto N. Valentin, et al. vs. PNCC case. On November 14, 2016, the Supreme Court rendered in PNCC's favor, denying with finality the North Luzon Tollways (NLT) Employees' Motion for Reconsideration. 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, 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 insufficient 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 the NLRC. Awaiting the decision of the 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 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 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.

The NLRC issued a Resolution dated February 28, 2020, denying PNCC's Motion for Reconsideration. PNCC filed a Petition for Certiorari before the Court of Appeals (CA). On November 19, 2024, PNCC received a Notice of Decision issued by the Court of Appeals granting the PNCC's Petition for Certiorari, and the case was remanded to the NLRC for it to resolve the petition (legality of the August 22, 2019, LA Order). The IAC filed a Motion for Reconsideration dated November 28, 2024, and accordingly, PNCC filed its Comment/Opposition on IAC's Motion for Reconsideration. The CA has yet to rule on the MR.

As to PNCC's administrative complaint against IAC before the IC, the same is still pending before the commission.

On May 9, 2024, PNCC filed with the NBI a Complaint-Affidavit. The NBI is currently conducting an investigation into the matter.

18.2 Restricted cash

The restricted cash of P16.262 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 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 for the release of the P100.327 million collateral.

On April 8, 2021, the IC 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 was withheld pending resolution of the issues between all concerned parties.

As of December 31, 2024, the balance of this account includes interest aggregating P2.091 million.

18.3 Assets for write-off

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

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

The above accounts have already been provided with a 100 per cent allowance for impairment losses.

PNCC, in its letter of June 3, 2014, requested authority from the Commission on Audit (COA) to 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 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 complete.

18.4 Other assets

These accounts, which pertain to the following items and have already been provided with a 100 per cent allowance for impairment losses:

	2024	2023
Accounts receivable- subsidiaries and affiliates	**202,851,867**	202,851,867
Other accounts receivable	**177,104,446**	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
	653,955,592	651,751,463

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

19. FINANCIAL LIABILITIES

This account consists of the following:

	2024	2023
Accrued expenses	**16,909,425**	15,524,093
Accounts payable	**5,817,027**	16,909,041
Other accounts payable	**472,921**	273,394
	23,199,373	32,706,528

19.1 Accrued expenses

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

19.2 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.

20. OTHER FINANCIAL LIABILITIES

This account consists of payables for the following:

	2024	2023
Due to National Government		
Concession fees (Toll Regulatory Board)	**7,592,451,800**	7,334,449,400
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
	9,893,020,416	9,635,018,016
Due to GOCC		
Various advances (NDC)	**1,203,000,000**	1,203,000,000
	11,096,020,416	10,838,018,016

20.1 Concession fees

The concession fees of P7.592 billion (principal amount of P1.06 billion plus penalty charges of P2.322 billion from 2016 to 2024, which is P258 million annually, and P4.21 billion in 2015 and prior years) pertain to PNCC's payable to TRB pursuant to the Toll Operation Agreement (TOA) dated October 1977. 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, 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 BTr unilaterally applied the P50 million against an outstanding advance from the National Government (NG).

On July 16, 2010, 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 PNCC's total remittances to P495 million from 2006 to the report date.

20.2 Joint Venture Companies' revenue/dividends

As discussed in Note 1, the expiration of PNCC's franchise in 2007 resulted in the NG owning the toll fees and the net income derived from the toll assets and facilities, and also 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, 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.

20.3 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 P566.300 million as partial payment for the outstanding share in the toll revenue.

20.4 Various advances from the National Development Company (NDC)

This account covers various advances from the NDC totaling P214 million between 1990 to 1999 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 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, 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.

21. INTER-AGENCY PAYABLES

This account consists of the following:

	2024	2023
Income tax payable	**54,932,120**	41,802,245
Due to BIR	**1,033,042**	454,401
Due to SSS	**354,710**	1,108,505
Due to Pag-IBIG	**198,763**	308,966
Due to PhilHealth	**112,287**	248,531
	56,630,922	43,922,648

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

22. TRUST LIABILITIES

This account consists of the following:

	2024	2023
Current	**98,223,157**	120,345,199
Non-Current	**3,789,629**	3,789,629
	102,012,786	124,134,28

The current account refers to security deposit paid by Pacific Concrete Products, Inc., for the lease and development of three-hectare portion of Financial Center Area property over 25 years.

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

23. DEFERRED CREDITS

Deferred credits account pertains to the recognized Value Added Tax (VAT) on the sale of services of the PNCC. The remaining balance of P46.716 million and P46.425 million in 2024 and 2023, respectively, was the remainder after offsetting the input tax/creditable input tax from purchases against VAT payable from sales of services.

24. SHARE CAPITAL

This account consists of various classes of shares of stock with 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 Assoc.	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 Corp.	9,648,000
657,836	Shares	Land Bank of the Philippines	6,578,360
335,391	Shares	PNCC Employees	3,353,910
7,037,935	Shares	Individuals (Non-employees)	70,379,350
163,670,983			**1,636,709,830**
Common Subscribed-			
9,419,915	Shares	Wellex Petroleum, Inc.	94,199,150
909,276	Shares	Cuenca Investment Corporation	9,092,760
149,328	Shares	Various Corporations	1,493,280
33,391	Shares	PNCC Employees	333,910
27,693	Shares	Various Brokers	276,930
234,173	Shares	Individuals (Non-employees)	2,341,730
10,773,776			**107,737,760**
228,375,812	Shares		**2,283,758,120**
		Subscriptions receivable (Note 25)	(56,158,831)
			2,227,599,289

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

Dividends (in arrears) on cumulative preferred shares are not recognized in the books due to the Board of Directors' (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 2024) are as follows:

Name of Stockholders (a)	Class of Stock (b)	Shareholdings (c)	Undeclared Dividend (b x c x 18 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	216,000,000
Marubeni	Preferred "B" (8 per cent-17 per cent, cumulative, non-participating, non-voting)	36,895,000	53,128,800
Republic of the Phil. Through the PMO (previously under NDC)	Preferred "C" (14 per cent, cumulative, non-participating, non-voting)	64,851,210	163,425,049
Republic of the Phil. Through the PMO (previously under PNB)	Preferred "D" (8 per cent, cumulative, non-participating, non-voting)	255,000,000	367,200,000
		506,746,210	**799,753,849**

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

25. SUBSCRIPTIONS RECEIVABLE

This account represents the unpaid amount due from the following subscribers on 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 2024, there was no call made by the BOD for the unpaid subscriptions.

26. 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 P78.657 billion as of December 31, 2024 and P76.961 billion as of December 31, 2023, inclusive of accumulated interest charges and penalties amounting to P73.145 billion and P71.408 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 stock 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 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 20, the application of the P50 million and P100 million payments in 2008 and 2010, respectively, against outstanding NG advances was 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 Construction Development Corporation of the Philippine'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 Development Bank of the Philippines (RA No. 85, as amended), Philippine National Bank (Presidential Decree No. 694), and Land Bank of the Philippines (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 GFIs; 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, the 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.

27. SERVICE AND BUSINESS INCOME

This account consists of the following:

	2024	2023 (As restated)
Share in profit/revenue of joint venture	**391,356,923**	349,617,177
Rental/lease income	**290,515,219**	199,446,159
Interest income	**144,369,037**	87,909,854
Dividend income	**63,065,654**	50,245,512
Service income	**0**	89,307,475
	889,306,833	776,526,177

27.1 Share in Profit/Revenue of Joint Venture

This account consists of the following:

	2024	2023 (As restated)
Revenue Share		
SMC Skyway Stage 3 Corporation (*formerly CCEC)*	**220,600,356**	204,975,348
NLEX Corporation (*formerly MNTC*)	**105,014,403**	87,611,580
SMC Skyway Corporation (*formerly CMMTC)*	**41,123,779**	35,865,851
SMC SLEX, Inc. *(formerly SLTC)*	**24,618,385**	21,164,398
	391,356,923	349,617,177

As discussed in Note 20, pending issuance by the Toll Regulatory Board (TRB) and with the assistance of the Commission on Audit (COA) of the Implementing Rules and Guidelines (IRG) for the determination of the amounts due to the 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 Presidential Decree 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 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, 2012.

27.2 Rental/Lease Income

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

The account represents the revenue earned from PNCC's real estate property situated in Pasay City, which earned income of P290.515 and P199.446 million in 2024 and 2023, respectively.

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. The lease with PCPI has a term of 25 years, with a renewal option and the option of pre-termination upon reasonable notice by the lessor.

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:

	2024	2023
Within one year	**166,724,266**	160,714,285
After one year but less than five years	**666,897,064**	642,857,143
	833,621,330	803,571,428

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 the Contracts of Lease, the PNCC demanded that the lessees 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.

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, 2024

For Ley Construction Development Corporation (LCDC) [Ejectment Case]

On July 21, 2023, the OGCC filed a Motion for Early Resolution. The OGCC again filed a Second Motion for Early Resolution on January 18, 2024, and a Third Motion for Early Resolution on May 23, 2024. On June 20, 2024, OGCC officially received the Metropolitan Trial Court (MeTC) Decision dated May 24, 2023.

PNCC filed a Motion for Partial Execution Pending Appeal and a Notice of Partial Appeal questioning the reasonable rental rate awarded by the MeTC. After payment of the corresponding execution fees, MeTC issued a Writ of Execution dated August 29, 2024. On September 4, 2024, a Notice to Vacate and Demand to Pay was served with LCDC. On September 10, 2024, the writ of execution was implemented, and PNCC was able to take possession of the 2.4-hectare subject property.

LCDC likewise filed an Appeal but did not post any supersedeas bond.

The partially appealed case was raffled to RTC Branch No. 115 of Pasay City, wherein LCDC's appeal and PNCC's partial appeal were consolidated. The RTC issued a Decision on December 23, 2024, denying PNCC and LCDC's appeal. The OGCC filed a Motion for Reconsideration. The RTC issued an Order requiring LCDC to file its comments/opposition to PNCC's MR. The RTC has yet to resolve the pending Motion for Reconsideration of PNCC.

For Marvin Sedano (Ejectment Case)

On February 7, 2022, the MeTC Branch No. 47 of Pasay City rendered a Decision in favor of PNCC and against Spouses Marvin and Nerissa Sedano. PNCC timely filed its partial appeal questioning the amount of the monetary judgment, as the rental compensation awarded is below the expired contract of lease. On the other hand, Sps. Sedano did not appeal the MeTC Decision.

On October 27, 2022, PNCC received a Decision dated August 31, 2022, of the RTC Br. 115 of Pasay City modifying the appealed MeTC Decision and increasing the monetary judgment. On November 26, 2022, the Sps. Sedano elevated the RTC Decision to the Court of Appeals *via* Petition for Review under Rule 42 of the Rules of Court.

In the meantime, PNCC filed a Motion for the Issuance of Writ of Execution of the RTC Decision. The RTC granted PNCC's Motion and issued the Writ of Execution on July 19, 2023. With the assistance of the Court Sheriff, the Company was able to take over possession of the subject property on August 9, 2023.

As an interim measure and in order to utilize both the FCA Seaside Dampa Property and FCA Hobbies of Asia Property's potential income, the PNCC temporarily allowed the continued presence of the former sub-lessees of Sps. Sedano in the FCA Seaside Dampa Property and former sub-lessees of LCDC in the FCA Hobbies of Asia Property. For the purpose of continuing their respective business operations 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 the known and existing actual rental rate being paid). Until such time, the Board finally decides on the plan of action on the FCA Property vis-à-vis its planned lease and development of the 9.9-hectare site as contained in the Terms of Reference submitted to the Office of the President of the Philippines.

27.3 Interest Income

This account consists of interest income earned on investments amounting to P133.202 and P87.910 million in 2024 and 2023, respectively.

27.4 Dividend Income

This account consists of the following:

	2024	2023
Citra Metro Manila Tollways Corporation	**62,361,288**	49,668,287
Alabang - Sto. Tomas Development, Inc.	**704,366**	577,225
	63,065,654	50,245,512

27.5 Service Income

This account pertains to income earned from the supply of manpower to Skyway O&M Corporation, amounting to nil and P89.307 million in 2024 and 2023, respectively.

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

On September 13, 2023, the board passed a resolution to discontinue/terminate the contract for the supply of manpower to Skyway O&M Corporation, effective October 31, 2023, per Board Resolution No. BD46-2023. However, Skyway O&M Corporation requested PNCC for an extension up to December 31, 2023.

28. GAINS

This account consists of the following:

	2024	2023 (As restated)
Gain on sale of unserviceable property	**1,224,253**	8,444
Gain from changes in fair value of investment property	**0**	16,970,805,971
	1,224,253	16,970,814,415

The gain from changes in the fair value of investment property in 2023, amounting to P16.971 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 two years.

29. OTHER NON-OPERATING INCOME

This account consists of the following:

	2024	2023
Reversal of impairment loss on receivables	**83,668**	91,985
Other income, net	**16,567,599**	699,459
	16,651,267	791,444

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 2024, consists of interest on deferment of PCPI's rental payments, sale of bid deposit, reversal of security deposit of Lola Taba and Lolo Pato, and LCDC and overages in collection at FCA Seaside Dampa Market. While 2023 consists of forfeited bid deposits on the sale of scrap, the sale of bid documents, and service charges in the disposal of TRB assets, amounting to P0.699 million.

30. PERSONNEL SERVICES

This account consists of the following:

	2024	2023
Salaries and wages	**41,356,938**	31,652,573
Other compensation	**24,280,038**	14,532,648
Personnel benefit contribution	**2,575,875**	4,591,073
Other personnel benefits	**8,106,522**	4,157,661
	76,319,373	54,933,955

31. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2024	2023 (As restated)
General services	**17,005,787**	10,251,871
Taxes, insurance, and other fees	**11,509,441**	6,936,969
Professional services	**5,265,746**	5,597,418
Supplies and materials	**5,053,057**	3,372,063
Utility	**2,154,582**	2,264,231
Litigation expense	**1,445,369**	1,561,567
Transportation and traveling	**1,347,525**	530,179
Communication	**1,209,512**	1,240,559
Representation expenses	**1,127,786**	859,488
Repairs and maintenance	**803,300**	500,458
Training and scholarship	**381,213**	297,326
Indemnities	**0**	4,226,026
Other maintenance and operating expenses	**5,871,425**	2,771,665
	53,174,743	40,409,820

32. DIRECT COSTS

As stated in Note 27.5, starting October 1, 2015, the PNCC assumed the operations of DCBGSI, a subsidiary of the PNCC.

On September 13, 2023, the board passed a resolution to discontinue/terminate the contract for the supply of manpower to Skyway O&M Corporation, effective October 31, 2023, per Board Resolution No. BD46-2023. However, Skyway O&M Corporation requested PNCC for an extension up to December 31, 2023.

Direct cost related to labor amounts to nil and P70.777 million in 2024 and 2023, respectively.

33. NON-CASH EXPENSES

This account consists of the following:

	2024	2023
Depreciation	**4,026,482**	2,605,517
Impairment Loss-Other assets	**2,204,129**	0
	6,230,611	2,605,517

34. INCOME TAXES

The PNCC's provision for income tax for the year 2024, amounting to P79.293 million, pertaining to the current tax expense computed under the Regular Corporate Income Tax. No deferred income tax was recognized this year, as no revaluation increment was recorded by PNCC.

Components of income tax expense are as follows:

	2024	2023
Current income tax	**79,293,027**	54,290,959
Deferred income tax	**0**	4,244,563,091
Total income tax	**79,293,027**	4,298,854,050

As of December 31, 2024 and 2023, 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:

	2024	2023
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, 2024 and 2023, the recognized deferred tax assets pertain to the following:

	2024	2023
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, 2024 and 2023, deferred tax liabilities pertain to the following:

	2024	2023
Fair value adjustment of investment property	**13,609,060,939**	13,513,680,269
Revaluation increment in property	**568,990,989**	568,990,989
	14,178,051,928	14,082,671,258

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

35. OTHER COMPREHENSIVE INCOME

This account pertains to unrealized gains and losses arising from changes in fair value every reporting period of investments classified as financial assets at fair value through other comprehensive income. The PNCC recognized unrealized gains of P25,000 and nil in 2024 and 2023, respectively, from these investments.

36. 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 in business tax of P64 million due from the Belgian Consortium, the PNCC's partner in its Light Rail Transit 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. The 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.

  The 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 a 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; and

  4. Repeal of the improperly accumulated earnings tax.

As of 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.

Effective as of November 28, 2024, the CREATE MORE Act or RA 12066 was signed into law. It aims to generate jobs and spur economic growth. It builds on the earlier CREATE Act by enhancing the tax regime and incentive framework to attract both domestic and international investments, particularly in strategic industries. The interim rules clarify that liberalized incentives include Value-Added Tax (VAT) exemptions on importation, zero-rating on local purchases, and a reduced 20% income tax rate for enterprises under the enhanced deductions regime. Nonetheless, the implementation of the CREATE MORE Act does not have any impact on the Corporation's income tax provision for December 31, 2024.

37. 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 Construction Development Corporation of the Philippines (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 the RTC. On April 16, 2016, PNCC filed its opposition thereto, arguing that the subject claim should be filed first with the COA before a Writ of Execution can be issued by the 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 the 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.

On April 23, 2024, a Motion for Reconsideration was filed by PNCC. Awaiting the action of the COA on PNCC's Motion for Reconsideration.

- *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 an 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 the COA.

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, back wages, 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 indeterminable amounts of money.

38. 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 P26.478 million and P17.886 million in 2024 and 2023, respectively.

A breakdown of these amounts is as follows:

	2024	2023
Salaries and wages	**9,497,547**	8,087,630
Per diem	**10,564,000**	4,483,600
Other benefits	**6,416,799**	5,314,942
	26,478,346	17,886,172

39. RESTATEMENT OF ACCOUNTS

The 2024 and 2023 financial statements were restated to reflect the following transactions/adjustments:

CY 2021 and prior years errors discovered in 2024

	December 31, 2022 (As previously reported)	Restatements/ Adjustments	January 1, 2023 (As restated)
STATEMENT OF FINANCIAL POSITION			
Investment Property	**37,148,652,772**	**397,640,500**	**37,546,293,272**
Recording of initial recognition in the books of Sta. Ines Mabalacat Property (2020)		*6,627,900*	
Recognition of appraisal of Sta Ines Mabalacat Pampanga Property in 2021		*391,012,600*	
Restatement in total Assets–net increase		**397,640,500**	
STATEMENT OF CHANGES IN EQUITY			
Retained Earnings	**13,409,096,027**	**397,640,500**	**13,806,736,527**
Recording of initial recognition in the books of Sta. Ines Mabalacat Property (2020)		*6,627,900*	
Recognition of appraisal of Sta Ines Mabalacat Pampanga Property in 2021		*391,012,600*	
Restatement on Equity–net increase		**397,640,500**	

CY 2023 errors discovered in 2024

	December 31, 2023 (As previously reported)	Restatements/ Adjustments	December 31, 2023 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net	**401,021,251**	**123,830,530**	**524,851,781**
Recognition of under-accrual of NLEX Corporation revenue share in 2023		*459,265*	
Recognition of under-accrual of SMC Skyway Stage 3 Corporation revenue share in 2023		*1,571,314*	
Recognition of under-accrual of SMC SLEX Inc. revenue in 2023		*122,075*	
Recognition of RFID deducted from NLEX Corporation Revenue share in 2023		*(75,893)*	
Recognition of under-accrual of SMC Skyway Corporation revenue share in 2023		*164,834*	
Correction on the reversal of accrual of revenue share in NLEX Corporation		*(4,967,750)*	
Recognition of under-accrual in 2023 NLEX Corporation revenue shares in 2023		*964,065*	
Recognition of over-accrual in 2023 SMC Stage 3 JV Shares		*(1,647,324)*	
Recognition of NFD No. 2023-063 re: various benefits paid to PNCC personnel in CY 2010 i.e. Anniversary bonus, clothing allowance & Exit bonus		*36,454,969*	
Recognition of NFD No. 2023-063 re: gratuity pay/benefits to the Board of Directors & Asst. Corporate Secretary in CY 2010		*90,784,975*	

	December 31, 2023 (As previously reported)	Restatements/ Adjustments	December 31, 2023 (As restated)
Investment Property	**54,126,958,000**	**389,980,000**	**54,516,938,000**
Recognition of 2023 appraisal of Sta Ines Mabalacat Pampanga Property		*(7,660,500)*	
Recognition of prior period adjustments		*397,640,500*	
Restatement in total Assets–net increase		**513,810,530**	
STATEMENT OF CHANGES IN EQUITY			
Retained Earnings	**26,444,446,923**	**513,810,530**	**26,958,257,453**
Recognition of prior period adjustments		*397,640,500*	
Recognition of NFD No. 2023-063 re: various benefits paid to PNCC personnel in CY 2010 i.e. Anniversary bonus, clothing allowance & Exit bonus		*36,454,969*	
Recognition of NFD No. 2023-063 re: gratuity pay/benefits to the Board of Directors & Asst. Corporate Secretary in CY 2010		*90,784,975*	
Adjustment to CY 2023 Net Income		*(11,069,914)*	
Restatement on Equity–net increase		**524,880,444**	
STATEMENT OF COMPREHENSIVE INCOME			
Service and Business Income	**779,859,698**	**(3,333,521)**	**776,526,177**
Recognition of under-accrual of NLEX Corporation revenue share in 2023		*459,265*	
Recognition of under-accrual of SMC Skyway Stage 3 Corporation revenue share in 2023		*1,571,314*	
Recognition of under-accrual of SMC SLEX Inc. revenue in 2023		*122,075*	
Recognition of under-accrual of SMC Skyway Corporation revenue share in 2023		*164,834*	
Correction on the reversal of accrual of revenue share in NLEX Corporation		*(4,967,750)*	
Recognition of under-accrual of 2023 NLEX Corporation revenue shares in 2023		*964,065*	
Recognition of over-accrual of SMC Stage 3 Corporate revenue share in 2023		*(1,647,324)*	
Gains	**16,978,474,915**	**(7,660,500)**	**16,970,814,415**
Recognition of decrease on appraised value of Sta. Ines Mabalacat Property		(7,660,500)	
Restatement in income – net decrease		**(10,994,021)**	
Maintenance & Other Operating expenses	**40,333,927**	**75,893**	**40,409,820**
Recognition of RFID deductions on NLEX Corporation revenue share in 2023		*75,893*	
Restatement in Expenses-net increase		**75,893**	
Restatement on Net Income-net decrease		**11,069,914**	

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk

The PNCC's principal financial instruments comprise of cash, 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 it arises, 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 2024 and 2023.

The following table summarizes the maturity profile of the PNCC's financial assets and financial liabilities as of December 31, 2024 and 2023, based on contractual undiscounted cash flows:

	2024			
	<1 year	**>1 to <5 years**	**>5 years**	**Total**
Financial Assets				
Cash	128,894,489	0	0	128,894,489
Other Investments	2,913,899,616	0	0	2,913,899,616
Receivables	401,676,564	2,525,031	236,261,332	640,462,927
	3,444,470,669	**2,525,031**	**236,261,332**	**3,683,257,032**

	2024			
	<1 year	**>1 to <5 years**	**>5 years**	**Total**
Financial Liabilities				
Accounts payable	4,922,798	894,229	0	5,817,027
Accrued Expenses	2,646,178	14,263,247	0	16,909,425
Other accounts payable	253,410	219,511	0	472,921
Inter-agency payables	56,167,348	463,574	0	56,630,922
Customers' deposit	98,223,157	0	0	98,223,157
Deferred credits	46,716,319	0	0	46,716,319
Other financial liabilities	258,002,200	516,004,600	10,322,013,616	11,096,020,416
	466,931,410	**531,845,161**	**10,322,013,616**	**11,320,790,187**
Liquidity gap	**2,977,539,259**	**(529,320,130)**	**(10,085,752,284)**	**(7,637,533,155)**

	2023 (As restated)			
	<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	425,136,400	10,370,868	89,344,513	524,851,781
	2,924,254,112	**10,370,868**	**89,344,513**	**3,023,969,493**
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	**2,543,198,008**	**(1,116,805,523)**	**(9,483,839,911)**	**(8,057,447,426)**

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, 2024 and 2023:

	2024	2023 (As restated)
Cash	**128,894,489**	105,285,346
Receivables	**640,462,927**	524,851,781
	769,357,416	630,137,127

As of December 31, 2024 and 2023, the aging analysis per class of receivables is as follows:

2024

	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	0	0	0	0	177,473	78,371,871	78,549,344
Interests Receivable	32,306,536	0	0	0	0	0	32,306,536
Contrib. and Premiums Receivable	0	0	0	70,000	0	0	70,000
Receivables from Joint Ventures	28,875,523	0	0	0	0	0	28,875,523
Lease receivables	17,342,964	16,479,080	15,704,178	15,450,000	136,842,605	738,545	202,557,372
Due from Nat'l Govt	0	0	0	0	0	150,000,000	150,000,000
Due from subs/assoc/ affiliates	0	0	0	0	700,082	0	700,082
Other receivables	43,114	4,000	135,711,031	0	4,371,288	7,150,917	147,280,350
	78,568,137	16,483,080	151,415,209	15,520,000	142,091,448	236,261,333	640,339,207
Due from officers and employees	58,537	0	0	7	65,176	0	123,720
	78,626,674	**16,483,080**	**151,415,209**	**15,520,007**	**142,156,624**	**236,261,333**	**640,462,927**

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	54,525,389	0	0	0	0	0	54,525,389
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	130,088,882	1,796	2,961	0	1,608,000	7,150,918	138,852,557
	417,471,920	8,536,163	2,083,357	0	1,801,397	94,760,880	524,653,717
Due from officers and employees	127,764	0	0	0	0	70,300	198,064
	417,599,684	**8,536,163**	**2,083,357**	**0**	**1,801,397**	**94,831,180**	**524,851,781**

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, 2024 and 2023.

	Carrying Amount		**Fair Value**	
	2024	2023	**2024**	2023
Financial assets				
Cash	**128,894,489**	105,285,346	**128,894,489**	105,285,346
Other investments	**2,913,899,616**	2,393,832,366	**2,913,899,616**	2,393,832,366
Receivables	**640,462,927**	524,851,781	**640,462,927**	524,851,781
	3,683,257,032	3,023,969,493	**3,683,257,032**	3,023,969,493

	Carrying Amount		Fair Value	
	2024	2023	**2024**	2023
Financial liabilities				
Accounts payable	**5,817,027**	16,909,041	**5,817,027**	16,909,041
Accrued expenses	**16,909,425**	15,524,093	**16,909,425**	15,524,093
Other accounts payable	**472,921**	273,394	**472,921**	273,394
Inter-agency payable	**56,630,922**	43,922,648	**56,630,922**	43,922,648
Customers' deposit	**98,223,157**	120,345,199	**98,223,157**	120,345,199
Deferred credits/ Unearned income	**46,716,319**	46,424,528	**46,716,319**	46,424,528
Other financial liabilities	**11,096,020,416**	10,838,018,016	**11,096,020,416**	10,838,018,016
	11,320,790,187	11,081,416,919	**11,320,790,187**	11,081,416,919

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

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

41. SUPPLEMENTARY INFORMATION ON TAXES

In compliance with the requirements set forth by BIR Revenue Regulations No. 15-2010, the following is the information on taxes, duties, and licenses paid or accrued during the taxable years 2024 and 2023:

41.1 The PNCC is a VAT-registered corporation with output VAT declaration based on the amount reflected in the Revenue Accounts as follows:

	2024	2023
Vatable Sales	**738,777,944**	700,043,398
Output VAT	**88,653,353**	84,005,208

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

	2024	2023
Balance at the beginning of the year	**0**	0
Current year's purchases:		
Goods for resale/manufacture or further processing	**0**	0
Goods other than for resale or manufacture	**464,157**	502,995
Capital goods subject to amortization	**1,993,753**	0
Capital goods not subject to amortization	**57,514**	0
Services lodged under cost of goods sold	**0**	0
Services lodged under other accounts	**541,055**	550,124
Claims for tax credit/refund and other adjustments	**0**	0
Balance at the end of the year	**3,056,479**	1,053,119

41.3 Other taxes and licenses:

	2024	2023
Local:		
Real estate tax	**954,478**	1,633,230
Mayor's permit	**6,144,145**	4,152,633
Philippine Stock Exchange	**250,000**	260,250
Community tax	**21,000**	21,000
	7,369,623	6,067,113
National:		
BIR Annual registration	**500**	500
VAT/Percentage taxes	**1,276,805**	362,589
	1,277,305	363,089

41.4 The amount of withholding taxes paid/accrued for the years 2024 and 2023 are as follows:

	2024	2023
Tax on compensation and benefits	**7,451,017**	4,499,847
Creditable withholding taxes	**1,579,701**	761,358
	9,030,718	5,261,205

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. The financial statements of Philippine National Construction Corporation (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 interest and penalties relative thereto aggregating P76.534 billion is not recognized contrary to the Philippine Accounting Standard (PAS) 37, resulting in the understatement of liabilities by P82.086 billion.

1.1 This is a reiteration of prior year's 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 No. 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's obligations to the GFIs, and its liabilities to certain government agencies, transferred to the National Government (NG) pursuant to LOI No. 1295, was not automatically converted into equity pending the fulfillment of the payments/prepayments as required therein. However, these obligations were recognized in the books of PNCC as part of equity, described as "Equity Adjustments-Under Rehabilitation Plan-Loans Transferred to NG" instead of liabilities, as follows:

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
Trade and Investment Development Corporation of the Philippines (TIDCORP)/Philippine Export and Foreign Loan Guarantee Corporation (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 PNCC remained recorded as equity, as PNCC's position is supported by the Office of the Solicitor General (OSG) opinion that the debts have been effectively converted into equity and, therefore, should no longer incur interest charges.

1.5 While the Office of the Government Corporate Counsel (OGCC) opined that PNCC may enter into an agreement with Privatization Management Office (PMO) for the conversion of PNCC's remaining liabilities into equity or common stock of PNCC at par value and after the completion of the equity conversion, PNCC shall no longer have any remaining obligations to NG and PMO under LOI No. 1295, subject to the approval of higher authorities as may be required by law or regulation.

1.6 Results of confirmation of the liabilities with the PMO and the Bureau of the Treasury (BTr) disclosed discrepancies as of December 31, 2024. Details are shown below:

Table 2 – Results of Confirmation of Liabilities with PMO and BTr
As of December 31, 2024

Account/GFI	Per PNCC	Per confirmation	Variance
Accounts with PMO			
PNB	2,865,445,000	71,013,889,131	68,148,444,131
NDC	1,356,693,000	1,789,957,988	433,264,988
TIDCORP/PEFLGC/CBP	1,279,965,000	2,771,287,193	1,491,322,193
DBP	9,633,000	3,875,874,902	3,866,241,902
Marina	0	721,531,343	721,531,343
	5,511,736,000	80,172,540,557	74,660,804,557
Conveyance of Lot 3	0	(1,515,680,000)*	(1,515,680,000)
	5,511,736,000	78,656,860,557	73,145,124,557
Accounts with BTr			
Advances	39,991,000	2,850,386,234	2,810,395,234
Brady bonds	0	578,470,000	578,470,000
	39,991,000	3,428,856,234	3,388,865,234
Total	**5,551,727,000**	**82,085,716,791**	**76,533,989,791**

*payment to GFI

1.7 The Audit Team noted that the variance in the amount of P73.145 billion between PNCC and PMO records pertains substantially to interest and other charges imposed by the latter.

1.8 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;
- 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 interest and penalties is not warranted; and
- PNCC claimed that its position is supported by the OSG and the OGCC.

1.9 On the other hand, the P3.389 billion difference between the records of PNCC and BTr is due to the unreconciled principal amount of liabilities plus interest. Per PNCC's books, only the principal amount of P39.991 million BTr advances is recorded; however, based on the confirmation reply from BTr, it claimed that NG's advances amounted to P1.409

billion, plus interest of P1.442 billion. Moreover, for the first time since the annual confirmation with BTr, a Loans Receivable-Brady Bonds amounting to $10 million or P578.470 million surfaced, resulting in total liabilities of P3.429 billion as of December 31, 2024.

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 subject to applicable interest and charges.

1.11 Due to differing positions, PNCC and PMO submitted the issue to the Department of Justice (DOJ) for arbitration on June 21, 2012. On February 18, 2014, the DOJ dismissed PNCC's petition against PMO and ordered it to pay its due and demandable obligation, including interest and penalties, until fully settled.

1.12 On March 14, 2014, PNCC filed a Motion for Reconsideration (MR), which the DOJ denied on 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 already due and demandable, and that there was no longer any basis to consider the conversion of the subject obligations 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 a supplemental MR with the OP. 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 for PNCC to recognize a provision for the interest and penalties related to the unconverted debts, in compliance with paragraph 14 of the PAS No. 37, which states explicitly:

> *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 unreconciled principal liabilities, interest, and other charges totaling P76.534 billion resulted in the understatement of total liabilities and overstatement of total equity by P82.086 billion. **Further, there should have been a deficit of P49.131 billion instead of retained earnings of P27.403 billion as of December 31, 2024**.

1.17 **We reiterated our previous year's recommendation that Management:**

a) Recognize the P5.552 billion unconverted debts as liability, instead of equity;

b) Reconcile and recognize the unrecorded principal liabilities as confirmed by the PMO and BTr; and

c) Provide provisions for interest, penalties, and other charges in compliance with PAS No. 37.

1.18 Management explained that there is a pending appeal with the OP regarding the classification of the P5.552 billion. Although the OP has issued a decision on the matter, PNCC emphasized that it is not yet final, as an MR dated July 21, 2022, and a Supplemental Motion dated February 16, 2023, have been timely filed.

1.19 PNCC maintains that under LOI No. 1295, its liabilities, including the P5.552 billion, were intended to be converted into equity. Also, PNCC argued that the obligation has been extinguished by novation, if not prescription.

1.20 Given the pendency of the MR, Management believes that recognizing the amount as a liability at this point would be premature and could render the pending motions before the OP moot.

1.21 The Audit Team maintains that Management's position on the recognition of P5.552 billion as a liability is not justified. As of December 31, 2024, the OP had already affirmed the DOJ's ruling declaring the obligations due and demandable. The pending Motion for Reconsideration does not suspend the effect of this decision, which remains valid and binding until overturned with finality.

1.22 Moreover, the defenses of novation or prescription are legal contentions that have to be decided by a competent authority. These do not negate the requirements of PAS No. 37, which mandates the recognition of a provision when there is a present obligation, an expected outflow of resources, and a reliable estimate of the amount, which are all present in this case.

1.23 The confirmation replies from the PMO and BTr, which recognized the obligations and related interest charges, further affirmed the need to reflect these in PNCC's books. Thus, the continued classification of the P5.552 billion as equity and the non-recognition of interest and penalties materially misstate the financial statements.

1.24 In the absence of a reversal of the OP's decision, PNCC must comply with PAS No. 37 and, at the very least, disclose the obligation as a contingent liability in the Notes to Financial Statements.

2. A provision arising from a judgment award for Money Claims against PNCC remained unrecorded in the books, contrary to Paragraph 14 of Philippine Accounting Standard No. 37, resulting in the understatement of liabilities of at least P51.146 million, excluding applicable interest and legal costs.

2.1 This is a reiteration of prior year's observations with updated information.

2.2 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.*

2.3 If these conditions are not met, no provisions shall be recognized.

2.4 The claim originated from a case filed by Asiavest Merchant Bankers (M) Berhad (AMB) against PNCC. The latter was awarded a project for rural roads and bridges in Pahang, Malaysia; however, it failed to fulfill its contractual obligations because its subcontractor did not complete the project.

2.5 PNCC received unfavorable decisions from the Regional Trial Court (RTC) and the Court of Appeals (CA). Thus, PNCC elevated the case to the Supreme Court (SC).

2.6 On August 19, 2015, the SC ruled in favor of AMB. The decision became final and executory on June 2, 2016, affirming the RTC's Decision ordering PNCC to pay:

- The sum of Malaysian Ringgit (MYR)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.
- The sum of P300,000 as and by way of attorney's fees; and
- Cost of suit.

2.7 AMB moved to execute the SC Decision before the RTC and Court of Appeals, but was instructed to file its money claim with the Commission on Audit (COA), which it did on February 8, 2021.

2.8 Subsequently, on April 2, 2024, PNCC Management received COA Decision No. 2023-322, dated October 26, 2023, granting the Money Claim of Asiavest Equity SDN BHD (formerly known as AMB). The dispositive portion of the COA Decision No. 2023-322 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.*

2.9 In CY 2023, an Audit Observation Memorandum was issued recommending the recognition of a provision. As discussed, the unfavorable Decision directing PNCC to pay a specified amount constitutes the obligating event that gives rise to a present obligation, pursuant to Par. 10 of the PAS No. 37.

2.10 In the CY 2023 Exit Conference, the Head of Corporate Legal clarified that the COA decision is not yet final, as PNCC has filed a Motion for Reconsideration (MR).

Nevertheless, appropriate adjusting journal entries will be made to recognize the unrecorded liability.

2.11 Further, the President/CEO initially concurred with the recommendation to reflect the provision in the Financial Statements (FS), in light of the Supreme Court's decision on the matter.

2.12 It was then recommended that PNCC recognize a percentage of the provision, rather than 100 per cent of the judgment award.

2.13 However, based on the Agency Action Plan and Status of Implementation (AAPSI) for CY 2023, Management subsequently revised its position and opted to retain the existing disclosure, citing the pending resolution of its MR before the COA Commission Proper (CP).

2.14 A further review of the submitted FS and the accompanying Notes to the FS for CY 2024 revealed that PNCC did not recognize any provision related to the judgment award. As a result, the reported liabilities remained understated.

2.15 The continued non-recognition of a provision for the judgment award, as determined by COA-CP Decision No. 2023-322 dated October 26, 2023, has led to the understatement of liabilities by MYR 3.915 million or its equivalent in Philippine peso plus legal interest of six per cent to 12 per cent and attorney's fees, contrary to PAS 37.

2.16 **We recommended that Management:**

a) Evaluate and determine the appropriate amount of provision, based on the judgment award, to be recognized in the books of accounts.

Further, we reiterated our previous year's recommendation that Management:

b) Make the necessary adjusting journal entries to recognize the unrecorded liability; and

c) Henceforth, ensure the timely monitoring and recognition of provisional liabilities arising from legal cases involving PNCC.

2.17 Management commented that the current/existing disclosure in the Notes to FS is proper and that there is no understatement of liabilities in its books of accounts.

2.18 Management averred that the claimant, Asiavest Equity SDN BHD [in Members' Voluntary Liquidation (MVL)], has no legal standing and is not the party entitled to the money claim.

2.19 In this regard, Management informed that, as a matter of prudence and fairness, PNCC is opposed to paying Asiavest-MVL the judgment award, more so recognizing a provision for the same in the books of account, pending the resolution of the Motion for Reconsideration on the matter.

2.20 While Management's position on the legal standing of AMB is noted, it must be emphasized that the obligation to pay arose from a final and executory Supreme Court

decision, and the Commission on Audit has granted the money claim through Decision No. 2023-322. Under PAS No. 37, the existence of a legal dispute over the claimant does not negate the present obligation to settle a confirmed liability.

2.21 Given that all the conditions for the recognition of a provision have been met, such as the existence of a legal obligation, a probable outflow of resources, and a reliable estimate, the continued non-recognition of the liability has resulted in a material understatement of PNCC's reported liabilities.

3. The accuracy of PNCC's recorded revenue share amounting to P391.357 million remitted by the Joint Venture (JV) Companies operating the NLEX, SLEX, Skyway, and Skyway Stage 3 could not be ascertained due to the absence of verifiable data or information supporting the computation of such share, affecting the faithful representation of the account in the financial statements contrary to Paragraph 15 of Philippine Accounting Standard (PAS) 1.

3.1 This is a reiteration of prior year's observations with updated information.

3.2 Paragraph 15 of PAS 1 – Presentation of Financial Statements provides that:

> *Financial statements shall 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. The application of PFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.*

3.3 Further, Paragraph QC12 of the CFFR states that:

> *To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral, and free from error.*

3.4 Under the interim guidelines issued by the Toll Regulatory Board (TRB) on March 22, 2012, JV Companies are directed to remit the government's share in toll revenues to the National Treasury. Paragraph 2 of the guidelines further provides:

> *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 accordance with this arrangement, PNCC is entitled to 10% of toll collections remitted by the JV Companies. For CY 2024, the remittances received by PNCC are as follows:

Table 3 – Schedule of Revenue Share Remitted to PNCC
For Calendar Year 2024

Name of JV Companies	Revenue Share	Sharing Percentage *(based on gross toll revenue)*
NLEX Corporation *(formerly Manila North Tollways Corporation)*	P105,014,404	10% of 6%
SMC Skyway Corp. *(formerly Citra Metro Manila Tollways Corp.)*	37,534,344	10% of 3.5%
SMC SLEX, Inc. *(formerly South Luzon Tollways Corporation)*	41,123,778	10% of 3%
Total	**P170,756,567**	

3.6 However, the accuracy of the above revenue share cannot be validated due to the absence of detailed and verifiable documentation supporting the declared gross toll revenues. This issue has been raised in previous audits but remains unresolved.

3.7 To assess the validity of PNCC's share, the Audit Team reviewed the 2024 Audited Financial Statements (AFS) of NLEX Corporation and SMC SLEX, Inc., and performed a re-computation based on the reported toll revenue. The results were as follows:

Table 4 – Variance in Revenue Share based on the obtained AFS
For Calendar Year 2024

	NLEX Corporation	SMC SLEX, Inc.
Government Share per AFS	1,177,466,915	24,618,400,000
x PNCC rate of share in the remittable amount	10%	10%
Toll Revenue Remittable to PNCC based on AFS	117,746,692	24,618,400
Less: Actual remittance to PNCC	105,014,404	24,618,385
Difference	**12,732,287**	**15**

3.8 The variance in NLEX's remittance casts doubt on the accuracy and reliability of the recorded revenue share. This shows the importance of transparent, complete, and verifiable documentation to support PNCC's share. The lack of access to toll revenue data and sole reliance on figures declared by JV Companies poses a risk of undetected under-remittance to both PNCC and the National Government.

3.9 While the published AFS of JV Companies provide accessible source for validating reported revenues, the noted discrepancies presented the limitations of relying solely on the documents provided by JV Companies upon collection. Such issues could have been resolved had PNCC been granted access to the actual toll revenue data.

3.10 Inaccuracies, whether intentional or otherwise, in the declaration of toll revenue would make it difficult to detect under-remittances, affecting both PNCC and the National Treasury.

3.11 Similarly, PNCC's share from the Metro Manila Skyway Stage 3 (MMS Stage 3) under the Restated Second Supplement to the Business Joint Venture Agreement (BJVA) cannot be verified due to the lack of supporting documentation.

3.12 The agreement entitles PNCC to a 2.5% share of Net Toll Revenues for the first four years, which amounted to P220.600 million (net of VAT) for CY 2024. However, the

agreement lacks a provision requiring submission of supporting reports or documents, and no reliable verification mechanism has been established.

3.13 Similar to the three JV Companies, 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 that would 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.

3.14 While the attached documents are essential to support computations made by PNCC to record the revenue share. They do not constitute conclusive evidence to be used in validating the accuracy or completeness of the representations made by the JV companies.

3.15 Management sent formal requests for supporting documents to JV partners as early as May 9, 2023, with follow-up communications on August 30, 2023 and January 4, 2024. However, no documents have been provided in response.

3.16 Further, Management expressed its intent to send another request and elevate the matter in upcoming meetings with the JV partners. Nevertheless, as of December 31, 2024, no supporting documents have been submitted.

3.17 The continued absence of verifiable and detailed supporting documents for these revenue computations casts doubt on the faithful representation of the reported income balances. This practice does not support the principle provided under Paragraph 15 of PAS 1 and Paragraph QC12 of the Conceptual Framework for Financial Reporting.

3.18 **We reiterated with modifications our previous year's recommendation that Management:**

a) Make persistent efforts to obtain documents to be used as a basis for the computation of the revenue share of PNCC and to validate the same;

b) Furnish the Audit Team with subject documents and results of validation.

Further, we recommended that Management:

c) Coordinate with TRB to collectively pursue negotiations or dialogue with JV Companies to gain access to toll revenue data, which is critical in validating the remittance due to PNCC and the National Treasury; and

d) Resort to legal remedies if the JV Companies continuously ignore the request for the needed data.

3.19 During the exit conference, Management explained that with respect to the remittance from the NLEX and SLEX, PNCC only has an inconsequential legal standing or "personality" to demand toll revenue data, as its 10% remittance entitlement arises merely from the Interim Guidelines issued by the TRB dated March 22, 2012. The 90% remittance is made to the National Government through TRB. Thus, it is the TRB that has the proper authority to demand access or initiate action regarding full disclosure of toll revenues.

3.20 Regarding the Skyway Stage 3 revenue share, the Head of Corporate Legal stated that in a recent meeting with San Miguel Corporation, PNCC's JV partner, it was clarified that details of toll revenues are available in the audited financial statements, and that there are no material issues on this matter.

3.21 The Head of Controllership also noted that BIR Form 2307 and revenue computation schedules are provided with every remittance from the JV Companies. These include the gross toll revenue figures, net of toll usage and merchant fees. Moreover, any required adjustments are performed at year-end based on the final audited financial statements.

3.22 In the absence of direct access to actual toll revenue records, the Audit Team will rely on the documents submitted by the Joint Venture Companies, particularly the BIR-related documents, as the basis for the limited validation of the revenue share amounts recorded in PNCC's books.

4. The faithful representation of the Accounts Receivable account totaling P640.463 million as of December 31, 2024, could not be ascertained due to the discrepancy of P40.456 million between the balance per books and the confirmed balances from various debtors, contrary to PAS 1.

4.1 This is a reiteration of prior year's observations with updated information.

4.2 Paragraph 15 of PAS 1 – Presentation of Financial Statements provides that:

> *Financial statements shall 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. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation*.

4.3 Further, paragraphs QC4 and QC12 of the Conceptual Framework for Financial Reporting state 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.*

4.4 On January 22, 2025, confirmation requests were sent to various debtors of PNCC with total receivables of P235.786 million as of December 31, 2024. The results disclosed a P40.456 million variance, detailed as follows:

Table 5 – Variance in Total Receivables based on the Obtained Confirmation Letter For Calendar Year 2024

Debtors	Per Books	Per Confirmation	Variance
SMC Skyway Stage 3 Corporation	0	22,247,467	22,247,467
Pacific Concrete Products, Inc. (PCPI)	201,768,827	193,211,906	8,556,921
SMC Skyway Corporation	15,086,156	7,667,993	7,418,163
NLEX Corporation	10,832,110	11,695,840	863,730
National Labor Relations Commission (NLRC)	5,138,369	4,254,999	883,369
SMC SLEX, Inc.	2,957,257	2,474,113	483,144
Skyway O&M Corporation (SOMCO)	2,829	0	2,829
Total	**235,785,548**	**241,572,980**	**40,455,623**

4.5 Examination of records and ledgers attached to the confirmations disclosed that:

1. SMC Skyway Stage 3 Corporation – The P22.247 million variance pertains to an invoice issued by PNCC to SMC Skyway Stage 3 Corporation on December 27, 2024. Instead of recording the transaction as Accounts Receivable, PNCC debited Cash, even though the actual collection was made only on January 21, 2025. This resulted in an understatement of Accounts Receivable and an overstatement of Cash as of year-end.

2. PCPI – The variance noted was due to the differences in recording methods. PNCC records receivables at gross of withholding taxes, whereas PCPI records its payables to PNCC net of withholding taxes. Furthermore, interest on past-due rental payments amounting to P1.945 million was not included in the confirmation made by PCPI.

3. SMC Skyway Corporation – The P7.418 million variance pertains to an over-accrual by PNCC of its revenue share for the period 2016 to 2024. This overstatement resulted in a discrepancy, indicating that previously recognized revenues may not have been fully realized. Proper adjustments should be made to ensure that only actual and collectible receivables are reflected in the financial statements.

4. NLRC – The variance pertains mainly to appeal bonds posted by PNCC to NLRC for various labor cases. However, these amounts were not included in the confirmed balance provided by NLRC. The discrepancy indicates that the appeal bonds may have been released or otherwise not reflected in the NLRC's records. Details of the appeal bonds are as follows:

Table 6 – Variance in receivables based on the Obtained confirmation letter from NLRC For Calendar Year 2024

Appeal Bonds and Case Nos.	Amount
Romeo Mengote vs. PNCC *(NLRC Case No. 01-201278-05)*	P500,000
Choleta Razel vs PNCC *(NLRC NCR Case No. 02-01241-07)*	248,294
Jovito Vibas vs PNCC *(NLRC NCR Case No. 00-03-8546-05)*	140,075
Bond in Elizabeth De Leon case *(confirmed by NLRC but not recorded in PNCC's books)*	(5,000)
Total	**P883,369**

PNCC has already fully provided an allowance for impairment losses on these appeal bonds. However, based on the review, there appears to be a lack of clarity regarding the status of these accounts. The appeal bonds were not included in the confirmed balances, and the status of these related labor cases remains unverified. Additionally, there is no available documentation indicating whether any of the bonds have been released, which may affect future derecognition in the books.

5. SMC SLEX, Inc. – The variance resulted from an over-accrual of receivables from revenue shares for JV Companies in 2018, 2020, 2021, 2022, and 2024.

4.6 The foregoing variances cast doubt on the accuracy and reliability of the recorded receivables, which is contrary to Paragraph 15 of PAS 1. Consequently, the faithful representation of Accounts Receivable in the financial statements is doubtful.

4.7 **We reiterated our previous year's recommendations that Management:**

a) Direct the Controllership Department to continue with the reconciliation of the variances; and

b) Effect the necessary adjusting journal entries in the books of accounts.

Further, we recommended that Management:

c) Instruct the Corporate Legal Department to coordinate with NLRC regarding the status of labor cases and resolve the issue of the discrepancy of the recorded appeal bonds; and

d) Monitor regularly the status of cases with the NLRC to ensure the proper recording and disclosure of appeal bonds.

4.8 Management commented that they are still in the process of reconciling the variances on all the receivables and will issue the necessary adjusting entries if warranted.

4.9 While the Management's reconciliation efforts are noted, discrepancies in accounts receivable totaling P40.456 million persist and continue to affect the reliability of PNCC's financial statements. Timely completion of reconciliations and proper recording of adjustments are necessary to ensure compliance with PAS 1 and to achieve a fair presentation of PNCC's financial statements.

5. The existence, completeness, and valuation of the Property and Equipment (PE) account with a net book value of P19.265 million could not be ascertained due to the non-submission of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE), affecting the faithful representation of the account in the financial statements (FS) contrary to PAS 1.

5.1 Paragraph 15 of PAS 1 – Presentation of Financial Statements provides that:

> *Financial statements shall 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. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

5.2 The audit of the Property and Equipment account revealed that the CY 2024 RPCPPE, covering assets with a total net book value of P19.265 million, was not submitted to the Audit Team. The details are as follows:

Table 7 – PPE Not supported by RPCPPE
For Calendar Year 2024

Accounts	Cost	Accumulated depreciation	Net book value
Motor vehicles	42,495,154	24,481,692	18,013,462
IT equipment	5,583,922	5,326,380	257,542
Construction & heavy eqpt.	4,486,177	3,828,163	658,014
Office Equipment	2,056,843	2,056,827	16
Furniture and fixtures	1,309,960	1,309,945	15
Communications equipment	190,000	189,999	1
Sports equipment	181,802	181,698	104
Other machinery & eqpt.	5,498,431	5,162,289	336,142
Total	**61,802,289**	**42,536,993**	**19,265,296**

5.3 The RPCPPE is required under COA Circular No. 80-124 dated January 18, 1980, to be submitted to the auditor not later than January 31, covering the physical inventory conducted for the preceding year.

5.4 For CY 2023, the Controllership Department was able to submit the RPCPPE, but it was submitted beyond the expected timeframe, on April 8, 2024. The report for CY 2024, however, has not yet been submitted to the Audit Team, despite the conduct of the annual physical inventory count from September to December 2024.

5.5 Inquiry with the Controllership Department revealed that the delay in submission was due to recent personnel movements within the department. One of the accountants retired on January 31, 2025, and the employee who previously prepared the RPCPPE assumed the responsibilities of the retired staff. On February 4, 2025, a new employee was hired to fill the vacant position, and the task of preparing the RPCPPE was assigned to her. The latest update indicates that the preparation of the RPCPPE is ongoing and nearing completion.

5.6 The absence of this report makes it difficult for the auditors to verify the existence, completeness, and valuation of the recorded property and equipment in PNCC's books of accounts, casting doubt on the faithful representation of the account in the financial statements. Further, this exposes PNCC's property and equipment to risks of loss, misuse, or misstatement due to the inability to summarize, verify, and monitor government assets.

5.7 Therefore, the existence, completeness, and valuation of the Property and Equipment account with a net book value totaling P19.265 million remain doubtful due to the non-submission of the RPCPPE, preventing reconciliation and verification of the account.

5.8 **We recommended that Management:**

a) Instruct the Property Officer and the Inventory Committee to expedite the preparation of the RPCPPE and submit the same to the Office of the Auditor as soon as possible; and

b) Initiate the early conduct of the annual physical inventory count of property and equipment to facilitate the timely preparation and submission of the RPCPPE.

5.9 Management commented that they appreciate and agree with the observation. They committed to submit the RPCPPE on or before April 30, 2025. They also assured that the comments and recommendations are duly noted, and that they will comply with the required yearly submission of the said RPCPPE.

5.10 The Management's assurance to comply with the yearly submission requirement of the RPCPPE is acknowledged and appreciated. However, it is important that the report be submitted promptly and within the prescribed deadline to prevent delays in the audit process and to ensure effective monitoring and safeguarding of the government assets.

5.11 The Audit Team also acknowledges receipt of the soft copy of the RPCPPE by Management on April 15, 2025. Upon verification, however, the amounts reflected therein do not reconcile with the accounting records. These discrepancies prevent the Audit Team from validating the completeness and accurate valuation of the Property and Equipment account, which is essential for the faithful representation of the account under Paragraph 15 of PAS 1.

5.12 The Audit Team reiterated the importance of submitting a reconciled and validated RPCPPE that is consistent with the accounting records. Doing so is critical to enabling the accurate verification of the government assets and supporting the integrity of the audit process.

6. PNCC did not accrue the dividend income from SMC Skyway Corporation at the time of declaration, resulting in a net overstatement of the account by P7.726 million for CY 2024, contrary to Paragraph 15 of PAS 1 and Paragraph 5.7.1A of Philippine Financial Reporting Standards (PFRS) 9.

6.1 Paragraph 15 of PAS 1 – Presentation of Financial Statements provides that:

> *Financial statements shall 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. The application of PFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.*

6.2 Further, Paragraph QC12 of the Conceptual Framework for Financial Reporting states that:

> *To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error.*

6.3 Moreover, Paragraph 5.7.1A of PFRS 9 provides that:

> *Dividends are recognized in profit and loss only when:*
>
> *(a) the entity's right to receive payment of the dividends is established;*
> *(b) it is probable that economic benefits associated with the dividend will flow in the entity; and*
> *(c) the amount of dividend can be measured reliably.*

6.4 The audit revealed that PNCC recognized dividend income only upon the receipt of cash, rather than applying the accrual principle based on the dividend declaration date. This approach is contrary to the requirements of PFRS 9, which states that dividend income should be recognized when the right to receive payment is established, specifically on the declaration date. The total dividends received from SMC Skyway Corporation in CY 2024 are as follows:

Table 8 – Schedule of Dividends Received from SMC Skyway Corporation For Calendar Year 2024

Declaration Date	OR No.	Date received	No. of shares	Rate per share	Dividend (10% of total entitlement)
12/07/2023	716251	03/18/24	5,518,698	P26	P 14,348,615
03/13/2024	716783	06/24/24	5,518,698	P26	14,348,615
08/16/2024	717205	09/16/24	5,518,698	P33	18,211,703
12/03/2024	718057	12/19/24	5,518,698	P28	15,452,354
Total					**P 62,361,287**

6.5 Based on the above, the dividend income of P14.349 million received on March 18, 2024, was recorded as income in CY 2024. However, the declaration date for this dividend was made on December 7, 2023, which is when the right to recognize the dividend income was established. Given that all three criteria under PFRS 9 Paragraph 5.7.1A were met in CY 2023, the dividend income should have been accrued and recognized in that year.

6.6 Additionally, the Secretary's Certificate attached in the Official Receipt showed that SMC Skyway Corporation declared two dividend payouts on December 3, 2024, for earnings as of September 30, 2024. These dividends amounted to P28.00 per share, payable in December 2024, and P12.00 per share, payable in March 2025. While the December 2024 dividend was properly recognized upon receipt on December 19, 2024, the dividend payable in March 2025 was not accrued in CY 2024, despite being declared in the same resolution and meeting the recognition criteria. Since the right to receive payment was established in CY 2024, the dividend payable in March 2025 should be accrued as income in CY 2024.

6.7 The failure to properly recognize dividends based on the declaration date resulted in a net overstatement of dividend income in CY 2024 amounting to P7.726 million, as follows:

Table 9 – Net Overstatement of Dividend Income
For Calendar Year 2024

Particulars	Amount
Overstatement of Dividend Income in 2024	P14,348,615
Understatement of Dividend for Accrual in 2024	6,622,440
Net Overstatement of Dividend Income	**P 7,726,175**

6.8 The resulting misstatements in Dividend Income, arising from the failure to apply the accrual basis of accounting in recognizing dividends, are contrary to the requirements of Paragraph 5.7.1A of PFRS 9. The practice compromises the reliability and accuracy of financial reporting and raises concerns about the fair presentation of the financial statements in violation of Paragraph QC12 of the Conceptual Framework for Financial Reporting and Paragraph 15 of PAS 1.

6.9 **We recommended and Management agreed to:**

a) Make the necessary adjusting journal entries on dividend income for CY 2024;

b) Enhance the review procedures over dividend income recognition to ensure that all dividends are recognized based on the date of declaration; and

c) Ensure adherence to Paragraph 5.7.1A of PFRS 9 on dividend income recognition and PAS 1.

6.10 Management commented that they appreciate and agree with the observation. Accordingly, the Controllership Department will submit the necessary adjusting entries on dividend income for CY 2024. They also assured that the observations and recommendations are duly noted, and that they will comply and implement Paragraph 5.7.1A of PFRS 9 and the relevant provisions of PAS 1.

6.11 The Audit Team advised Management that future recognition of dividend income adheres to the accrual basis of accounting, in compliance with applicable financial reporting standards, to prevent recurrence of similar misstatements.

7. The Inventory account with a net realizable value of P2.444 million could not be ascertained due to the variance of P0.562 million between the balance per books and the inventory report, contrary to PAS 1, affecting the faithful representation of the account in the financial statement.

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

7.2 Paragraph 15 of PAS 1 – Presentation of Financial Statements provides that:

> *Financial statements shall 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. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

7.3 Audit of inventory account disclosed that the balance recorded in the books does not reflect the balance per the inventory report; details are as follows:

Table 10 – Discrepancies Between Book and Inventory Report Balances As of December 31, 2024

Accounts	Per Books	Per inventory report	Variance*
Office Supplies Inventory	713,014	468,907	**244,107**
Medical, Dental & Laboratory Supplies	555,776	567,940	**12,164**
Fuel, Oil and Lubricants Inventory	429,138	585,531	**156,393**
Other supplies and materials	4,745,886	4,596,609	**149,277**
	6,443,814	6,218,987	**561,941**
Allowance for Impairment loss	(3,999,962)	(3,999,962)	**0**
Net Realizable Value	2,443,852	2,219,025	**561,941**

**absolute amount*

7.4 The total variance of P0.562 million raises concerns on the accuracy, reliability, and faithful representation of the reported balance of the Inventory account.

7.5 Verification disclosed that the Report on the Physical Count of Inventories (RPCI), which serves as a primary document in validating and reconciling inventory balances, had not yet been made available to the Audit Team at the time of review.

7.6 Inquiry with the Controllership Department revealed that the preparation of the RPCI is still in progress. It is noteworthy that, on May 6, 2024, Management concurred with the Audit Team's prior recommendation to submit the said report on January 31 or earlier. The continued delay in submission indicates non-compliance with the agreed timeline and further affects the reliability of the inventory report.

7.7 Further, in order to facilitate the verification and reconciliation of the recorded Inventory account, in the absence of the RPCI, the Audit Team had no other viable alternative but to rely on the inventory report prepared by Management for submission to the Bureau of Internal Revenue.

7.8 Had Management strictly enforced internal controls over inventory management, the discrepancies could have been avoided. These controls include regular reconciliation of Stock Cards maintained by the supply custodian with the Supplies Ledger Cards maintained by the Accounting Unit; accurate and prompt updating of these records upon receipt and issuance of inventory items; and the periodic conduct of physical counts of inventories with immediate reconciliation to the accounting records.

7.9 Therefore, the identified variances, coupled with the absence of the RPCI, cast doubt on the accuracy and reliability of the reported inventory account balance in the financial

statements. It also highlights weaknesses in internal control and inventory monitoring practices, which should be promptly addressed to ensure compliance with applicable financial reporting standards and audit regulations

7.10 **We reiterated our previous year's recommendation that Management:**

a) Instruct the Inventory Committee to expedite the preparation of the Report on the Physical Count of Inventories (RPCI) and submit the same to the Audit Team; and

b) Ensure the reconciliation of the balances of each inventory account as reflected in the accounting records and inventory report.

Further, we recommended that Management:

c) Enhance internal control over inventory management in order to prevent variances between the balances per books and per inventory report; and

d) Ensure the timely preparation and submission of the RPCI on a semi-annual basis, in accordance with the audit requirements.

7.11 Management commented that they fully appreciate and agree with the observation. They committed to submit the RPCI on or before April 30, 2025. They also assured that the observations and recommendations are duly noted, and that they will comply with the required yearly submission of the said RPCI.

7.12 The Audit Team acknowledged receipt of the soft copy of the RPCI submitted by Management on May 22, 2025. However, upon examination, the amounts reflected in the RPCI are not consistent with the recorded balances in the books of accounts. The identified variance of P561,941 between the accounting records and the inventory report remains unresolved. Hence, we maintained our recommendation.

B. OTHER OBSERVATIONS

8. The non-payment of concession fees to the National Government (NG) totaling P7.592 billion (principal amount of P1.060 billion and penalty charges of P6.532 billion) is not compliant with Clause 2 of the Toll Operation Agreement (TOA), resulting in annual penalty charges of at least P258 million, which negatively impacts PNCC's financial performance.

8.1 This is a reiteration of prior year's observations with updated information.

8.2 Clause 2.1.1 of the TOA entered into by and between CDCP (now PNCC) and the Republic of the Philippines, represented by the Toll Regulatory Board (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).*

8.3 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 (2) 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 penalty charges.

8.4 Our audit disclosed that as of December 31, 2024, PNCC have an outstanding unpaid concession fee to the NG amounting to P7.592 billion, inclusive of P6.532 billion in penalty charges. The non-payment and non-compliance with the TOA, resulted in the incurrence of penalty of two per cent (2%) per year; totaling at least P258 million annually. This recurring penalty has significantly impacted PNCC’s financial performance. The TRB confirmed this balance and noted that PNCC has remitted only P487.627 million to the NG since 1985.

8.5 In a letter dated January 31, 2024, PNCC, in light of TRB’s plan to issue the final implementing guidelines on revenue sharing in toll road projects, asserted its claim to 100% of the toll revenue share for Skyway Stage 1 and Stage 2, as these were undertaken pursuant to Presidential Decree (P.D.) No. 1894 and not under P.D. No. 1113, which expired in 2007.

8.6 Currently, the Interim Guidelines issued by TRB on March 22, 2012 remain in effect, which directs 90% of PNCC’s share in the toll revenue from Skyway Stage 1 and Stage 2 to be remitted to the NG through TRB, while only 10% goes to PNCC. PNCC contends that this arrangement is incorrect and asserts that, since the projects were undertaken pursuant to P.D. No. 1894, it should receive the full amount of its revenue share rather than just 10%.

8.7 Moreover, based on previous discussions with Management, they are planning to settle the unpaid concession fees with the 90% of PNCC’s revenue share that has been remitted by the SMC Skyway Corporation to the NG through the TRB, as these properly belongs to PNCC.

8.8 In essence, Management intends to propose an offsetting arrangement by crediting previously remitted revenues to the NG against the unpaid concession fees. Instead of a separate cash payment, the remittances amounting to billions of pesos and potentially sufficient to cover the outstanding fees would be applied to settle the liabilities.

8.9 To pursue this, PNCC plans to schedule a meeting with the Bureau of Treasury (BTr) to discuss the formal process of offsetting. This would allow PNCC to clear its obligations while avoiding further penalties and ensuring that its rightful revenue is properly accounted for.

8.10 However, despite Management’s grand plan to settle its concession fee obligations through an offsetting arrangement, the proposal has yet to be formally discussed or initiated. The intended resolution, which involves crediting the remittances already made to the NG against the outstanding concession fees, remains uncertain considering that it requires the acquiescence of the NG for it to materialize. As of this date, no formal agreement or concrete steps have been taken to implement the planned offsetting.

8.11 In the absence of a definitive settlement plan, the TRB continues to impose an annual penalty charge of P258 million, further increasing PNCC’s total liabilities.

8.12 Thus, urgent action is required to resolve the issue on concession fee liabilities. Until a resolution is reached, PNCC remains burdened with annual penalties, which negatively impact its overall financial performance.

8.13 **We recommended that Management:**

a) Initiate the planned meeting with the BTr to discuss the formal process of offsetting; and

b) Take immediate action to implement the settlement plan to prevent the accumulation of penalties and ensure compliance with its financial obligations.

Further, we reiterated our previous recommendation that, should the planned offsetting fail to materialize, develop a payment plan duly approved by the Board of Directors for the settlement of unpaid concession fees to NG.

8.14 Management commented that it is in the process of finalizing its plan to settle the unpaid concession fees to the National Government. It maintains that PNCC is entitled to 100% of the toll revenue share from Skyway Stages 1 and 2, as these projects were implemented under P.D. No. 1894, and not under P.D. No. 1113, which expired in 2007.

8.15 Under the Interim Guidelines issued by the TRB on March 2, 2012, 90% of PNCC's annual revenue share from these projects has been remitted to the NG through the TRB, while PNCC receives only 10%. Management contends that the 90% remitted to the NG rightfully belongs to PNCC and is sufficient to cover the unpaid concession fees.

8.16 In line with this, PNCC has written TRB and is currently arranging a meeting with the BTr to initiate discussions on the possible offsetting of unpaid obligations against the remitted revenues.

8.17 By way of rejoinder, the Audit Team acknowledges Management's recognition of the outstanding concession fee liabilities and their plan to pursue an offsetting arrangement with the NG through the BTr. However, the same proposal has been noted in prior audit discussions, yet no formal steps were taken or reported. The continued inaction not only violates Clause 2 of the TOA but also exposes PNCC to financial strain due to the compounding penalties. Thus, we maintain our recommendation.

9. Lack of a definitive action plan by the Management and Board of Directors (BOD) on the lease and development plan of the 9.9-hectare portion of the Financial Center Area (FCA) property, contrary to Section 2 of Presidential Decree (P.D.) No. 1445 resulted in continued non-utilization and loss of potential income of at least P714.255 million for CY 2024.

9.1 This is a reiteration of prior year's observations with updated information.

9.2 Section 2 of P.D. 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.

9.3 PNCC owns a 12.954-hectare property known as the FCA located along Macapagal Boulevard, Pasay City. Previously, portions of the said property were leased to various lessees on a short-term basis until the expiration of lease agreements in May 2018. Thereafter, the PNCC BOD resolved not to renew the contracts to pursue a long-term lease and development plan.

9.4 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. The remaining 9.9 hectares are still idle and unproductive, and have pending ejectment cases filed by PNCC against former lessees who continued to occupy the premises despite lease expirations.

9.5 To move forward with the lease and development of the remaining 9.9 hectares, the BOD passed Board Resolution dated July 10, 2019, approving the Terms of Reference (TOR) for public bidding and authorizing the President and CEO to secure clearance/approval from the Office of the President (OP). The TOR was submitted to the OP on July 18, 2019.

9.6 On February 26, 2020, the President and CEO wrote another letter to the OP, inquiring about the status of their request for comment/approval on the subject TOR. 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.

9.7 In CY 2023, the Audit Team issued an AQM inquiring about actions taken by Management to fast-track its request for approval of the TOR. It was also inquired 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.

9.8 The Management informed that a follow-up was made with the Privatization Management Office (PMO) on July 21, 2021. 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.

9.9 Management also cited the issuance of Memorandum Circular (MC) 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 is to give the incoming new set of appointees a free hand on the project.

9.10 Further, Management informed that a new set of appointive directors assumed office in January 2023 and that they still have to study and consider the comments of the PMO on the TOR, specifically the comment pertaining to PNCC's authority to continue the development of the FCA property. Accordingly, the new set of BOD was set to revisit the earlier plan to lease and develop the subject property.

9.11 Considering that the plan was formulated almost six (6) years ago and the status of the property is no longer the same when the TOR was prepared, it is proper for the BOD to review the lease and development strategy for the FCA property.

9.12 In the meantime, some progress has been made in regaining control of portions of the property previously under litigation. Specifically, in August 2023, PNCC regained control of 1.5 hectares through the enforcement of a Writ of Execution issued by the Regional Trial Court. In 2024, PNCC also regained possession of an additional 2.4 hectares that were previously leased to Ley Construction Development Corporation.

9.13 Despite these developments, portions of the 9.9-hectare FCA property remain idle and unutilized, pending resolution of legal cases and the absence of clear directions from the Management and the BOD. The prolonged inaction has left valuable property underutilized, incurring foregone income, contrary to the principle of efficient use of government resources.

9.14 In view of the above, the Management should have exerted persistent efforts to utilize the property, either for lease or development; now that it has been six years since the expiration of the previous leases, leaving portions of the property unproductive and depriving PNCC of potential income.

9.15 The continued idleness and failure to maximize the potential of the property is contrary to Section 2 of P.D. No. 1445, which mandates that all government resources be managed and utilized in accordance with the law, and safeguarded against loss or wastage through improper disposition, to ensure efficiency, economy, and effectiveness in government operations.

9.16 **We reiterated our previous year's recommendation that Management:**

a) Establish PNCC's authority to develop the FCA property;

b) Assess and develop a definitive action plan based on current property conditions (whether to proceed or withdraw from the project), for the lease and development of the 9.9-hectare FCA property;

c) Proceed and initiate appropriate action to implement the BOD-approved action plan; and

d) Apprise the Audit Team of the status and developments on the 9.9-hectare portion of the FCA property.

9.17 Management commented that the members of the Business Development and Legal & Compliance Committees of PNCC Board discussed the TOR of FCA Property in their Joint Committee meeting held on March 26, 2025. It was noted that the assumptions in the TOR submitted to the Office of the President (OP) in 2019 may have significantly

changed over the past six years. As a result, the original assumptions may no longer be valid or relevant.

9.18 Part of the said TOR includes a stipulation that the winning bidder will assume responsibility to eject the illegal occupants since the proposed lease was on an "as-is-where-is" basis. However, since then, PNCC has successfully repossessed a 4.5-hectare portion of the property that was previously under litigation, and another 400 sq m portion is expected to be recovered.

9.19 Management informed the Audit Team that Members of the Committee suggested that, because so much has changed, it would be more prudent and appropriate to revisit and review the salient features of the TOR. Accordingly, the Committee tasked the PNCC Corporate Legal Department to conduct a review and comprehensive study of the 2019 TOR and inform the Board of its assessment.

9.20 Management's acknowledgement that the 2019 TOR may no longer be valid or relevant and is therefore due for a timely review and reassessment is a step in the right direction. However, it remains important for PNCC to proactively pursue the efficient utilization of the asset. Continued delays in the finalization of the TOR and in the leasing or development of the 9.9-hectare portion of the FCA property resulted in missed opportunities and the ongoing loss of potential income.

10. The non-collection of rental income totaling P204.185 million from Pacific Concrete Products, Inc. (PCPI) for the period December 2023 to December 2024 is contrary to the Amended Lease Contract, exposing the PNCC to credit losses.

10.1 Provisions of the Amended Contract of Lease provide that:

> ***ARTICLE III. LEASE CONSIDERATION***
>
> ***Section 1. Monthly Rent****. xxx*
>
> *The LESSEE shall pay the monthly Rental Fees on or before every fifth (5th) of the month and every month thereafter without need of demand from the LESSOR.*
> ***xxx***
>
> ***Section 2. Manner of Payment. Xxx…***
>
> *"No later than 60 days before the end of each year of the Lease Period, the LESSEE shall deliver 12 post-dated checks covering monthly rentals for the second year of the Lease Period.* ***The LESSEE shall thereafter tender the succeeding sets of 12 post-dated checks no later than 60 days before the end of the last check of the preceding set becomes due for deposit."***
>
> ***Section 5. Default in payment. Xxx…***
>
> ***Continued failure by the LESSEE to pay monthly rental over the period exceeding six months shall constitute default on its part*** *and shall be sufficient ground for the LESSOR to terminate this Agreement as provided here.*

Article VI. Default Provision

Section 1. Grounds for Termination*. A party shall be entitled to terminate this agreement and give notice of such termination to the other party for any of the following events of default when applicable, and upon failure of the other party to remedy the excusable default within 120 days from receipt of written notice of it where same is not excusable due to force majure as defined in this Agreement and/or is not any of the events of default of the LESSOR and grounds for suspension of contractual obligation by the lesser under this Agreement:*

LESSEE makes six consecutive/successive monthly delays in the payment of any of lease rental;

a. Xxx…

10.2 On February 20, 2004, PNCC and PCPI entered into a Contract of Lease (COL) with an Offsetting Agreement for the portion of the Financial Center Area (FCA) property with coverage of 2,000 square meters at P20 per square meter. Under the COL, PNCC agreed to offset PCPI's unpaid construction material costs amounting to P1,057,548 against the monthly rental obligation of P40,000.

10.3 However, PCPI was not able to put up the aforementioned plant, and PCPI proposed to amend the existing COL, seeking to expand the leased area from 2,000 to 9,000 square meters and repurpose it for the construction of a two-story commercial building for its own use and sublease. On June 28, 2005, PNCC Board of Directors (BOD) approved PCPI's proposal by virtue of Resolution No. BD-078-2005.

10.4 On August 8, 2005, the amended COL was signed by PNCC and PCPI. Pertinent provisions of the contract are as follows:

Table 11 – Provisions from the amended COL

Lease Term	:	October 1, 2005 to May 30, 2009
Rate	:	P315,000 per month or P35.00 per square meter per month
Escalation	:	P5.00 per square meter annually after the 1st year of lease
Payments	:	Payable in advance within the first five days of each month
Condition	:	Put up a two-story commercial building for PCPI use and for sublease.
Add'l Consideration	:	Deposit equivalent to two months and three months' advance rentals Eight months from October 1, 2005 to June 1, 2006, construction period, with total nominal rent of P400,000
Renewal	:	1st renewal for two years ending May 30, 2011 2nd renewal for two years ending May 30, 2013 3rd renewal for three years ending May 30, 2016

10.5 On June 27, 2006, PCPI, on its first payment of lease after the construction period, was delayed in payment for 21 days. Thereafter, PCPI consistently failed to make timely payments, with delays ranging from two to 128 days until the end of the original lease term on May 30, 2009. Consequently, a 24 per cent penalty was imposed per the COL.

10.6 On October 6, 2009, the BOD of PNCC issued BR No. BD-020-2009, granting the request of PCPI, to waive 90 per cent of the latter's accrued penalties and interest for the years 2004 to 2009 in the amount of P1,333,285.12, inclusive of VAT.

10.7 Despite PCPI's habitual payment delays, it submitted an unsolicited proposal on April 5, 2010, to lease an additional 80,000 square meters for a 10-year term, with an option to renew for another 10 years.

10.8 On March 12, 2013, the Audit Team issued an Audit Observation Memorandum (AOM) on PNCC's failure to maximize potential rental income from its FCA property in 2012. The AOM noted that as of December 31, 2012, the fair rental value of the FCA property was P181.43 per square meter. However, due to the nonrenewal of COL, the rate remained at P45.00 per square meter.

10.9 Based on the amended COL dated August 8, 2005, the lease rate should escalate annually as follows:

Table 12 – Schedule of Annual Lease Rate Escalation

Lease Period	Rate
Original Lease term:	
October 1, 2005 to June 1, 2006	Construction period – P400,000.00
June 2, 2005 to May 30, 2006	P35.00 per square meter
May 31, 2006 to May 30, 2007	P40.00 per square meter
May 31, 2007 to May 30, 2008	P45.00 per square meter
May 31, 2008 to May 30, 2009	P50.00 per square meter
1st renewal for two years	
May 31, 2009 to May 30, 2010	P55.00 per square meter
May 31, 2010 to May 30, 2011	P60.00 per square meter
2nd renewal for two years	
May 31, 2011 to May 30, 2012	P65.00 per square meter
May 31, 2012 to May 30, 2013	P70.00 per square meter
3rd renewal for three years	
May 31, 2013 to May 30, 2014	P75.00 per square meter
May 31, 2014 to May 30, 2015	P80.00 per square meter
May 31, 2015 to May 30, 2016	P85.00 per square meter

10.10 On February 10, 2015, the Audit Team issued AOM No. 15-002(2014), reiterating its previous observation that PNCC failed to maximize potential rental income from FCA property, resulting in an estimated foregone income of P446.941 million. This loss was attributed to the significant disparity between the current lease rate and the prevailing fair rental value of the property, as detailed below:

Table 13 – Fair Rental Value of PCPI

Appraiser	Date	Fair Rental Value (per sq. m.)
CAL-FIL Appraisal and Mngt, Inc.	May 3, 2014	P287.50
CAL-FIL Appraisal and Mngt, Inc.	September 14, 2013	287.50
Land Bank of the Philippines	December 15, 2011	181.43

10.11 During the Exit Conference on April 28, 2015, Management decided not to enter into any contract beyond June 2016 because, according to the then President and CEO (PCEO), it was hard to conduct public bidding for the lease of properties since the term of the lease is only for a year or less.

10.12 On June 2, 2016, the Head of the Administration and Property Management Division (APMD) informed PCPI of a P5.00 per square meter annual rental increase, effective from June 1, 2007 to May 31, 2016. The total unpaid rental adjustment as of May 31, 2016, including interest, amounted to P8.511 million

10.13 In response, the PCPI President, in a letter dated June 16, 2016, disputed the unpaid balance, claiming it was only P3.629 million based on their records. He also requested the waiver of interest charges, asserting that PCPI had consistently paid its monthly rent as billed by PNCC. Additionally, he noted that both PNCC and PCPI had inadvertently overlooked the P5.00 rental increase in the Contract of Lease.

10.14 On March 7, 2017, the Audit Team issued AOM No. 17-003-(2016) regarding PNCC's rental income. The audit revealed that PNCC's outstanding lease receivables amounted to P22.245 million, along with P235,945 in interest from late payments. However, the audited figures did not match the balances recorded by either PNCC or PCPI. The Audit Team recommended that PNCC reconcile its accounts with its debtors.

10.15 Furthermore, the Audit Team highlighted that PCPI had defaulted on rent payments for the period April 2015 to December 2016, or nearly two years.

10.16 On May 23 to 24, 2017, PNCC and PCPI conducted a reconciliation, during which the following issues were discussed:

- Excess area of 1,543 sq. m. occupied by PCPI as parking;
- Rental increase from P94.60 per sq. m. per month to P155/sq. m. per month, effective June 1, 2016; and
- Interest and penalty charges.

10.17 Following the reconciliation, the PCPI President wrote PNCC on May 25, 2017, addressing these matters. Regarding interest and penalty charges, he asserted that PCPI should not be held liable, as it had consistently paid its rental obligations. He also recalled that in the past transactions, PCPI had never imposed penalty interest on PNCC in the late 1990s and early 2000s, when PNCC owed PCPI P1.058 million for construction materials. Consequently, he requested a waiver of any applicable interest and penalty charges.

10.18 On May 29, 2017, PCPI remitted P7.603 million to PNCC for rental arrears and interest charges.

10.19 This ensued the negotiation and execution of a Contract of Lease (COL) covering 10,543 sq. m. for the period from June 1, 2017 to May 31, 2018, with the leased area subdivided as follows:

Table 14 – PCPI Leased Area

	Area (in sq. m.)	**Rate (per sq. m.)**	**Monthly Rent**
Covered	7,936.31	P240	1,904,714.40
Ancillary	2,606.69	P200	521,338.00
Total	**10,543.00**		**2,426,052.40**

10.20 To address the recurring delays in rent collection, the rental payments are to be secured by post-dated checks for periods not covered by advance rental payments. Additionally, a penalty increase of six (6) per cent was stipulated for rentals in the Ancillary Area, while the 24 per cent penalty remained for the Covered Area.

10.21 On February 6, 2019, the PNCC Board of Directors approved the Terms of Reference (TOR) for the long-term lease and development of the FCA. The Swiss Challenge method was selected as the preferred approach for awarding the lease. Since PCPI had already submitted a proposal to lease and develop the property, it was designated as the Original Proponent.

10.22 On June 13, 2019, following the recommendation of the Business Development Committee, the PNCC Board awarded the lease to PCPI due to the absence of a Swiss Challenger.

10.23 PNCC and PCPI subsequently entered into a COL, effective October 15, 2019, covering 30,000 sq. m. (3 hectares) in the FCA, Pasay City.

10.24 However, a two-year moratorium on rental fees was implemented details as follows:

> *As there are improvements currently in the one-hectare portion of the Leased Property, which is occupied by the LESSEE, the moratorium for rental fee pertaining to the Grace Period or the construction period of two (2) years starting from the date of effectivity of this Agreement, shall not be applicable until the said improvements have been decommissioned for commercial operation and all tenants and occupants thereon have already vacated within the construction period. Hence, during the construction period, the LESSEE shall be obliged to pay a monthly rental fee at the rate of P240.00 per square meter, per month for the said one (1)-hectare portion until the said decommissioning and vacating of all tenants and occupants…xxx*

10.25 Under the new COL, the rental rate for the one-hectare (10,000 sq. m.) portion leased by PCPI was set at P240 per sq. m., effective October 15, 2019 to October 14, 2021.

10.26 Due to the pandemic, PCPI again failed to pay rent from April to August 2020. It requested a waiver of payment, which was denied. On August 6, 2020, PCPI sought a grace period for settling rental arrears and proposed resuming monthly payments in September 2020.

10.27 On August 28, 2020, the PNCC Board of Directors approved the request, allowing PCPI to pay its rental arrears in six equal installments, beginning January 2021 or upon the lifting of community quarantines, whichever came first.

10.28 On August 24, 2021, PCPI requested the implementation of interim measures to the existing COL to mitigate the continued impact of the pandemic. It proposed the following measures:

(i) An extension of an additional one year to the original 2-year grace period ending October 2021, per section 1, Article III of the COL executed in October 2019; and

(ii) Retention of the lease rates effective March 2020, subject to revaluation once the economic conditions indicate a correction of the real estate market.

10.29 On September 30, 2021, the PNCC Board of Directors approved PCPI's request for an additional one-year grace period and a one-year extension of the COL. Additionally, the Board authorized the PCEO to sign and execute the amended COL on behalf of PNCC.

10.30 On April 28, 2022, the Audit Team issued AOM No. 22-006 (2021), noting, among other issues, that PCPI had only paid five of the six required installments, with the final installment due in December 2021. In response, Management replied that they would discuss the matter with PCPI. PCPI settled the last installment on August 30, 2022, as evidenced by OR No. 714513.

10.31 On October 12, 2022, PNCC's Head of Corporate Legal requested PCPI to issue six post-dated checks covering the lease period from April 15 to October 14, 2023. Under Article III, Section 2, Paragraph 3 of the COL, the lessee is required to deliver 12 post-dated checks for the preceding year's lease.

10.32 However, since the first six months were already covered by advance rental, PNCC requested only six post-dated checks.

10.33 On November 3, 2023, due to temporary financial hardship encountered, PCPI requested to replace the checks issued for the rental payment from October 2023 to January 2024 by four checks with payments deferred for four months bearing 12 per cent interest pursuant to Section 5, Article III of the COL, as follows:

Table 15 – Initial Rental Payment Deferment Request of PCPI

Month leased	Due date	Deferred date
October 2023	10/19/2023	2/19/2024
November 2023	11/19/2023	3/19/2024
December 2023	12/19/2023	4/19/2024
January 2024	1/19/2024	5/19/2024

10.34 Finding the request reasonable and acceptable, PNCC requested the remittance of post-dated checks from PCPI on November 8, 2023.

10.35 On February 16, 2024, PCPI requested to defer rental payments for the entire fourth year of the lease, proposing to move the last check date from September 19, 2024 to January 19, 2025. PNCC collected the October 2023 rental payment on February 19, 2024. However, the November 2023 rental payment was only collected on April 30, 2024, 11 days after the deferred due date.

10.36 On May 9, 2024, PCPI again requested for deferment of rent payments starting December 2023 due to financial difficulties. Details are as follows:

Table 16 – Second Rental Payment Deferment Request of PCPI

Rental Payment	Due date	1st Deferment	2nd Deferment	Days delayed as of 12/31/2024
December 2023	12/19/2023	04/19/2024	09/19/2024	379
January 2024	01/19/2024	01/19/2024	10/19/2024	348
February 2024	02/19/2024	02/19/2024	10/19/2024	317
March 2024	03/19/2024	03/19/2024	11/19/2024	288
April 2024	04/19/2024	04/19/2024	11/19/2024	257
May 2024	05/19/2024	05/19/2024	12/19/2024	227
June 2024	06/19/2024	06/19/2024	01/19/2025	196
July 2024	07/19/2024	07/19/2024	01/19/2025	166
August 2024	08/19/2024	08/19/2024	02/19/2025	135
September 2024	09/19/2024	09/19/2024	02/19/2025	104

10.37 On May 14, 2024, the PCEO of PNCC directed the Treasury Department to defer only rental payments, while ensuring the collection of accrued interest. As of December 31, 2024, total interest collected amounted to P9.459 million for the period March 19 to December 18, 2024, with remaining P1.945 million in accrued interest receivables.

10.38 The continued deferment of lease rentals raises concerns about PCPI's ability to fulfill its contractual obligations. Furthermore, it reinforces the perception that PNCC is tolerating delayed rental payments, encouraging PCPI to seek further deferment.

10.39 Evident from the above, PNCC has granted multiple compromises to PCPI concerning its COL over the years, including:

- Waiver of penalties and interest
- Extension of grace periods
- Extension of the lease period
- Non-imposition of interest and penalties for failure to pay rental escalations

10.40 As observed, PCPI has consistently disregarded the terms of its COL with PNCC, including but not limited to the following:

- Consistent delay in lease payment;
- Non-application of rent escalation;
- Repeated defaults

10.41 PNCC faces significant credit risk due to the potential non-collection of lease payments from PCPI totaling P204.185 million as of December 31, 2024. Although the requested deferral of payments accrues interest, only P90 million is secured by security deposits, leaving a substantial unsecured portion and exposed to risk of possible losses.

10.42 Moreover, the COL only provide six months of non-payment before PCPI is considered in default, strict compliance of this provision could have rendered PCPI in default as early as June 19, 2024. Further, such default also constitutes sufficient grounds for the termination of the lease agreement.

10.43 On February 6, 2025, PCPI again requested deferment of monthly rental payments for the period October 2024 to September 2025, citing the exodus of POGO and the increased vacancy rate in the MOA area. This request was made despite that rental payments for the period December 2023 to September 2024, remain unsettled. The details of the deferment request are as follows:

Table 17 – Third Rental Payment Deferment Request of PCPI

Month due	Due date	Deferment	Delay (in days)
October 2024	10/19/2024	06/19/2026	606
November 2024	11/19/2024	07/19/2026	608
December 2024	12/19/2024	08/19/2026	609
January 2025	01/19/2024	09/19/2026	609
February 2025	02/19/2024	10/19/2026	608
March 2025	03/19/2024	11/19/2026	611
April 2025	04/19/2024	12/19/2026	610
May 2025	05/19/2024	01/19/2027	611
June 2025	06/19/2024	02/19/2027	611
July 2025	07/19/2024	03/19/2027	609
August 2025	08/19/2024	04/19/2027	609
September 2025	09/19/2024	05/19/2027	608

10.44 PNCC cannot continue to bear the business risks of its lessees by repeatedly deferring lease obligations. The Board of Directors and Management have a fiduciary duty to safeguard the interests of PNCC and the government, which must take precedence over the concerns of its lessees.

10.45 It is also worth mentioning that PNCC has faced persistent legal challenges from former lessees in the FCA area. Notably, PCPI even filed a lawsuit to compel PNCC to negotiate based on the Board's prior approval of its unsolicited offer to lease, an action interpreted by PCPI as a meeting of the minds.

10.46 Had PNCC enforced timely and effective collection from PCPI, it could have realized an estimated P6.704 million in additional interest income based on the average interest yield from its High Yield Savings Accounts placements. While this may be lower than the interest from deferred collection, it reflects secure returns and avoids the risks associated with delayed or uncollected payments.

10.47 By exercising its contractual rights and enforcing payment terms, PNCC could have achieved a more stable cash flow and minimized the opportunity costs arising from late rental payments.

10.48 **We recommended that Management:**

a) Demand the full settlement of unpaid rentals amounting to P204.185 million, including interest charges in accordance with the terms of the Amended Lease Contract. Resort to legal remedies to enforce collection, if warranted;

b) Conduct a thorough financial and operational assessment of PCPI to determine its capacity to fulfill its lease obligations. This includes reviewing their payment history, financial position, and ongoing business viability; and

c) If warranted by the assessment and in light of PCPI's continued non-compliance and sufficient grounds for termination, initiate the termination of the lease agreement in accordance with the provisions of the Contract of Lease to prevent further financial exposure and credit risk.

10.49 Management commented that they agree with the observations and are currently in the process of studying and evaluating the recommendations provided. Also, Management informed that a meeting has been scheduled between PNCC and the PCPI to discuss and address the various issues cited, with the goal of safeguarding the rights and interests of PNCC. They committed to apprising the Commission on Audit of the outcome of this meeting.

10.50 Further, Management stated that they will conduct a study to assess PCPI's capacity to meet its lease obligations under the contract. They added that, should circumstances warrant, PNCC will consider terminating the contract while also demanding settlement for the unpaid rentals.

10.51 The Audit Team acknowledges Management's agreement with the observations and its plan to meet with PCPI to address the issues. While the option to terminate the contract and demand settlement is noted, the Audit Team urges Management to act promptly. The immediate enforcement of the lease terms should be pursued to safeguard the interest of PNCC.

11. PNCC did not strictly enforce the Notices of Finality of Decision (NFDs) totaling P130.010 million contrary to the dispositive portions of the respective NFDs and Item No. 7 of COA Resolution No. 2017-021 dated November 3, 2017, resulting in non-settlement of disallowed amounts, depriving PNCC of funds that could be available for its operations.

11.1 This is a reiteration of prior year's observations with updated information.

11.2 Dispositive portion of corresponding NFDs provides:

> *Accordingly, the persons liable shall pay the above amount immediately to the agency cashier, except those who may have pending appeal/petition for review/motion for reconsideration/petition for certiorari. Xxx*

11.3 Further, Item No. 7 of COA Resolution No. 2017-021 dated November 3, 2017, provides that:

> *For persons liable who are already separated from the service for whatever reason upon finality of the COA Decision or Notice of Disallowance, or upon issuance of Notice of Finality of Decision or COA Order of Execution, their liability should be paid in full to the agency cashier.*

11.4 The NFD is a written notification that a decision issued by COA has become final and executory. In the previous year, 2023, the COA Commission Secretariat issued three NFDs as a result of past Notices of disallowance (NDs). The details are as follows:

Table 18 – Notices of Finality of Decision issued in 2023

	NFD No.	Date	Date Served	Amount
1	2023-003	February 2, 2023	March 06, 2023	P 90,784,975
2	2023-232	June 26, 2023	August 22, 2023	2,770,288
3	2023-063	February 22, 2023	March 20, 2023	36,454,969
	Total			**P 130,010,232**

11.5 In CY 2023, the Audit Team recommended that these NFDs be recorded in the PNCC's books of accounts. In compliance, the Controllership Department recognized the two previously unrecorded NFDs on April 30, 2024.

11.6 Despite the recognition of NFDs, it is essential to emphasize that the persons held liable are required to immediately settle the amounts due to the agency cashier, except in cases where a timely appeal, petition for review, motion for reconsideration, or petition for certiorari has been filed. In such cases, liability under the corresponding NDs have not attained finality. Furthermore, Item No. 7 of COA Resolution No. 2017-021 clearly provides that individuals who are no longer in government service shall settle their obligations in full.

11.7 Clearly, upon issuance of the NFDs, PNCC is authorized to demand payment from the liable individuals. Verification, however, disclosed that Management has not effectively enforced collection from individuals who are still connected with the PNCC. As regards former employees, the Corporate Legal Department has yet to issue the necessary demand letters to initiate collection procedures.

11.8 The updates on the aforementioned NFDs are as follows:

1. NFD No. 2023-003: A COA Order of Execution No. 2023-030 was issued on September 4, 2023. PNCC subsequently issued demand letters on March 4, 2025, and one person liable made a partial payment of P100,000 on March 18, 2025, out of the total liability of P1 million.

2. NFD No. 2023-232: As of December 31, 2024, the Corporate Legal Department has yet to issue demand letters to the persons held liable under this NFD.

3. NFD No. 2023-063: This consists of multiple NDs related to benefits paid to PNCC personnel in CY 2010. The breakdown of the NFD is as follows:

Table 19 – Disallowances affirmed in NFD No. 2023-063

ND Nos.	Particulars	Date	Total Amount	Due from employees	Due from COS*
11-005-(2010)	Anniversary bonus	08/32/2011	P 5,864,469	P 559,243	P 191,532
11-006-(2010)	Clothing allowance	08/25/2011	605,500	63,000	11,000
11-008-(2010)	ISO bonus	11/28/2011	5,085,000	180,000	20,000
11-009-(2010)	Exit bonus - A	12/21/2011	23,000,000	-	-
11-010-(2010)	Exit bonus - B	12/21/2011	1,900,000	-	-
Total			**P36,454,969**	**P 802,243**	**P 222,532**

**Contract of Service*

11.9 Records show that a consolidated application for installment payment, signed by the corresponding employees pursuant to COA Resolution No. 2017-021, had been prepared. However, it was only filed with the COA on April 10, 2025, after a delay in submission. This application seeks approval for the installment payment scheme for disallowed benefits, in compliance with the provisions of COA Resolution No. 2017-021.

11.10 On June 19, 2024, the Head of Controllership submitted a list of 676 individuals who are no longer connected with PNCC, for the issuance of demand letters. However, the list is still under review, and appropriate legal action is being prepared.

11.11 It is noteworthy that an individual hired under Contract of Service (COS) has started complying with NFDs by making partial payments of P4,000 and P2,000 on February 05 and March 24, 2025, respectively. As of this date, a total of P115,367 has been withheld from recently retired employees and collected P6,000 from the individual under COS, totaling P121,367.

11.12 While Item No. 7 of COA Resolution No. 2017-021 excludes former PNCC employees from availing of the installment payment scheme for disallowed benefits, the Treasury Department continue to receive payments from individual COS in order to reduce the outstanding amount due. On the other hand, an outstanding amount of P150,768 from another COS employee, remain unpaid.

11.13 Pursuant to the NFD, PNCC is duty-bound to enforce collection from all individuals who received benefits without legal basis. Thus, PNCC must pursue collection from employees and individuals under COS by demanding full payment, as per the provisions of Item No. 7 of COA Resolution No. 2017-021.

11.14 Failure to enforce collections as prescribed in the NFD not only deprives PNCC of funds necessary for its operations, but also hinders the agency's adherence to principles of fiscal responsibility and accountability.

11.15 **We reiterated our previous year's recommendation that Management take appropriate legal action to collect from persons liable who are no longer connected with PNCC.**

Further, we recommended that Management:

a) Demand full payment from former employees who were rehired under COS; and

b) Enforce collection from current employees upon receipt of approval or disapproval of the application for installment payment.

11.16 Management commented that, for NFD No. 2023-003, and pursuant to COA Order of Execution No. 2023-030 dated September 4, 2023, the Corporate Legal Department (CLD) issued demand letters on March 4, 2025, to the liable individuals. One person made a partial payment of P100,000 out of a P1 million obligation and committed to pay the balance. The CLD is drafting reiterative demand letters for those who have yet to settle and will send them once finalized.

11.17 For NFD No. 2023-232, involving the disallowed Car Plan Benefit totaling P2,770,287.74, the CLD is preparing demand letters addressed to the approving/authorizing officers who are solidarily liable, and to the payees for the amounts they individually received. Copies of the demand letters will be furnished to COA after service.

11.18 Management commented that, for NFD No. 2023-063 involving multiple disallowances totaling P36.455 for benefits granted in CY 2010, PNCC personnel still connected with the Company filed a consolidated application for installment payment on April 10, 2025, pursuant to COA Resolution No. 2017-021. Management assured that collections will be enforced upon receipt of the COA's action on the application. It was further reported that several individuals have fully settled their obligations upon retirement, while one individual under Contract of Service has made partial payments totaling P6,000.00 as of March 2025. Management also expressed its position that COS personnel, though not regular employees, are still connected with the Company and should be allowed installment payments; however, full settlement will be strictly enforced if their contracts are not renewed. As for the 676 individuals no longer connected with PNCC, the HR Department is verifying their last known addresses, after which demand letters will be issued by the CLD.

11.19 Management's actions to initiate collection efforts for the NFDs are acknowledged. However, the delays in the issuance of demand letters for NFD Nos. 2023-003 and 2023-232, and the late filing of the installment application for NFD No. 2023-063, highlight the need for a more timely and proactive enforcement.

11.20 While Management expressed the view that COS personnel, though not regular employees, should be allowed to settle their liabilities through installment arrangements, it is to be noted that COA Resolution No. 2017-021 requires full payment from individuals who are no longer in government service. Moreover, the outstanding liabilities of the COS personnel exceed their monthly fee, making full settlement uncertain in the event that their contracts are not renewed.

11.21 The continued and proactive action is encouraged to ensure compliance with COA rules and to recover funds for PNCC operations.

12. Ten real properties classified as investment property with a carrying amount of P1.274 billion, remained idle and/or unutilized, depriving PNCC of potential income while continuously incurring maintenance expenses totaling P2.661 million for CY 2024, contrary to Section 2 of Presidential Decree (P.D.) No. 1445, thus, disadvantageous to the government.

12.1 This is a reiteration of prior year's observations with updated information.

12.2 Section 2 of P.D. 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.*

12.3 Our audit showed that 10 real properties of PNCC are idle or unutilized while continuously incurring maintenance expenses, as shown below:

Table 20 – Idle Investment Properties
As of December 31, 2024

	Property	Location	Lot Area (Sq. m.)	Carrying amount	Maintenance expense
1.	Antipolo	Sta. Cruz & Dela Paz, Antipolo, Rizal	14,770	143,207,500	106,257
2.	Bocaue	Bolakan, Bocaue, Bulacan	9,926	43,700,000	9,424
3.	Tagoloan	Tagoloan, Misamis Occidental	60,620	249,475,000	60,341
4.	Nasugbu	Caylaway, Nasugbu, Batangas	69	4,690,000	0
5.	Porac	Manibaug Pasig, Porac, Pampanga	116,591	77,637,500	1,268,230
6.	Sapang Maisac.	Sapang Maisac, Mabalacat, Pampanga	27,905	46,065,000	1,049
7.	Sta. Ines	Sta. Ines, Mabalacat, Pampanga	114,965	389,980,000	269,190
8.	Sta. Rita	Sta. Rita, Guiguinto, Bulacan	20,000	159,560,000	883,134
9.	Tagaytay	Tolentino East, Tagaytay, Cavite	98,207	156,315,000	63,693
10	Morong	Barrio Lagundi, Morong, Rizal	2,542	4,070,000	0
	Total		**465,595**	**1,274,700,000**	**2,661,318**

12.4 Antipolo Property
The property consists of two separate parcels of land located in Antipolo City.

12.5 Both lots are located in residential areas and are currently unused and serve no specific purpose. It generates no income and they continue to incur regular maintenance expenses, including P46,901 in annual association dues and real property taxes amounting to P59,356.

12.6 Bocaue Property
The property is located along the southbound side of the North Luzon Expressway between the Bocaue and Marilao exit tollgates. The land previously served as a staging area for patrol vehicles during PNCC's management of the North Luzon Tollways

12.7 Inspection conducted on December 9, 2024, confirmed that the property remains vacant, unutilized and unproductive. It is inaccessible, as it is fenced from NLEX and lacks established access or public road.

12.8 According to the Head of the Realty Management Department (RMD), the Management is planning to lease out the property on an "as is, where is" basis due to its location and the absence of a right-of-way. In CY 2024 PNCC incurred P9,424 in real property tax for the said property.

12.9 Tagoloan Property
The property with a total area of 60,620 square meters is located in Barangay Casinglot, Municipality of Tagoloan, Province of Misamis Oriental. A large portion of the property has long been occupied by informal settlers.

12.10 Records show that in CY 2011, the Mayor of Tagoloan expressed interest in acquiring the property. However, in CY 2012, the PNCC Board of Directors resolved to dispose the property through public bidding. Despite this resolution and subsequent intentions by Management to dispose the property, no concrete action has been taken, and the property remains undisposed and unutilized.

12.11 Inquiry with the President of the Homeowner's Association, revealed that they plan to inquire with the Home Development Mutual Fund (HDMF) to facilitate the acquisition of the land by the occupants, which the Head of RMD confirmed. The meeting was held

with HDMF Representatives on November 11, 2024, to discuss the acquisition of the property by the Local Government Unit of Tagoloan for housing purposes.

12.12 Nevertheless, the property remains unproductive as far as PNCC is concerned. It continues to incur expenses for maintenance, including real property tax payment of P60,341 in CY 2024. This persistent financial burden emphasizes the importance of urgently pursuing the property's disposal to prevent unnecessary maintenance costs.

12.13 Nasugbu Property

The property consists of two residential condominium units located within Gulod Resort, each with a floor area of 34.65 square meters, located along the Tagaytay-Nasugbu National Highway in Nasugbu, Batangas.

12.14 These units were acquired by PNCC from Gotesco Land Inc. (formerly Sirucon Resources Corporation) in settlement of its liabilities to PNCC in CY 2000. However, despite the lapse of more than 20 years, the Condominium Certificate of Titles (CCTs) have not been transferred under PNCC's name.

12.15 According to Management, the units are being maintained regularly to preserve their condition. While this indicates an intent to keep them in usable state for potential use, the properties remain unutilized, continuing to incur maintenance costs without generating any return.

12.16 Porac Property

The property covering an area of 116,591 square meters is located along the dried-up river bed of the Manibaug Pasig River in Barangay Manibaug Pasig, Porac, Pampanga. The site was previously used by PNCC as a sand quarry due to the area's abundant sand deposits.

12.17 It was previously leased to Tokagawa Global Corporation (TGC) for P677,777 per month for quarry operations. However, the said lease was pre-terminated effective July 6, 2022. Following the pre-termination, PNCC engaged the services of a security agency to secure the area, incurring P1.267 million in security expenses in CY 2024.

12.18 Inspection conducted on December 11, 2024, confirmed the presence of heavy equipment used by TGC, which were reportedly removed last year.

12.19 The abandoned heavy equipment should be removed, as PNCC derives no benefit from its presence, the continued incurrence of maintenance cost without compensation imposes an unnecessary financial burden on the Corporation. Management should therefore require the owner to either remove the machinery or pay rent/storage fee for parking its abandoned heavy equipment.

12.20 Nevertheless, the property remains idle and unutilized, with no efforts made to offer it for lease despite previous recommendations from the Audit Team to offer the said property to interested parties for quarry operations.

12.21 Sapang Maisac Property

The property is located within Barangay Sapang Maisac, Mabalacat City, Pampanga. It was once used as a quarry site by PNCC.

12.22 A portion of the property is gated and contains several structures, including a shanty near the entrance, used as sleeping quarters by a person entrusted by the caretaker to look after the property in his absence. Also within this section is a house with non-functional swimming pool.

12.23 In addition, the inspection revealed the presence of various animals, such as fighting cocks, ducks, and a pig which are being tended by the caretaker's designated helper.

12.24 The larger portion of the property appears suitable for agricultural activities. During the inspection, plants resembling rice were observed. Although the caretaker claimed they were merely wild grass, a closer assessment suggests that the area is being cultivated for rice farming.

12.25 According to Management, the property is located in an NPA-infested area who are attempting to claim and cultivate portions of the land. It appears that the cultivation activities by the caretaker's helper are intended as a means of asserting control over the land preventing its occupation by outsiders. Nonetheless, these activities do not yield any benefit for the Corporation. At present, the property remains idle and unutilized. it continues to incur maintenance costs, including an annual real property tax of P1,049 and the compensation of the caretaker.

12.26 Sta. Ines Property

The property is located in Barangay Sta. Ines, Mabalacat City, Province of Pampanga, and consists of five (5) adjoining lots with a total area of 114,965 sq. m. The majority of lots are registered under the name of the Republic of the Philippines (ROP) as a result of expropriation, while one is titled to PNCC and another to private individuals. Details are shown in the table below.

Table 21 – TCTs of Sta. Ines Property
As of December 31, 2024

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		

12.27 According to the Head of RMD, the property was acquired as part of the planned right-of-way of NLEX. However, due to the re-alignment of the NLEX exit in Sta. Ines, only a portion was utilized. The rest was retained by PNCC following the turnover of NLEX to the National Government.

12.28 An appraisal report dated January 18, 2022, indicates that only 15,640 sq. m. of the area were used for right-of-way, specifically within TCT No. 326191-R (51188-M). An additional 1,715 sq. m. was converted as an unpaved public road. This leaves approximately 97,610 sq. m. of idle and unutilized land.

12.29 The inspection conducted on December 11, 2024, revealed that the majority of the property is covered with grass and scattered trees. A new barangay road has been partially constructed within the property, intended to provide access to NLEX and improve connectivity for nearby residents. However, the road currently remains incomplete due to a fence that blocks access to the expressway.

12.30 Inquiry with Management confirmed that the barangay road is already being used by the public. This increased accessibility may offer future opportunities for development, including potential commercial or residential use. Nonetheless, at present, the property remains largely idle and unutilized, while incurring cost of P269,190 as caretaker's compensation despite generating no revenue nor any productive output.

12.31 Sta. Rita Property

The property used to be the office of North Luzon Tollways, a major division of PNCC, with thirteen (13) structures that have since been neglected and are in state of continuous deterioration. In May 2022, PNCC entered into a lease agreement with San Miguel Holdings Corporation (SMHC) for the use of the property for a five-year term. However, the contract was pre-terminated just two months later, in July 2022, upon SMHC's request due to change in project priorities.

12.32 During inspection, presence of goats that roam freely within the premises was observed. A closer look at the structures revealed that they are already dilapidated and not suitable for use. Additionally, several private vehicles were found parked within the property. According to the caretaker, most of the vehicles belong to him while one belongs to a nearby resident.

12.33 The Head of RMD informed that there are plans to offer the property for lease again. However, as of this writing, the property remains idle and unutilized. Despite this, it continues to incur substantial costs, in the form of real property tax and caretaker's salary which amounted to P613,944 and P269,190 for CY 2024.

12.34 Tagaytay Property

The boundaries and the exact location of the property with an area of 98,207 square meters cannot be ascertained. It was only viewed from the elevated part of Tagaytay-Talisay road (the nearest developed road in the area) and perceived the property to be somewhere along the area. The property is not accessible through public roads nor does it have an access road.

12.35 Verification disclosed that this property remains unutilized and undeveloped, while it incurred real property tax expenses in the amount P63,693 for CY 2024.

12.36 Morong Property

The property is located in Brgy. Lagundi, Municipality of Morong, Province of Rizal, and comprises ten (10) separate lots with a total land area of 2,542 square meters.

12.37 Verification disclosed that one of the two independent appraisers did not conduct an appraisal of the property in CY 2023. According to the appraisal report, the Assessor's Office of Morong had no record of the subject property despite the submission of Certificates of Title and a Subdivision Plan that clearly identified the lots.

12.38 Furthermore, the report indicates that the area where the property is believed to be located is currently occupied by a different subdivision, identified as Lagundi Heights, which was developed to accommodate relocatees from Intramuros. This raises concerns about the exact location of the property and the verifiability of the lots.

12.39 Inquiry with the Head of RMD confirmed that, despite efforts to coordinate with the Assessor's Office, no tax map for the property can be obtained. The absence of a tax map, a crucial document for identifying property boundaries and verifying ownership, casts doubt on the existence or the exact location of the property.

12.40 Due to this uncertainty, PNCC is unable to utilize, manage, or benefit from the property. The lack of verifiable records and accurate boundary information prevents any form of development, disposal, or strategic planning related to the asset, thus representing a lost opportunity and potential risk to the Corporation.

12.41 Maintaining these properties entails recurring costs in the form of real property taxes, security/caretaker services, and other related expenses. Keeping them idle and unproductive deprives the PNCC of potential income and proves disadvantageous to the government. Proper utilization of the assets could mitigate the ongoing maintenance expenses.

12.42 In particular, the Porac and Sta. Rita properties present viable opportunities for lease. Based on recent lease rates, leasing out these two properties could generate an estimated income of P13.413 million annually, as detailed below:

Table 22 – 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**

12.43 The continued idleness and non-utilization of these investment properties contradicts the policy of the government under Section 2 of P.D. No. 1445, which mandates that, all government resources 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.

12.44 **We reiterated our previous recommendation that Management:**

a) Advertise and/or conduct public bidding for properties that are suitable for lease;

b) Expedite the transfer of titles of Nasugbu (Gulod) Property to PNCC; and

c) Strengthen the security measures for all properties to prevent further encroachment and ensure protection against illegal occupants.

Further, we recommended that Management:

d) Conduct a thorough review of all documents establishing the legitimacy, ownership, and exact location of the Morong and Tagaytay Properties, and actively coordinate with relevant government agencies to secure necessary records, including tax maps, to determine its exact location;

e) Demand from Tokagawa Global Corporation (TGC) the immediate removal of the abandoned equipment in the Porac Property, otherwise require appropriate parking or storage fees; and

f) Assess the current use of the Sapang Maisac Property for rice cultivation and correspondingly demand fair rental fees from those benefiting from its use, as such activities provide no direct benefit to PNCC.

12.45 Management commented that while they aim to maximize the use and income from PNCC's properties, only two of the ten cited are currently suitable for lease. These are the Sta. Rita Property in Guiguinto, Bulacan, and Porac Proprerty in Pampanga. The subject properties were offered to interested parties, with public bidding for Sta. Rita scheduled in May, and a lease proposal was received for Porac for sand quarry operations.

12.46 Antipolo properties are located within gated subdivisions and secured from informal settlers, but cannot be leased due to developer restrictions. Previous sale attempts in 1997, 1999, and 2015 were unsuccessful, with the 2015 sale halted by a court injunction related to the PAN with GCG.

12.47 Bocaue property was offered to MNTC and other potential lessees, but no interest was shown. Given ongoing developments in the area, management may offer the property for lease and development on an as-is-where-is basis.

12.48 Tagoloan property has been occupied by informal settlers for over 30 years, with the San Vicente Village Homeowners Association (SVHA) formed by the occupants. Previous acquisition attempts by the homeowners and local government failed. In 2023, the Tagoloan Mayor visited PNCC for an update. In 2024, Pag-IBIG Fund notified PNCC about the local government and homeowners' interest in acquiring the property, and a meeting was held, but no update has been received. The Tagoloan property was also included in the inventory of available lands submitted to the DHSUD for the Pambansang Pabahay Para Sa Pilipino Program, in compliance with EO No. 34, s. 2023, as potentially suitable for the program. Attached are the DHSUD letter and our reply for your reference.

12.49 Nasugbu property was acquired from Gotesco Land Inc. as settlement for Suricon's obligation. Legal cases involving Gulod Resort, Inc. and Land Bank affected the transfer, though the units were fully paid under a Compromise Agreement. In July 2024, Pricewave, Inc. confirmed settlement of GRI's loan with LBP and transferred all units to their name, offering a buyback option. PNCC is working on transferring the property and may sell the units through public bidding.

12.50 Porac property- PNCC assigned security guards to prevent unauthorized sand removal. The property was reoffered for lease, and a proposal for quarry operations has been received and is under review. Regarding heavy equipment left by TGC for repairs, PNCC has instructed them to remove it, but the equipment remains. TGC will be notified again and charged a storage fee if not removed.

12.51 Sapang Maisac property- The caretaker secured the property and entrusted someone else for security due to safety concerns. Structures left by the former occupant after vacating, including a shanty and a house with a non-functional swimming pool, are present. Animals are kept by the caretaker's helper, which is allowed as long as it doesn't damage the property. The management permits land cultivation to prevent unauthorized use. Further evaluation is needed to determine the best use and leasing potential.

12.52 Sta. Ines property is part of the NLEX ROW acquired by PNCC and registered in the name of the Republic of the Philippines. Only a portion is used for the expressway. In 2024, the Mabalacat City Government proposed a Usufructuary Agreement with PNCC to develop the property into a sports complex, park, and government office spaces. However, PNCC informed the city that it cannot enter into such an agreement since the property is registered under the National Government. PNCC has sought guidance from the Bureau of the Treasury (BTr) and is awaiting a response to pursue a usufruct agreement.

12.53 Sta. Rita property- The five-year lease contract between PNCC and San Miguel Holdings Corporation (SMHC) for the Sta. Rita property was pre-terminated by SMHC due to a change in project priorities. The property was then offered for lease through public bidding, but the bids on July 8 and July 22, 2024, were both unsuccessful. Another public bidding is scheduled for May 20, 2025, with the Invitation to Submit Proposal already published and the Pre-Bid Conference set for April 30, 2025.

12.54 Tagaytay property consists of two adjoining lots totaling 98,207 square meters. It is mountainous and forested, with unverifiable boundaries and no right-of-way. A relocation survey was conducted, but not completed due to lack of access. The property was previously offered for sale through public bidding, but no bids were received. Further study is needed to determine its best use and leasing potential.

12.55 Morong Property- The lots were mortgaged to CDCP in 1981, with a Certificate of Sale executed in 1982 after foreclosure proceedings. Despite previous inspections, the property remains undeveloped with no road network. A relocation survey was started in 2019 but halted due to ongoing development in the area, believed to be for an NHA housing project. Verification with the Morong Assessor's Office shows the properties are not listed in the tax map, and PINs are withheld due to unclear location. PNCC is conducting further research with the local and provincial offices, and an update will be provided once completed.

12.56 Management's update on the status of the ten idle and/or unutilized PNCC properties was noted. While certain constraints may currently limit the immediate lease or disposal of some properties, Management is nonetheless expected to proactively address these issues and pursue viable options to generate income and maximize the use of these assets as required under Section 2 of P.D. 1445.

13. The retention of dormant accounts totaling P10.647 billion is not compliant with the provisions of COA Circular No. 2023-008 dated August 17, 2023, regarding the write-off of long outstanding accounts.

13.1 To address the increasing number of dormant accounts in government entities, COA Circular No. 2023-008 dated August 17, 2023, was issued to provide guidelines for their proper disposition. It also aims to fast-track the cleansing of government accounts, ensuring a more accurate and reliable financial statements.

13.2 The audit revealed that PNCC has not reapplied for the writing-off of its dormant accounts since 2014. The COA Circular No. 2023-008 prescribes the guidelines for write-off not only for dormant receivables, but also for other accounts that are applicable to PNCC, including investments, inventories, deferred credits, and other assets.

13.3 As of December 31, 2024, dormant balances have been identified in the following PNCC accounts:

Table 23 – Accounts with dormant balances
As of December 31, 2024

	Amount	Allowance	Net	Remarks
Receivables	194,799,588	(193,763,788)	1,035,800	99% provided w/ allowance
Inventories	530,755	(530,755)	0	Fully provided w/ allowance
Financial Assets	103,500	0	103,500	Not provided w/ allowance
Inv in subsidiaries	163,993,889	(163,993,889)	0	Fully provided w/ allowance in 2010
Other investments	13,473,522	(13,473,522)	0	Fully provided w/ allowance
Other Assets				
Assets for write-off	9,615,422,219	(9,615,422,219)	0	Fully provided w/ allowance
Other Assets	651,927,115	(651,927,115)	0	Fully provided w/ allowance
Deferred charges	6,802,733	(6,802,733)	0	Fully provided w/ allowance
Total	**10,647,053,321**	**(10,645,914,021)**	**1,139,300**	

13.4 Receivables – P194.800 million

This account pertains to dormant receivables such as billed contract receivables, lease receivables, claims receivables, and other receivables. Billed and claims receivables totaling P117.502 million pertain to construction-related services rendered as early as 1986. Lease receivables totaling P55.567 million consist of P54.829 million from heavy equipment rental and P0.739 million from lot rental.

13.5 Inventories – P0.531 million

Dormant inventories awaiting disposal include office supplies, termite-damaged and expired medicines, common supplies, and spare parts for service vehicles. A 100% allowance for impairment losses has been provided as of December 31, 2024.

13.6 Investment in subsidiaries – P163.994 million

This pertains to investments in inactive and non-operating subsidiaries of PNCC, including DISC Contractors, Builders, and General Services, Inc., Tierra Factors Corporation, CDCP Farms Corporation, Traffic Control Products Corporation, and PNCC Skyway Corporation. Due to financial losses and capital deficiency, a 100% allowance for impairment loss has been provided.

13.7 Other Investments – P13.474 million
This account includes investments in shares of stock in corporations that are no longer operational, such as Manila Land Corporation, Managerial Resources Corporation, San Ramon Ranch, San Roque Ranch, Land Management Corporation, and others, totaling P13.474 million. An allowance for impairment losses was fully recognized in 2010 due to the remote recoverability of these investments

13.8 Assets for write-off totaling P9.615 billion
A request for write-off of these assets was first made in 2014. In a letter dated June 3, 2014, the former PNCC President and CEO requested COA's authority to write off these accounts, which had been outstanding for nearly 27 years.

13.9 Accordingly, these assets were first reflected in the Corporation's Balance Sheet as of December 31, 1987, in the amount of P9.411 billion in preparation for the Corporation's privatization plan. The Committee on Privatization approved the plan in January 1988 under Proclamation No. 50. A rehabilitation program was formulated, which included the write-off of worthless assets. Pending final approval from the President of the Philippines, these assets were transferred to a separate account, "Assets for Write-Off." In order to reflect the true financial position of the PNCC, allowance for losses was provided by the Management.

13.10 In March 2017, the request was returned by the Assistant Commissioner of Corporate Government Sector, requiring the submission of applicable relevant documents and schedules to support the request for write-off. However, no further resubmission has been made since then.

13.11 Other assets – P651.927 million
This account has remained outstanding in the PNCC's Annual Report since 2014 and has been fully covered by an allowance for impairment losses. Accordingly, Management intends to request COA's authority to write off this account once the necessary documentation is complete.

13.12 The audit disclosed that these accounts have been dormant for 10 years. Yet no action has been taken since 2017 to request their write-off under the aforementioned Circular. Retaining these accounts reduces efficiency, as time and effort are allocated in monitoring dormant balances instead of focusing on active ones. Moreover, delaying this issue may further complicate the request due to difficulty in the retrieval of supporting documents over time, and institutional knowledge may have been lost when key personnel retire or leave the organization.

13.13 Accordingly, compliance with the COA Circular does not mean that PNCC is condoning the obligations of the debtors. Management must continue to pursue all possible means to recover and monitor these long-outstanding accounts.

13.14 **We recommended that Management:**

a) Conduct an immediate review to determine all the accounts that qualify for write-off per COA Circular No. 2023-008;

b) Prepare and submit the necessary request for write-off to COA, including all required supporting documents; and

c) Implement a proper monitoring and review mechanism to track dormant accounts and prevent their future accumulation.

13.15 Management commented that they fully appreciate and agree with the observations. Accordingly, the Controllership Department will endeavor to conduct a thorough review to identify dormant accounts that qualify for write-off. They also assured that the observations and recommendations are duly noted, and that they will strive to comply and implement the same.

13.16 The Audit Team noted Management's prompt acknowledgment of the observation and its commitment to address the issues raised and implement the recommendations.

14. 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 and LBP, have not been returned to PNCC despite the lapse of more than eight years from the finality of Supreme Court's (SC) decision on November 14, 2016, thereby depriving PNCC of the opportunity to utilize the funds for operation or investment purposes.

14.1 This is a reiteration of prior year's observations with updated information.

14.2 In 2011, PNCC became 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, sought to recover their separation pay package differentials after being retrenched in 2005.

14.3 On October 17, 2011, the Labor Arbiter ruled in favor of the complainants and directed PNCC to pay P171.072 million in monetary claims. PNCC appealed before the NLRC and secured a surety bond from Investors Assurance Corporation (IAC) equal to the judgement award of P171.072 million, to suspend the execution of the decision pending appeal. The following collaterals were posted in IAC's favor to secure the bond:

a. P90 million deposited in the LBP;
b. P10 million deposited in DBP; and
c. A check of P71.072 million to be drawn against PNCC's LBP account.

14.4 After several proceedings, on April 18, 2016, the SC denied the petition of Valentin et al. for money claims against PNCC. The Entry of Judgement was issued on November 14, 2016, rendering the case final and executory.

14.5 On December 5, 2017, the Insurance Commission (IC) issued a cease-and-desist order against IAC for failing to meet capital requirements, placing IAC under conservatorship. This resulted in the IC appointing a Conservator for the processing and payment of claims against IAC.

14.6 In February 2018, PNCC filed a Motion to Release bond before the NLRC, as there was no longer any award to be satisfied following the finality of SC's decision. On August 22, 2019, the NLRC-Regional Arbitration Branch (RAB) No. III resolved PNCC's Motion, the dispositive portion of which states:

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.

14.7 Accordingly, PNCC became aware of the release of P37.107 million collateral to its former employees, only at this stage. The then Legal Officer of PNCC personally verified the records of cases, but the alleged receipt issued by the Sheriff was not part of the records.

14.8 PNCC argued that the IAC is not entitled to the premium, as the NLRC on October 15, 2012, declared the writ of execution issued by RAB III on July 17, 2012, null and void. As such, the purpose for securing the appeal bond ceased to exist, justifying PNCC's decision not to renew the bond upon its expiration on November 16, 2012.

14.9 On September 11, 2019, the PNCC submitted an Appeal Memorandum before the NLRC, requesting the partial reversal and setting aside of the August 22, 2019 Order and directing IAC to return the entire cash collateral of P71.072 million. PNCC cited the lack of legal and factual basis for the alleged partial satisfaction of P37.107 million and IAC's ineligibility for the premium. However, the NLRC dismissed the appeal on November 26, 2019. PNCC's Motion for Reconsideration was also denied on February 28, 2020.

14.10 Aggrieved, PNCC filed an instant Petition for Certiorari with the Court of Appeals (CA), assailing the NLRC Resolutions dated November 26, 2019 and February 28, 2020.

14.11 On April 8, 2021, the IC granted PNCC's request to release the uncontested portion of the collateral amounting to P100 million deposited in LBP and DBP, net of the alleged unpaid premiums and interests on the bond payable to IAC totaling P13.844 million.

14.12 On May 5, 2021, the LPB released P86.156 million to PNCC, while the balance of P3.844 million and P10 million remain deposited and restricted from withdrawal until the resolution of the issues and upon securing a clearance from the IC.

14.13 In the CA's Decision dated October 28, 2024, PNCC's Petition for Certiorari was granted. The NLRC Resolutions dated November 26, 2019 and February 28, 2020 were annulled and set aside. The case was remanded to the NLRC for resolution with reasonable dispatch.

14.14 On December 10, 2024, PNCC filed a second Reiterative Request to IC to resolve PNCC's Demand for the release of the P71.072 million cash collateral posted under IAC and to release the remaining uncontested collateral amounting to P13.844 million. However, no update has yet been received from IC.

14.15 As of December 31, 2024, the cash collateral amounting to P71.072 million remains with IAC despite the lapse of more than eight (8) years from the finality of SC's decision and more than five (5) years from the order of RAB III to release the bond less the amounts already released and any unpaid premiums owed to IAC.

14.16 Due to unresolved issues, PNCC is deprived of utilizing P71.072 million and P13.844 million. In line with this, PNCC should initially request the release of the uncontested amount of P33.965 million, while maintaining its firm position on its claim for the remaining P37.107 million. This would allow PNCC to utilize the uncontested amount of P33.965 million for use by PNCC in its operation or investment opportunities.

14.17 Notwithstanding the above, we acknowledge the efforts and actions of Management in pursuing its claims, reflecting its commitment to recovering the funds and protecting the Corporation's interests. However, with the issue still unresolved and the funds remain restricted, Management must continue its efforts to secure their release and put them to productive use.

14.18 **We reiterated our previous recommendation that Management:**

a) Request for the release of the uncontested amount of P33.965 million from the IAC, through the IC, without prejudice to its claim for the remaining cash collateral of P37.107 million;

b) Closely monitor the outcome of the case concerning the cash collateral amounting to P71.072 million and P13.844 million, respectively, in order that such amounts may be utilized and made available for operation or investment purposes; and

c) Inform the Audit Team of any developments regarding the release of the cash collateral.

14.19 The Management commented that they have been actively pursuing the recovery of the P71.072 million cash collateral under IAC Bond No. 0015764 through legal and administrative remedies. Following the finality of the Supreme Court Decision in 2016, PNCC filed a Motion to Release Bond, which the Labor Arbiter partially granted in August 2019, allowing the release of the bond less P37.107 million and alleged unpaid premiums. PNCC contested this partial release and appealed the Labor Arbiter's order up to the Court of Appeals, which, in a Decision dated 28 October 2024, granted PNCC's petition and remanded the case to the NLRC for proper disposition. The IAC has since filed a Motion for Reconsideration, which remains pending.

14.20 PNCC also filed a complaint before the IC against IAC in 2019 to recover the bond amount. The IC partially released P86.156 million in 2021 but retained P13.844 million, pending the resolution of issues on unpaid premiums and the finality of the Labor Arbiter's order. PNCC reiterated its demand in December 2024, but the IC has deferred further action, citing the unresolved legality of the 2019 Labor Arbiter Order.

14.21 Additionally, PNCC sought assistance from the National Bureau of Investigation to probe the alleged unauthorized release of P37.107 million to the complainants. The investigation is ongoing, and PNCC continues to coordinate with the assigned NBI agent to pursue the responsible parties.

14.22 Management assured that they will provide updates on any developments related to the case.

14.23 While Management's efforts to recover the P71.072 million cash collateral are noted, the prolonged legal delays continue to prevent PNCC from utilizing these funds, contrary to the principles of efficient management of government resources. Thus, Management should prioritize the prompt resolution of this matter to ensure that PNCC's financial resources are not constrained.

15. The protracted recovery of cash bonds totaling P7.190 million, posted by PNCC before the National Labor Relations Commission (NLRC), despite favorable final and executory decisions rendered by the Supreme Court (SC), is contrary to Section 2 of Presidential Decree (P.D.) No. 1445, depriving PNCC of the funds that can be used for its operations.

15.1 This is a reiteration of prior year's observations with updated information.

15.2 Section 2 of P.D. 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. (emphasis supplied)*

15.3 PNCC posted cash bonds with the NLRC in connection with labor cases filed by employees for the claim of certain employees' benefits. Posting of bonds, equivalent to the judgment award, is a requisite for the perfection of the appeal. The details are as follows:

Table 24 – Labor Cases with Recoverable Bonds
As of December 31, 2024

Title of Case	CV No.	Amount of Bond	Status	Remarks
1. **Claim of Mid-year Bonus** E.N. Lopez-De Leon, et al. vs. PNCC GR No. 248401 CA-GR-SP No. 139311	303514 dated 03/06/14	2,277,620	Released by NLRC to complainants 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 issued on March 30, 2022.
2. **Claim of Transportation Allowance** E.N. Lopez-De Leon, et al. vs. PNCC GR No. 244710 CA-GR-SP No. 149392	404416 dated 04/13/16	637,500	Released by NLRC to complainants on June 7, 2017	SC rendered Decision dated October 7, 2019 favoring PNCC. Entry of judgment was issued on March 11, 2020.
3. **Claim of Exit Bonus** E.N. Lopez-De Leon, et al. vs. PNCC G.R. No. 227583 CA-G.R. SP No. 140817	506814 dated 05/28/16	3,330,000	Still in NLRC custody	PNCC won in the case per CA Decision dated May 24, 2016 and CA Resolution dated October 7, 2016. The SC second division issued Resolution dated January 25, 2017 denying the petition to assail the CA Decision and Resolution. Entry of judgment was issued on March 08, 2017.

Title of Case	CV No.	Amount of Bond	Status	Remarks
4. **Claim of Gasoline & reimbursable TA** F.M. Erece, et al. vs. PNCC G.R. No. 235673 CA-G.R. SP No. 146350	APV No. 01-017-16	945,000	Still in NLRC custody	SC Third Division rendered a Decision dated July 22, 2024 in favor of PNCC and likewise in CA Resolution dated November 8, 2017. Awaiting issuance of Entry of Judgment
Total		**7,190,120**		

15.4 Updates and summary of the cases are as follows:

15.5 1.Claim of Mid-year Bonus (MYB)
PNCC employees filed a case for the discontinuance of the MYB in 2013. The Labor Arbiter (LA) ruled in their favor, citing Article 100 of the Labor Code on non-diminution of benefits. The NLRC and Court of Appeals (CA) upheld this Decision, causing PNCC to file petition for review on certiorari with the Supreme Court (SC).

15.6 While the case was pending before the CA, the NLRC released P2.278 million in PNCC's cash bond to the complainants on March 20 and April 14, 2015. However, on June 23, 2021, the SC ruled in favor of PNCC, reversing the CA decision and dismissing the complaint.

15.7 On March 30, 2022, the SC Decision attained finality per Entry of Judgment.

15.8 On November 6, 2024, PNCC, through its statutory counsel the Office of the Government Corporate Counsel (OGCC), filed a Motion to Order Restitution of the amount of the Cash Bond before the NLRC. However, the NLRC has yet to issue a resolution on the matter.

15.9 2.Claim of Transportation Allowance
In this case, PNCC employees complained about the discontinuance of their transportation allowance, claiming that it violates Article 100 of the Labor Code. The LA and NLRC ruled in their favor, but the CA and SC later overturned these decisions, stating that the discontinuance did not constitute diminution of benefits. While pending before the CA, the NLRC released the bond to the complainants.

15.10 On October 7, 2019, the SC's Second Division issued Resolution declaring the CA decision final and executory and granting PNCC's petition to annul and set aside the 2016 Decision of the NLRC.

15.11 On December 22, 2023, PNCC, through the OGCC, sought legal action to recover the released bonds. The latter filed a Motion to Release Bond and Order Restitution with an additional prayer to impose interest until full payment for the unrecovered bonds.

15.12 The case is still with the NLRC, pending the issuance of a Resolution on the Motion to Release Bond and Order Restitution.

15.13 3.Claim of Exit Bonus
This case was filed by former employees to pursue the payment of exit bonus. PNCC posted a P3.330 million cash bond to appeal an NLRC ruling in favor of the employees. However, upon reconsideration, the NLRC reversed its decision, dismissing the claim.

15.14 The CA ruled in PNCC's favor on May 14, 2016, and dismissed the employees' Motion for Reconsideration on October 17, 2016.

15.15 On May 14, 2024, Management stated that Corporate Legal had been instructed to coordinate with the OGCC to secure the Finality and Entry of Judgment from the CA.

15.16 Subsequently, on November 6, 2024, PNCC, through the OGCC, filed a Motion to Release Bond before the NLRC to recover the unreleased appeal bonds. Upon reviewing the motion, it was revealed that the SC's Second Division had already issued a Resolution dated January 25, 2017, denying the employees' petition. The case had been final and executory since the issuance of the Entry of Judgement on March 8, 2017.

15.17 According to the OGCC's Report on the Status of Cases, No Comment or Appeal has been received, and NLRC has yet to issue a Resolution regarding this Motion. However, the said report did not reflect that the case attained finality since March 8, 2017, raising concerns on the reliability of tracking case progress or the completeness of the reports provided by the OGCC.

15.18 4.Claim of Driver's allowance/gasoline reimbursement
Beginning in 2011, PNCC executives were granted a monthly allowance for personal driver or fuel consumption based on a 1996 Board resolution. However, the then Audit Team issued AOMs in 2013 and 2014, finding that the allowance was grossly disadvantageous to PNCC, considering the losses with no stable source of revenues. Further, it was determined that the allowance cannot be granted in addition to service vehicles under COA Circular No. 77-61. As a result, COA recommended to discontinue the allowance and required the executives to return service vehicles.

15.19 Following COA's findings, PNCC stopped granting the allowance in September 2014. Aggrieved, the concerned executives filed a complaint before the NLRC. The LA granted their claim and ordered PNCC to pay the benefit totaling P0.945 million.

15.20 The NLRC then reversed the LA's ruling. Subsequently, the CA, in its Decision and Resolution, overturned the NLRC's Ruling, remanding the case back to them.

15.21 On July 22, 2024, the SC issued a Decision dismissing the complaint before the LA for lack of merit. According to PNCC, no entry of judgment has been issued by the SC.

15.22 Since then, Management has yet to take steps to expedite the issuance of the Entry of Judgment or to file a Motion for the Release of Bond.

15.23 Given the foregoing, with the issuance of Entry of Judgement for the first three cases, while the SC decided the last case in favor of PNCC mid-2024, the cases have ripened, if not overdue, for the recovery of the cash bond.

15.24 The protracted recovery of the bonds in the aforementioned cases is not in accordance with Section 2 of Presidential Decree (P.D.) No. 1445 requiring that all resources of the government shall be managed and 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. Had Management recovered the cash bonds, PNCC could have utilized these funds for operation or other investments to generate additional profit.

15.25 **We reiterated our previous year's recommendation that Management:**

a) Coordinate with OGCC and exert persistent efforts to recover/collect the cash bond from NLRC pertaining to Transportation allowance, Mid-year bonus, and Exit Bonus cases.

Further, we recommended that Management:

b) File Motion to Release Cash Bond upon receipt of the Entry of Judgment on G.R. No. 235673 (Claim of Drivers' allowance/gasoline reimbursement); and

c) Instruct the Corporate Legal Department to consistently monitor updates, decisions, and resolutions on these labor cases, and to maintain a separate Monitoring and Status Report of the cases handled by OGCC to reduce reliance on the reports provided by the latter.

15.26 Management commented that the Corporate Legal Department (CLD), through the OGCC, had already filed the necessary motions before the NLRC for the restitution or release of the cash bonds involving the Mid-Year Bonus, Transportation Allowance, and Exit Bonus cases. However, the NLRC has yet to act on the motions filed.

15.27 For the Driver's Allowance/Gasoline Reimbursement case, Management explained that although the Supreme Court had already dismissed the complaint, the Entry of Judgment has not yet been issued. Without the Entry of Judgment, the Corporation, through the OGCC, could not proceed with the filing of the Motion to Release Bond.

15.28 The CLD has been instructed to follow up on the issuance of the Entry of Judgment and to coordinate with the OGCC for the proper filing of the motion. They assured that updates will be provided on the developments of these cases.

15.29 Management's efforts in coordination with the OGCC for the filing of the necessary motions for the restitution or release of the cash bonds are acknowledged. However, the delay in the NLRC's action continues to hinder the timely recovery of these funds, which could be utilized for PNCC's operations.

15.30 We maintain our recommendation that Management, through the OGCC, continue its efforts to follow up with the NLRC to expedite the recovery process and prevent any further delays.

16. The grant of monthly gasoline and toll reimbursement to two Legal Officers totaling P110,841 for CY 2024 is not in accordance with Chapters I and II of the Compensation and Position Classification System (CPCS) Implementing Guidelines No. 2021-01 dated January 12, 2022, and thus, without legal basis.

16.1 Section 1, Chapter I of the CPCS Implementing Guidelines No. 2021-01 provides that:

> ***All allowances, benefits and incentives outside the CPCS*** *being granted by the GOCCs to its officers and employees* ***shall be discontinued upon receipt of their respective authorization.***

16.2 Moreover, Chapter II [Allowances, Benefits, and Incentives (ABI)] of the same Guidelines states that:

> *Upon receipt of their respective authorization to adopt the CPCS, all the allowances, benefits, and incentives (ABIs) of GOCC officers and employees, whether they are incumbents or new hires**, shall be limited to those provided under the CPCS. The grant of ABIs outside those provided under the CPCS shall be discontinued.***

16.3 Audit of the Transportation and Travel account disclosed that two Legal Officers were regularly reimbursed for transportation-related expenses, including gasoline and toll fees. These reimbursements amounting to P5,000 per month, is recurring and thus formed part of their regular compensation package, as summarized below:

Table 25 – Reimbursement of Monthly Gasoline and Toll Costs of Legal Officers

Particulars	Amount
Gasoline Reimbursement	82,341
RFID replenishment and Toll Fee Reimbursement	28,500
Total	**110,841**

16.4 However, these transportation reimbursements are not among the standard ABIs under the CPCS and are not supported by any separate legal authority. Hence, they fall outside the scope of allowable benefits under the CPCS Implementing Guidelines No. 2021-01.

16.5 The continued grant of this benefit is inconsistent with the primary objective of the CPCS, which is to standardize the compensation across all officers and employees of GOCCs. With PNCC's Authority to Implement the CPCS issued on August 10, 2023, strict compliance is mandatory from that date onwards.

16.6 Accordingly, the continued reimbursement of transportation expenses after the implementation of CPCS is contrary to the CPCS Implementing Guidelines No. 2021-01 and, in the absence of a proper legal basis, it constitutes irregular expenditure. As such, this may be disallowed in audit pursuant to COA Circular No. 2012-003 dated October 29, 2012.

16.7 **We recommended that Management discontinue the reimbursement of monthly gasoline and toll expenses amounting to P5,000 per month to the concerned officers, and ensure full compliance with the CPCS Implementing Guidelines and other relevant GCG regulations.**

16.8 Management explained that the monthly reimbursement of P5,000 for gasoline and toll expenses granted to two Legal Officers was an existing benefit even prior to the issuance of PNCC's Authority to Implement the Compensation and Position Classification System (ATI-CPCS) dated August 10, 2023.

16.9 They cited the CPCS Implementing Guidelines No. 2021-01, which state that all allowances, benefits, and incentives outside the CPCS shall be discontinued only upon receipt of the ATI-CPCS. They further argued that the said reimbursement should not be considered outside the CPCS since it is treated as a Transportation Allowance,

allegedly covered under Paragraph B(6), Chapter II of the CPCS Implementing Guidelines and CPCS Circular No. 2021-006, which allows for the grant of Representation and Transportation Allowance (RATA).

16.10 Management also stated that the Legal Officers are not among those excluded from the coverage of CPCS Circular No. 2021-006. However, they acknowledged that the GCG has not yet issued the required career bands for PNCC, which would determine the applicable RATA rates for qualified officials and employees. In view of this, they justified the continued payment of the P5,000 monthly reimbursement as an interim measure until the GCG issues the official career band classifications.

16.11 Additionally, Management referred to Paragraph E, Chapter II of the CPCS Implementing Guidelines, which allows for the payment of the three-year present value of ABIs that are discontinued under the CPCS. They implied that, in the absence of RATA implementation due to pending career bands, continuing the reimbursement may be allowed temporarily.

16.12 The explanation of Management is duly noted. However, the reimbursement of monthly gasoline and toll expenses in the amount of P5,000 to two Legal Officers cannot be considered a valid substitute for the Transportation Allowance (TA) under the CPCS. As clarified under CPCS Circular No. 2021-006, the grant of RATA shall apply only to officers and employees with assigned career bands issued by the Governance Commission for GOCCs (GCG). Management has acknowledged that no such career bands have yet been issued by the GCG for PNCC officers, and thus, there is no basis to grant RATA or similar allowances at this time.

16.13 Furthermore, the amounts granted were not fixed allowances as envisioned under RATA but were reimbursements for actual expenses incurred (i.e., gasoline and toll fees).

16.14 Such reimbursements, which are not among the standard allowances, benefits, and incentives (ABIs) under the CPCS, require a specific legal basis to be considered valid after the effectivity of the ATI-CPCS on August 10, 2023. In the absence of such legal authority, these reimbursements are deemed outside the CPCS.

16.15 The provision under Paragraph E, Chapter II of the CPCS Implementing Guidelines, which allows for the payment of the three-year present value of ABIs that are discontinued, does not authorize the continued grant of said ABIs. It merely outlines the treatment of previously authorized benefits that must be discontinued upon implementation of the CPCS. Hence, this provision does not justify the supposed continuation of the monthly transportation reimbursements.

16.16 In view of the foregoing, the Audit Team maintains that the continued grant of gasoline and toll reimbursements after August 10, 2023, has no legal basis.

17. PNCC did not comply with the provisions of the Department of Budget and Management (DBM) Circular Letter (CL) No. 2008-05 dated April 14, 2008, requiring the hiring of an Internal Auditor, raising significant concerns on the effectiveness of its internal control system.

17.1 DBM CL No. 2008-05 dated April 14, 2008 provides guidelines to be followed by different departments, agencies, GOCCs, and GFIs in the organization of an Internal Audit Service/Unit (IAS/IAU) for purposes of strengthening internal control systems, improving existing systems and procedures, and promoting transparency and accountability in various aspects of the operations of government.

17.2 Under Section 2.3 of the Circular, GOCCs, whether with original charter or created through the Corporation Code, are mandated to establish an Internal Audit Unit (IAU). The Circular further outlines in Section 2.4 the essential functions of the IAS/IAU, including:

a. Advise the Department Secretary or the Governing Board (through the Audit Committee in the case of GOCCs), on all matters relating to management control and operations audit;
b. Conduct management and operations performance audit of the GOCC activities and their units and determine the degree of compliance with mandates, policies, and regulations;
c. Reviewing and appraising systems, procedures, financial management records, and performance standards;
d. Analyzing management deficiencies and recommending corrective actions; and
e. Performing other related duties as required by the Secretary or Governing Board.

17.3 As per the Authorization to Implement the CPCS under EO No. 150 issued by the Governance Commission for GOCCs (GCG) to PNCC on August 10, 2013, the internal auditor position carries a job grade of 12. However, the position remained vacant since the resignation of the previous internal auditor on October 31, 2021. Since then, the PNCC failed to designate or appoint a new internal auditor, which is contrary to the DBM Circular.

17.4 The prolonged vacancy in this critical post has contributed to observed weaknesses in PNCC's internal control system, as reflected in various AOMs issued for CY 2024, including:

- Incomplete or inappropriate attachments to transactions;
- Improperly accomplished trip tickets;
- Issuance of cash advances to employees with outstanding unliquidated balances.

17.5 These issues indicate the absence of timely internal reviews and evaluation, lapses which could have been mitigated or prevented.

17.6 Aside from being required under DBM Circular Letter No. 2008-05, the lack of an internal audit function increases PNCC's exposure to the following risks:

- Weak internal controls leading to potential fraud, errors, or mismanagement.
- Non-compliance with laws, regulations, and government policies.
- Inefficiencies in financial and operational processes due to a lack of independent assessments.
- Possible disallowances or audit findings from oversight agencies due to inadequate internal monitoring mechanisms.

17.7 **We recommended that Management comply with DBM CL No. 2008-5 by immediately hiring a qualified internal auditor to implement internal audit procedures to strengthen governance, risk management, and compliance processes.**

17.8 Management commented that they acknowledge the absence of a replacement for the Internal Auditor who resigned on October 31, 2021. Despite efforts, a suitable candidate has not been found. While the search for an Internal Auditor has not been actively pursued, the company has continued to operate smoothly with existing internal controls. The Internal Quality Auditors (IQA) under the ISO Certification program conduct audits, and Compliance Officers ensure adherence to government regulations. The resident COA Auditors also monitor the company and provide timely reminders for corrective actions. However, management will resume efforts to hire a qualified Internal Auditor, who will report directly to the Audit Committee or Board of Directors to strengthen governance, risk management, and compliance.

17.9 While Management acknowledged the vacancy in the Internal Auditor position and cited existing controls such as ISO audits, Compliance Officers, and COA oversight, these do not fully meet the requirements of DBM Circular Letter No. 2008-05. The Circular explicitly mandates establishing an Internal Audit Unit to provide assurance on internal controls, risk management, and governance.

17.10 The role of ISO auditors and Compliance Officers is limited in scope and is not a substitute for the broader mandate of an internal auditor. Likewise, the oversight provided by COA is external and does not replace the need for regular internal reviews.

17.11 Given the absence of an Internal Auditor since 2021, and the lack of active efforts to fill the position, PNCC remains non-compliant with the Circular. Thus, we maintain that Management prioritize hiring an Internal Auditor to strengthen PNCC's internal control system and ensure alignment with existing policies.

18. The accommodation and air fare expenses of two province-based Directors exceeded the rates prescribed under Executive Order (EO) No. 77.

18.1 EO No. 77 dated March 15, 2019, provides the following provisions:

Section 5(b). ***Daily Travel Expenses (DTE)***

The maximum allowable DTE of government personnel, regardless of rank and position, shall be at the following rates:

Destination		Maximum DTE
Cluster III	National Capital Region Region IV-A Region IV-B	P2,200

5(c). ***Apportioned Travel Expenses****. The allowable DTE for travel beyond the 50-kilometer radius from the permanent official station shall be based on the following apportionment:*

Particulars	Percentage	To Cover
Day of arrival at the point of destination (regardless of time) and succeeding day/s thereof on official business	100%	Hotel/lodging (50%) Meals (30%), and Incidental expenses (20%)

*5(d). **Travel Expenses in excess of Authorized Travel Rates.** Claims for reimbursement of actual accommodation expenses in excess of the accommodation component of the DTE may be allowed, but in no case shall the difference exceed one hundred per cent (100%) of such component of the prescribed DTE rate, xxx…*

18.2 Further, Section 23 of GCG Memorandum Circular No. 2012-07 dated November 28, 2012, provides that:

*Sec. 23. Fiduciaries of the State. - Directors and Officers are fiduciaries of the State in that: (a) **they have the legal obligation and duty to always act in the best interest of the GOCC, with utmost good faith in all dealings with the properties, interests and monies of the GOCC;** and (b) they are constituted as trustees in relation to the properties, interests and monies of the GOCC.*

18.3 **A. A total of 25 accommodation bookings for a province-based Director, totaling P109,700, exceeded the prescribed limit.**

18.4 On June 8, 2022, the Board of Directors (BOD) approved Board Resolution (BR) No. BD 17-2022, amending Board Resolution No. BD 49-2017 increased the allowable accommodation expenses for directors from P2,000 to a maximum of P6,000 per day.

18.5 However, on April 3, 2023, the Audit Team issued AOM No. 23-001(2022) informing Management that accommodation expenses for the then four province-based directors were excessive due to unreasonably high hotel rates and prolonged stays. The Audit Team recommended that Management consider the rates indicated in EO No. 77 dated March 15, 2019, to ensure reasonable and appropriate accommodation costs.

18.6 In response, the Management commented that since the issuance of the EO No. 77 in 2019, there has been no change in the amount of allowed daily travel expenses (DTE). Accordingly, the effects of the pandemic on the economy have been felt in all sectors, including the increase in the cost of services, particularly the hotel rates. Management further explained that while a P2,200 rate is feasible, factors such as security, comfort, and proximity of the Director to the PNCC office, including the airport, were considered when selecting the hotel with the lowest possible price.

18.7 Despite the Audit Team's prior recommendation, the audit of Board Revolving Fund (BRF) revealed that PNCC continued to incur accommodation expenses exceeding the prescribed limits under EO No. 77. Moreover, in some instances, the P6,000 limit set by BR No. BD 17-2022 was also exceeded, with particular stays reaching as high as P7,500 per night. The details are as follows:

Table 26 – Accommodation Costs Beyond Prescribed Limits

	Date	Reference	Establishment	Period of Stay	Amount
1	11/07/23	OR#1476	Lime Hotel	Nov. 15 to16, 2023	4,250
2	11/20/23	OR#1514	Lime Hotel	Nov. 23 to 24,2023	4,250
3	11/20/23	OR#1513	Lime Hotel	Nov. 29 to 30, 2023	4,250
4	12/04/23	OR#1662	Lime Hotel	Dec. 6 to 7, 2023	4,250
5	12/06/23	OR#1701	Lime Hotel	Dec. 20 to 21, 2023	4,250
6	01/08/24	OR#1887	Lime Hotel	Jan. 10 to 11, 2024	4,250
7	01/18/24	OR#1970	Lime Hotel	Jan. 24 to 25,2024	3,825
8	02/01/24	OR#1995	Lime Hotel	Feb. 8 to 9, 2024	4,250
9	02/21/24	SI#02158	Lime Hotel	Feb. 28 to 29, 2024	6,000
10	**02/29/24**	SI#01930	**Lime Hotel**	**Mar. 7 to 8, 2024**	7,500
11	03/12/24	SI#02111	Lime Hotel	Mar. 20 to 21, 2024	4,250
12	04/04/24	OR#2366	Lime Hotel	Apr. 17 to 18, 2024	4,250
13	**04/22/24**	OR#2440	**Lime Hotel**	**Apr. 24 to 25, 2024**	7,500
14	04/29/24	OR#2111	Lime Hotel	May 8 to 9, 2024	4,250
15	05/16/24	OR#2670	Lime Hotel	May 22 to 23, 2024	3,825
16	06/05/24	OR#2988	Lime Hotel	June 13-14, 2024	4,250
17	06/20/24	S#0064	Lime Hotel	June 26-27, 2024	3,500
18	06/28/24	OR#2923	Lime Hotel	Jul. 2 to 3, 2024	4,250
19	07/16/24	OR#2988	Lime Hotel	Jul.24 to 25, 2024	3,500
20	07/29/24	S#0064	Lime Hotel	Jul. 31 to Aug. 1, 2024	4,250
21	08/08/24	SI#0095	Lime Hotel	Aug. 14 to 15, 2024	3,500
22	08/16/24	SI#0134	Lime Hotel	Aug 21-22, 2024	3,825
23	09/11/24	SI#0443	Lime Hotel	Sept 18-19, 2024	3,825
24	09/26/24	SI#0444	Lime Hotel	Oct. 3-4, 2024	3,825
25	10/09/24	SI#0588	Lime Hotel	Oct. 11 to 12, 2024	3,825
	Total				**109,700**
	Number of stays				25
	Average				**4,388**

18.8 Inquiry with the employee responsible for booking accommodations revealed that the P7,500 room rates were incurred due to the unavailability of the usual room type that they regularly book. However, these explanations were not indicated in the respective liquidation reports. The absence of the preferred room does not justify the upgrade to a significantly higher-priced room. The employee in charge of bookings could have sought other hotels offering rates compliant with EO No. 77.

18.9 Alternatively, several nearby hotels offer more affordable accommodations within the allowable rates, such as:

Table 27 – Nearby Accommodation Within the Prescribed Rates

Go Hotel:	Twin - 2,189
Red Planet:	Double Room - 2,116

18.10 EO No. 77 states that the allowed hotel and lodging for government personnel, regardless of rank and position, shall be P1,100 per day within NCR. While actual accommodation expenses exceeding this amount may be allowed, the difference should not exceed one hundred percent (100%), setting the maximum allowable rate at P2,200 per day.

18.11 The average accommodation cost incurred, amounting to P4,388, is nearly twice the P2,200 prescribed limit. Considering this, these expenses may be deemed excessive pursuant to COA Circular No. 2012-003 dated October 29, 2013, which defines

excessive expenditures as unreasonable expenses or expenses incurred at an immoderate quantity or exorbitant price. It also includes expenses which exceed what is usual or proper, as well as expenses which are unreasonably high and beyond just measure or amount. They also include expenses in excess of reasonable limits. Continued incurrence may result in disallowance.

18.12 Furthermore, the expenses incurred for premium accommodations may not align with Section 23 of GCG MC No. 2012-07, which requires the Directors to always act in the best interest of the GOCC, with utmost good faith in all dealings with the properties, interests, and monies of the GOCC.

18.13 **B. Airfare with premium cabin class and higher fare rates totaling P248,324 booked for a Director is contrary to EO No. 77.**

18.14 Audit of the BRF revealed that a province-based Director was booked in Comfort Class for his air travel, which is the highest available cabin class for flights to and from his destination. Comfort Class offers benefits such as greater baggage allowance, higher mileage accrual, more flexible rebooking options, and additional amenities like priority services and lounge access. However, its fares are 72% to 100% higher than Economy Saver, which is the standard class used by another Director.

Table 28 – Comparison of Cabin Classes

Inclusions	Economy Supersaver	Economy Saver	Economy Value	Economy Flex	**Comfort Class**
Checked Baggage	Not Included	10kg	20kg	20kg	**25kg**
Seat Reservation	Included*	Included*	Included*	Included*	**Included***
Earn Miles (PR-operated flight)	10%	50%	75%	100%	**115%**
Miles Upgrade	Not Eligible	Not Eligible	Not Eligible	Eligible*	**Eligible***
Flexibility					
Refund Permitted	Not permitted	with a fee	with a fee	with a fee	**With a fee**
Change permitted	with a fee	with a fee	with a fee	**No fee**	**No fee**
Lounge Access	None	None	None	None	**Included**
Pricing	Below P2,000	84% higher than Supersaver	~42%-52% higher than Economy Saver	~44% > Economy value	**~17%-31%> Economy value or ~72% - 100% > than Economy Saver**

18.15 A comparison of cabin classes shows that while Comfort Class includes added perks, the Economy Saver remains the more cost-effective option, offering essential inclusions such as checked-in baggage, seat reservations, and mileage accrual at a significantly lower fare.

18.16 Inquiry with the employee responsible for flight bookings revealed that Comfort Class was chosen for its higher mileage accrual, seat selection, and waived rebooking fee. However, even after the application of a senior citizen discount, the fare difference remained between 39% and 58% higher than the Economy Saver.

18.17 EO No. 77 provides that the mode of transportation to be availed shall be the most economical and efficient in all cases. Even for official travel abroad, only economy class airfare is allowed, explicitly excluding premium economy class. Business Class may only be allowed for long flights exceeding four (4) hours without layovers and only by Department Secretaries, Undersecretaries, Assistant Secretaries, and officials of equivalent rank, subject to the approval of the Office of the President of the Philippines.

Considering these restrictions, booking a premium class for domestic travel, where the regulations are stricter, constitutes unwarranted spending.

18.18 Therefore, official travel should follow the most economical fare available to uphold fiscal responsibility and ensure the prudent use of public funds. Opting for a higher cabin class for air travel incurs additional expenses funded by public money and is deemed excessive pursuant to COA Circular No. 2012-003. Continued incurrence may result in disallowance.

18.19 **We recommended that Management:**

a) Limit hotel accommodations for BOD based on prescribed rates under EO No. 77;

b) Align corporate policy on the daily accommodation rate with the prescribed limits pursuant to EO No. 77;

c) Select the most economical and efficient mode of transportation for official travel in accordance with EO No. 77; and

d) Regularly monitor and control airfare and accommodation expenses to prevent excessive costs and ensure alignment with budgetary goals.

18.20 Management commented that they seek reconsideration of the observation in paragraph A, noting that the province-based Director no longer claims reimbursement for meals and incidental expenses during his Manila trips for Board meetings, and that hotel costs were solely for overnight accommodation and directly paid by PNCC. The chosen hotel was selected based on security, comfort, location, and appropriateness for the Director's position. While alternatives like Go Hotel and Red Planet were considered less suitable, the Director concerned has agreed to stay in a hotel that complies with the EO No. 77 rate limits.

18.21 Further, Management recognized that booking the province-based senior citizen Director in comfort class led to airfare costs 39% to 58% higher than the economy saver fare, even after applying the senior citizen discount. It also acknowledges that continued incurrence of such costs may be disallowed and affirms the importance of using the most economical fare to uphold fiscal discipline.

18.22 Furthermore, Management has informed the Audit Team that they will adhere to the recommendations stated in this AOM.

18.23 Management’s request for reconsideration is duly noted. While the non-claiming of meal and incidental expenses is appreciated, the accommodation costs still exceeded the allowable rates under EO No. 77. Considerations such as security and comfort are understandable, but expenditures must remain within reasonable limits in accordance with applicable guidelines. Management’s commitment to comply with the prescribed rates moving forward is acknowledged.

18.24 Regarding the airfare, Management’s recognition of the cost difference for Comfort Class and its alignment with the observation is appreciated. As EO No. 77 emphasizes the use of the most economical option, adherence to this policy in future bookings is encouraged to support fiscal responsibility.

18.25 The Audit Team will monitor the Management's compliance with the recommendations.

19. The grant of taxi fare allowance totaling P38,250 is not provided under Chapters I and II of CPCS Implementing Guidelines No. 2021-01 dated January 12, 2022, issued by the GCG, thus, without legal basis.

19.1 Chapters I and II of CPCS Implementing Guidelines No. 2021-01 dated January 12, 2022, provide that:

> *I. BASIC SALARIES, INCLUDING STEP INCREMENTS*
> ***All allowances, benefits, and incentives outside the CPCS** being granted by the GOCCs to its officers and employees **shall be discontinued upon receipt of their respective authorization.***
>
> *II. ALLOWANCES, BENEFITS, AND INCENTIVES*
> ***Upon receipt of their respective authorization to adopt the CPCS**, all the allowances, benefits, and incentives (ABIs) of GOCC officers and employees, whether they are incumbents or new hires, shall be limited to those provided under the CPCS. The grant of ABIs outside those provided under the CPCS **shall be discontinued.***

19.2 On August 10, 2023, GCG issued the Authority to Implement (ATI) CPCS to PNCC, which was received on August 17, 2023. On September 13, 2023, through the recommendation of Management, the PNCC Board of Directors (BOD) approved its implementation through Board Resolution (BR) No. BD45-2023

19.3 The CPCS Implementing Guidelines No. 2021-01 provides that all allowances, benefits, and incentives not present in the CPCS under Administrative Order No. 150 s.2021 dated October 1, 2021, shall be discontinued.

19.4 Audit of expenses disbursed through PCF revealed that taxi fare allowance at the rate of P170 per day was granted to employees who rendered overtime, with at least 5 hours or until 10:00 P.M. and beyond. This benefit was intended to compensate employees for transportation expenses incurred when travelling home after overtime work.

19.5 Records show that drivers and maintenance personnel availed the taxi fare allowance 225 times from September 19, 2023 to November 5, 2024, even after the adoption of the CPCS. The total amount disbursed for this benefit was P38,250. Details are as follows:

Table 29 – Taxi Fare Allowances Granted

Employee	RL	RiC	SJ	GG	MB	BG	WR	ER	ED	RC	Total
No. of OT	71	46	40	40	11	8	4	2	2	1	225
Taxi fare rate	170	170	170	170	170	170	170	170	170	170	170
Total	**12,070**	**7,820**	**6,800**	**6,800**	**1,870**	**1,360**	**680**	**340**	**340**	**170**	**38,250**

19.6 Since taxi fare allowance is not included among the allowances, benefits, and incentives under the CPCS, it should have been discontinued upon receipt of the ATI. As the payment of this allowance is not authorized under CPCS Implementing

Guidelines No. 2021-01, it is deemed irregular pursuant to Section 3 of COA Circular No. 2012-003.

19.7 **We recommended that Management refrain from granting taxi fare allowance to employees without a legal basis and ensure faithful compliance with the provisions of E.O. No. 150, CPCS Implementing Guidelines, Authority to Implement the CPCS, and other related issuances on the grant of allowances, benefits, and incentives**

19.8 Management commented through the Treasury department that they agree with the observations. The payout of the taxi fare allowance from the Petty Cash Fund was immediately discontinued upon receipt of the COA's recommendation.

19.9 The HR Department added that the taxi fare allowance was previously granted as a transportation-related benefit prior to the implementation of the CPCS, as authorized by GCG on August 17, 2023. While they acknowledge that the benefit is not included under the CPCS, and that allowances, benefits, and incentives (ABIs) not covered by CPCS should be discontinued, the allowance continued to be granted to certain employees based on PNCC's existing internal policy.

19.10 Management also noted that the benefit may fall under CPCS Circular No. 2021-006 regarding the Grant of RATA, which has not yet been fully implemented pending the finalization of its implementing rules by GCG in relation to career banding.

19.11 Nevertheless, they assured us that they would comply by immediately discontinuing the payout of the taxi fare allowance.

19.12 Controllership likewise confirmed that they will immediately implement COA's recommendation to stop the payment of the taxi fare allowance. All concerned personnel were already instructed to comply with this directive strictly.

19.13 The Audit Team will monitor the Management's compliance with the recommendations.

20. The liquidation of Cash Advances (CA) from the Petty Cash Fund (PCF) is supported by invoices/receipts printed on thermal papers, some of which have already faded, is contrary to Section 43 (4) of the Presidential Decree (PD) No. 1445 and Section 2 of Bureau Internal Revenue (BIR) Revenue Regulation No. 17-2013 dated September 27, 2013, preventing preservation and verification.

20.1 Section 43 (4) of P.D. No. 1445 provides that:

> *The auditors in all auditing units shall have the custody, and be responsible for the safekeeping and preservation of paid expense vouchers, journal vouchers, stubs of treasury warrants or checks, reports of collections and disbursements and similar documents together with their respective supporting papers, under regulations of the Commission.*

20.2 Further, Section 2 of BIR Revenue Regulation No. 17-2013 dated September 27, 2013 provides that:

All taxpayers are required to preserve their books of accounts, including subsidiary books and other accounting records, for a period of ten (10) years reckoned from the day following the deadline in filing a return, or if filed after the deadline, from the date of the filing of the return, for the taxable year when the last entry was made in the books of accounts.

The term "other accounting records" includes the corresponding invoices, receipts, vouchers and returns, and other source documents supporting the entries in the books of accounts. They should also be preserved for a period of ten (10) years counted from the date of last entry in the books to which they relate.

20.3 Reviewing the attachments to liquidations revealed that some receipts and invoices printed on thermal paper were not photocopied to preserve details and retain accounting records. Thermal papers are prone to fading, especially when exposed to heat, light, or moisture. They become unreadable over time, making it difficult or impossible to recover transaction details after a certain period; thus, photocopying them is necessary. The accounting personnel interviewed disclosed that they previously photocopied thermal paper receipts to ensure their preservation. However, due to the large volume of attachments, they discontinued the practice, citing difficulty compiling the documents.

20.4 Records show that out of 1,057 receipts/invoices attached, 217 were printed on thermal paper, 29 of which were already faded and unreadable. Without proper preservation of documents, it is difficult to verify transaction details, and it limits the ability to confirm the accuracy of the reported amounts. Further, this practice violates BIR Revenue Regulation No. 17-2013, which requires taxpayers to preserve their accounting records for ten (10) years. To ensure that it can be readily produced for authorized personnel for examination, especially during BIR investigations.

20.5 Further, it impairs the auditor's capacity to verify the transaction during the post-audit. Thus, photocopying these documents is imperative, as it ensures the preservation of the records and will meet the required 10-year retention period of the BIR.

20.6 **We recommended that Management require the responsible officers and employees to immediately photocopy invoices printed on thermal paper and attach them to the liquidation of petty cash.**

20.7 Management commented that they fully agree with the observation and recommendation. The Cashier/ Disbursement Officer has already been advised to comply immediately and ensure that all thermal receipts are photocopied and properly attached to the liquidation documents.

20.8 The Audit Team will monitor the Management's compliance with the recommendations.

21. Compliance with Rules on Mandatory Government Deductions

21.1 For CY 2024, 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), the Philippine Health Insurance Commission (PHIC), and the Home Development Mutual Fund (HDMF) within the prescribed period. The remittances for CY 2024 are as follows:

SSS contribution	P	2,169,400
PHIC contribution		1,451,520
HDMF contribution		769,800
HDMF loan amortization		1,118,304
SSS loan amortization		557,597
Total	**P**	**6,066,621**

22. Gender and Development (GAD)

22.1 There were no GAD-related activities for the CY 2024, as the Corporation is exempted from creating a GAD Focal Point System of the GAD Committee by the Philippine Committee on Women through a Memorandum dated January 11, 2018.

23. Status of Audit Suspensions, Disallowances, and Charges

23.1 As of December 31, 2024, Notices of Suspension, Disallowance, and Charges issued and unsettled are summarized as follows:

	Beginning Balance (as of January 1, 2024)	Issued during the year	Settled during the year	Ending balance (as of December 31, 2024)
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**

23.2 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, 2024, 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	16	141.162
NDs with Notice of Finality of Decision and COA Order of Execution	17	154.921
Total	**37**	**468.551**

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the 37 recommendations embodied in the Calendar Year (CY) 2023 Annual Audit Report (AAR), 21 were implemented/reconsidered, and the remaining 16 were not implemented and are reiterated in Part II of this Report. Details are presented below:

REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
AAR 2023 Observation No. 1 Pages 85-88	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.	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.	Not implemented. Reiterated in Part II, Observation No. 1 of this AAR.
AAR 2023 Observation No. 2 Pages 88-90	The unrecorded service concession assets pertaining to the Metro Manila Skyway projects of the Philippine National Construction Corporation (PNCC) resulted in the understatement of assets and liabilities, which is not in accordance with the provisions of PAS 1.	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.	Reconsidered. Pending resolution of related issues. Reconsidered. Pending resolution of related issues. Reconsidered. Pending resolution of related issues.
AAR 2023 Observation No. 3 Pages 90-93	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 the lack of verifiable data/information, as the basis for the computation of such share.	Pursue persistent efforts to obtain the documents used as the basis for 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.	Not implemented. Reiterated in Part II, Observation No. 3 of this AAR.

REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
AAR 2023 Observation No. 4 Pages 93-95	Non-recognition of the provision arising from the judgment award for a money claim against PNCC resulted in the understatement of liabilities, contrary to Paragraph 14 of PAS No. 37.	Recognize a provision for a money claim against PNCC pursuant to COA CP Decision No. 2023-322 dated October 26, 2023.	Not implemented. Reiterated in Part II, Observation No. 2 of this AAR.
AAR 2023 Observation No. 5 Pages 95-98	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.	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.	Implemented. Implemented. Not implemented. Reiterated in Part II, Observation No. 11 of this AAR.
AAR 2023 Observation No. 6 Pages 98-99	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.	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.	Implemented. Not implemented. Reiterated in Part II, Observation No. 4 of this AAR.
AAR 2023 Observation No. 7 Pages 100-102	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	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	Implemented. Not implemented.

REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
	Property Plant and Equipment (RPCPPE) which is not in accordance with Paragraphs 4 and 12 of the Conceptual Framework for Financial Reporting.	the records of the Controllership Department; and c) Submit the RPCPPE on or before January 31 pursuant to COA Circular No. 2020-006.	Reiterated in Part II, Observation No. 5 of this AAR. Implemented.
AAR 2023 Observation No. 8 Pages 102-104	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.	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 Supply Ledger Cards by the Controllership Department and Stock Cards by the General Services Department to monitor closely the receipts and issuance of inventories.	Implemented. Not implemented. Reiterated in Part II, Observation No. 7 of this AAR. Implemented.
AAR 2023 Observation No. 9 Pages 105-106	The non-payment of concession fees to the National Government (NG) 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.	a) Develop a payment plan duly approved by the Board of Directors (BOD), 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.	Not implemented. Reiterated in Part II, Observation No. 8 of this AAR. Not implemented. Reiterated in Part II, Observation No. 8 of this AAR.

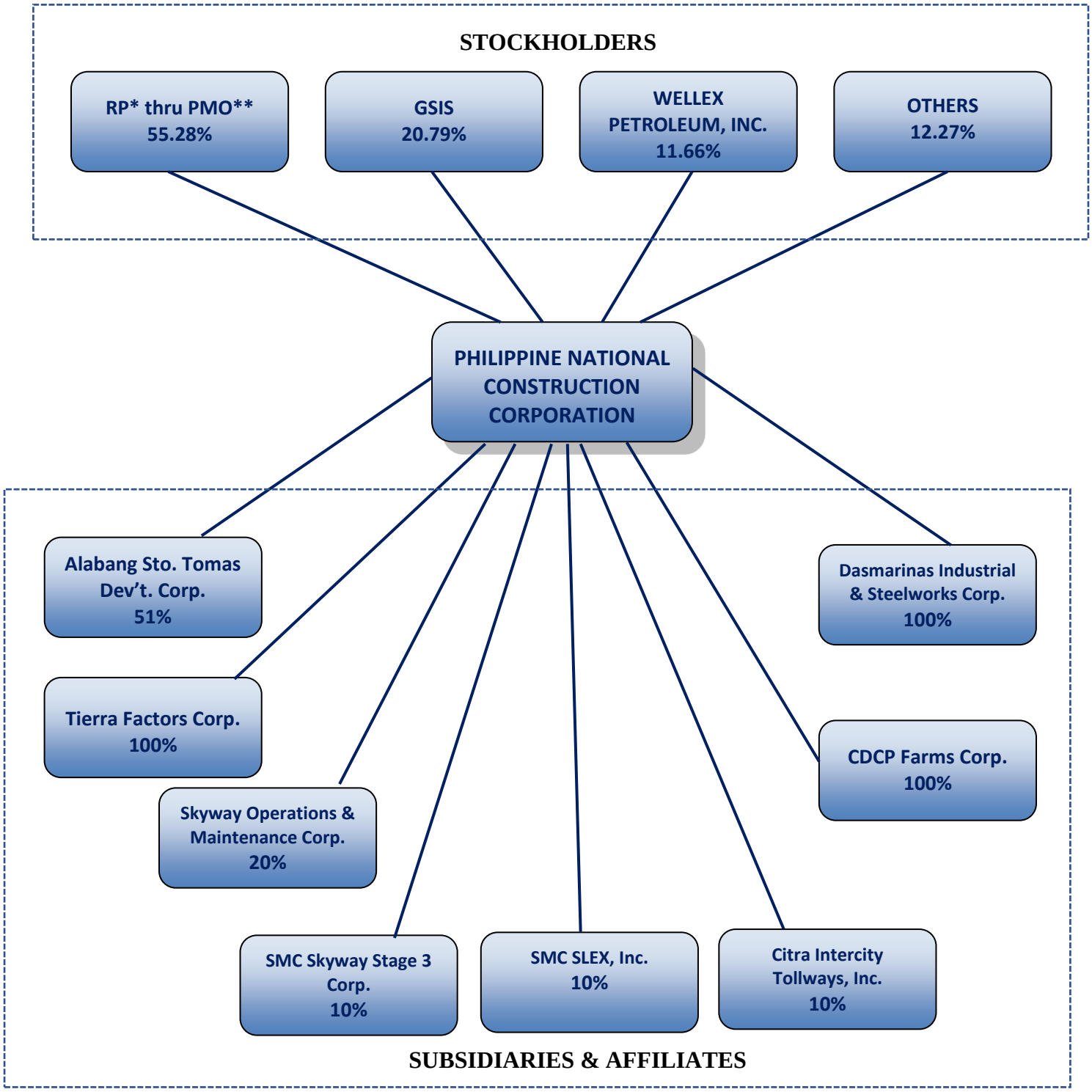
REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
AAR 2023 Observation No. 10 Pages 106-109	The 9.9-hectare of PNCC's Financial Center Area (FCA) property located in Pasay City has been idle and/or unutilized for almost six (6) years, depriving PNCC of potential income, contrary to Section 2 of Presidential Decree (PD) No. 1445.	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 Terms of Reference, as applicable; and	Not implemented. Reiterated with updated information in Part II, Observation No. 9 of this AAR.
		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.	Not implemented. Reiterated in Part II, Observation No. 9 of this AAR.
AAR 2023 Observation No. 11 Pages 109-114	Nine 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.	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;	Not implemented. Reiterated in Part II, Observation No. 12 of this AAR.
		b) Advertise/conduct public bidding for properties that are suitable for lease;	Not implemented. Reiterated in Part II, Observation No. 12 of this AAR.
		c) Expedite the transfer of titles of Nasugbu (Gulod) Property in the name of PNCC;	Not implemented. Reiterated in Part II, Observation No. 12 of this AAR.
		d) Determine the value of Sta. Ines property and recognize the same in the books of accounts; and	Implemented.
		e) Establish and secure the perimeter of all the properties especially those with illegal occupants.	Not implemented. Reiterated in Part II, Observation No. 12 of this AAR.

REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
AAR 2023 Observation No. 12 Pages 114-116	The cash collaterals amounting to P71.072 million posted in favor of Investors Assurance Corporation (IAC) and the remaining P13.844 million deposited with Development Bank of the Philippines (P10 million) and Land Bank of the Philippines (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.	a) Coordinate with the Office of the Government Corporate Counsel 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.	Implemented. Implemented.
AAR 2023 Observation No. 13 Pages 117-119	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.	a) Conduct periodic monitoring of cases and their status to determine appropriate legal action to be undertaken; b) 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 c) Exert persistent efforts to recover/collect the bond pertaining to the case on recovery of bonds on Transportation allowance and Mid-year bonus Cases.	Reconsidered. Not implemented. Reiterated in Part II, Observation No. 15 of this AAR. Reconsidered.

REF.	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
AAR 2023 Observation No. 14 Pages 119-121	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.	a) Coordinate with the Toll Regulatory Board 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 Chief Operating Officer.	Implemented. Reconsidered. On the premise that the related vehicle will be returned to PNCC, as assured by Management.
AAR 2023 Observation No. 15 Pages 121-125	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 Compensation and Position Classification System Implementing Guidelines of Executive Order No. 150.	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 Governance Commission for Government-owned or Controlled Corporations 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.	Reconsidered. Reconsidered. Implemented. Implemented.

ANNEX "D"

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND SUBSIDIARIES



ANNEX "E"

FINANCIAL SOUNDNESS INDICATORS

		2024	2023
1	Current / Liquidity Ratios:		
	Current Ratio	0.33	0.28
	Quick Asset Ratio	0.33	0.27
2	Solvency Ratios:		
	Debt to Assets	40.92%	40.83%
	Debt to Equity	69.26%	69.00%
3	Asset to Equity Ratio	169.26%	169.00%
4	Interest Rate Coverage Ratio	2.68	51.47
5	Profitability Ratios:		
	Return on Assets (Net Income (Loss)	0.70%	21.13%
	Return on Equity (Net Income (Loss)	1.18%	35.70%

ANNEX "F"

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2024

	Carrying Value	Fair Value
Cash on Hand:		
Petty cash and revolving fund	315,000	315,000
Loans and Receivables:		
Cash in banks	128,579,489	128,579,489
Short term investments	2,913,899,616	2,913,899,616
Accounts receivable	640,462,927	640,462,927
	3,683,257,032	3,683,257,032

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, 2024
(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	1,500			1,500	1,709	3,209
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
		56,000	**1,500**	**-**	**-**	**1,500**	**56,000**	**57,500**

ANNEX "F"

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2024

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
	-	-	-		-	-

SECURITIES AND EXCHANGE COMMISSION
THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph

The following document has been received:

Receiving: DONNA ENCARNADO
Receipt Date and Time: May 30, 2025 01:42:40 PM

Company Information

SEC Registration No.: 0000030939
Company Name: PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
Industry Classification: F45300
Company Type: Stock Corporation

Document Information

Document ID: OST10530202583436456
Document Type: Quarterly Report
Document Code: SEC_Form_17-Q
Period Covered: March 31, 2025
Submission Type: Original Filing
Remarks: None

Acceptance of this document is subject to review of forms and contents

ANNEX "G"

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2025**
2. SEC Identification No. **30939**
3. BIR Tax Identification No. **000-058-330-000**
4. Exact name of issuer as specified in its charter: **Philippine National Construction Corporation**
5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**
6. Industry Classification Code: [ ] (SEC Use Only)
7. **PNCC Complex, KM. 15, East Service Road, Bicutan, Parañaque City** — **1700**
   Address of issuer's principal office — Postal Code
8. **(632) 8822-5725**
   Issuer's telephone number, including area code
9. **Not applicable**
   Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or 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:

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 Institutions in 1983. For purposes of registration of said shares, PNCC with Feria Law Offices as consultant filed its Amended Registration Statement on August 15, 2001. On December 19, 2001, the Securities and Exchange Commission (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 the securities listed on a Stock Exchange?

Yes [x] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

The Common shares of the Company are listed on the 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 Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 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 ninety (90) days.

Yes [x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Interim financial statements are attached as Exhibits 1 to 5 hereof and incorporated herein by reference:

Exhibit 1	Statements of Financial Position as at March 31, 2025 and December 31, 2024
Exhibit 2	Statements of Comprehensive Income for the six months ended March 31, 2025 and March 31, 2024
Exhibit 3	Statements of Changes in Equity for the six months ended March 31, 2025 and March 31, 2024
Exhibit 4	Statements of Cash Flows for the six months ended March 31, 2025 and March 31, 2024
Exhibit 5	Notes to Interim Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Please refer to Exhibits 6 & 7.

PART II – OTHER INFORMATION

The Company is not in possession of information which has not been previously reported in a report on SEC Form 17-C and with respect to which a report on SEC Form 17-C is required to be filed.

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.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
Issuer

By:

ATTY. MIGUEL E. UMALI
President

CRISTY M. MEDIAVILLO
Corporate Treasurer

VERONICA B. TACDERAS
Head - Controllership

ANNEX "G"

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

May 30, 2025

SECURITIES AND EXCHANGE COMMISSION
SEC Building
7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City

Gentlemen:

In connection with the financial statements of Philippine National Construction Corporation as of March 31, 2024, which will be submitted to the Philippine Stock Exchange (PSE), we confirm to the best of our knowledge and belief, the following:

1. We are responsible for the fair presentation of the financial statements in conformity with the generally accepted accounting principles.

2. There have been no:

   a. Irregularities involving management or employees who have significant roles in the system or internal accounting control.

   b. Irregularities involving other employees that could have a material effect on financial statements.

   c. Communication from regulatory agencies concerning non-compliance with or deficiencies in, financial reporting practices that could have a material effect on the financial statements.

3. There are no:

   a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

   b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed.

4. The accounting records underlying the financial statements accurately and fairly reflect the transactions of the company.

5. The company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.

ANNEX "G"

6. Provision has been made for any material loss to be sustained.
7. We have complied with all respects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

CRISTY M. MEDIAVILLO
Corporate Treasurer

ANNEX "G"

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Philippine National Construction Corporation (PNCC) is responsible for all information and representations contained in the consolidated unaudited financial statements for the quarter ended March 31, 2025. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on the best estimates and informed judgment with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

ATTY. MIGUEL E. UMALI
President and CEO
TIN: 106-974-003

CRISTY M. MEDIAVILLO
Head, Treasury
TIN: 118-060-474

VERONICA B. TACDERAS
Head, Controllership
TIN: 122-819-743

ANNEX "G"

Philippine National Construction Corporation
Quarter Statement of Comprehensive Income
For the period ended March 31, 2025 and 2024
(in Philippine Peso)

	For the period ended March 31, 2025	2024
Revenue/Income		
Service and Business Income	₱ **233,717,467.21**	₱ **207,819,440.16**
Business Income	**233,717,467.21**	**207,819,440.16**
Rent/Lease Income	84,430,052.09	69,981,974.54
Dividend Income	6,622,437.60	14,348,614.80
Interest Income	42,117,333.15	29,707,729.71
Share in the Profit//Revenue of Joint Venture	100,547,644.37	93,781,121.11
Other Non-Operating Income	**1,520.00**	**502,802.42**
Miscellaneous Income	**1,520.00**	**502,802.42**
Miscellaneous Income	1,520.00	502,802.42
Total Income	**233,718,987.21**	**208,322,242.58**
Expenses		
Personnel Services	**20,025,581.73**	**17,354,901.20**
Salaries and Wages	**10,190,881.91**	**10,147,513.04**
Salaries and Wages-Regular	10,190,881.91	10,147,513.04
Other Compensation	**7,415,104.74**	**4,846,650.81**
Personnel Economic Relief Allowance (PERA)	322,245.99	-
Clothing/Uniform Allowance	350,000.00	324,000.00
Honoraria	405,000.00	-
Overtime and Night Pay	474,551.59	379,847.01
Year End Bonus	863,511.88	826,451.24
Cash Gift	67,500.02	69,583.34
Mid-Year Bonus	2,072,428.58	1,652,902.52
Directors and Committee Members' Fees	2,589,866.68	1,323,866.70
Other Bonuses and Allowances	270,000.00	270,000.00
Personnel Benefit Contributions	**767,167.92**	**1,465,174.66**
Pag-IBIG Contributions	32,200.00	27,100.00
PhilHealth Contributions	192,457.92	167,869.37
Employees Compensation Insurance Premiums	542,510.00	450,172.50
Provident/Welfare Fund Contributions	-	820,032.79
Other Personnel Benefits	**1,652,427.16**	**895,562.69**
Terminal Leave Benefits	932,592.87	892,567.36
Other Personnel Benefits	719,834.29	2,995.33
Maintenance and Other Operating Expenses	**13,600,139.21**	**16,041,601.69**
Traveling Expenses	**407,999.42**	**320,175.26**
Traveling Expenses-Local	407,999.42	320,175.26
Training and Scholarship Expenses	**900.00**	**7,000.00**
Training Expenses	900.00	7,000.00
Supplies and Materials Expenses	**1,380,133.59**	**1,101,903.26**
Office Supplies Expenses	459,350.79	601,032.99
Fuel, Oil and Lubricants Expenses	97,190.91	489,321.60
Semi-Expendable Machinery and Equipment Expenses	761,452.15	-
Semi-Expendable Furniture, Fixtures and Books Expenses	28,571.43	-
Other Supplies and Materials Expenses	33,568.31	11,548.67
Utility Expenses	**501,438.49**	**537,000.78**
Water Expenses	106,373.92	80,694.23
Electricity Expenses	395,064.57	456,306.55
Communication Expenses	**293,088.59**	**292,714.98**
Postage and Courier Services	2,656.00	5,941.54
Telephone Expenses	181,011.15	179,327.12
Internet Subscription Expenses	106,600.00	103,214.16
Cable, Satellite, Telegraph and Radio Expenses	2,821.44	4,232.16
Professional Services	**1,694,276.76**	**1,650,139.21**
Legal Services	334,504.44	456,950.00
Auditing Services	869,593.74	796,926.00
Other Professional Services	490,178.58	396,263.21
General Services	**2,694,786.50**	**3,516,109.08**
Security Services	2,131,962.44	3,017,359.08
Other General Services	562,824.06	498,750.00
Repairs and Maintenance	**186,228.40**	**93,893.14**
Repairs and Maintenance-Buildings and Other Structures	9,902.00	23,598.93
Repairs and Maintenance-Machinery and Equipment	6,153.57	-
Repairs and Maintenance-Transportation Equipment	99,069.83	36,482.13
Repairs and Maintenance-Other Property, Plant and Equipment	71,103.00	33,812.08
Taxes, Insurance Premiums and Other Fees	**5,146,504.65**	**7,911,154.69**
Taxes, Duties and Licenses	4,911,128.06	7,401,374.27
Insurance/Reinsurance Expenses	235,376.59	509,780.42
Other Maintenance and Operating Expenses	**1,294,782.81**	**611,511.29**
Advertising, Promotional and Marketing Expenses	190.00	-
Representation Expenses	561,931.20	159,999.40
Membership Dues and Contributions to Organizations	57,369.50	18,263.80
Subscription Expenses	5,944.91	-
Donations	5,000.00	-
Major Events and Conventions Expenses	260,192.80	264,123.53
Other Maintenance and Operating Expenses	404,154.40	169,124.56
Financial Expenses	**63,625,500.00**	**63,623,920.05**
Financial Expenses	**63,625,500.00**	**63,623,920.05**
Bank Charges	8,500.00	6,920.00
Other Financial Charges	63,617,000.00	63,617,000.05
Non-Cash Expenses	**1,418,732.07**	**692,770.28**
Depreciation	**1,418,732.07**	**692,770.28**
Depreciation-Buildings and Other Structures	457,354.98	457,354.92
Depreciation-Machinery and Equipment	30,267.87	-
Depreciation-Transportation Equipment	923,668.74	213,837.98
Depreciation-Other Property, Plant and Equipment	7,440.48	7,440.48
Depreciation-Furniture, Fixtures and Books	-	14,136.90
Total Expenses	**98,669,953.01**	**97,713,193.22**
Profit/(Loss) Before Tax	**135,049,034.20**	**110,609,049.36**
Income Tax Expense/(Benefit)	**21,704,587.86**	**16,638,176.23**
Income Tax Expenses	21,704,587.86	16,638,176.23
Profit/(Loss) After Tax	**113,344,446.34**	**93,970,873.13**
Net Assistance and Subsidy/(Assistance/Subsidy/Contribution)	-	-
Net Income/(Loss)	₱ **113,344,446.34**	₱ **93,970,873.13**

ANNEX "G"

Philippine National Construction Corporation
Quarter Statement of Financial Position
As of March 31, 2025 and December 31, 2024
(in Philippine Peso)

	As of March 31, 2025	As of December 31, 2024
Assets		
Current Assets		
Cash and Cash Equivalents	₱ **154,572,183.47**	₱ -
Cash on Hand	**315,000.00**	-
Petty Cash	315,000.00	-
Cash in Bank-Local Currency	**154,257,183.47**	-
Cash in Bank-Local Currency, Current Account	151,276,754.62	-
Cash in Bank-Local Currency, Savings Account	2,980,428.85	-
Receivables	**690,496,890.97**	-
Loans and Receivable Accounts	**156,195,512.53**	-
Accounts Receivable	195,857,932.47	-
Allowance for Impairment-Accounts Receivable	*(117,308,588.37)*	-
Interests Receivable	32,527,143.46	-
Allowance for Impairment-Interests Receivable	*(163,499.30)*	-
Contributions and Premiums Receivable	70,000.00	-
Receivables from Joint Ventures	45,212,524.27	-
Lease Receivable	**234,847,871.78**	-
Operating Lease Receivable	289,676,390.89	-
Allowance for Impairment-Operating Lease Receivable	*(54,828,519.11)*	-
Inter-Agency Receivables	**150,729,112.93**	-
Due from National Government Agencies	150,000,000.00	-
Due from Subsidiaries	729,112.93	-
Other Receivables	**148,724,393.73**	-
Due from Officers and Employees	222,176.99	-
Allowance for Impairment-Due from Officers and Employees	*(37,948.74)*	-
Other Receivables	170,915,446.50	-
Allowance for Impairment-Other Receivables	*(22,375,281.02)*	-
Other Investments	**3,038,702,379.96**	-
Investments in Time Deposits	**3,038,702,379.96**	-
Investments in Time Deposits-Local Currency	3,038,702,379.96	-
Inventories	**2,781,967.81**	-
Inventory Held for Consumption	**2,781,967.81**	-
Office Supplies Inventory	710,054.51	-
Medical, Dental and Laboratory Supplies Inventory	551,921.58	-
Fuel, Oil and Lubricants Inventory	742,980.81	-
Other Supplies and Materials Inventory	4,776,973.13	-
Allowance for Impairment-Other Supplies and Materials Inventory	*(3,999,962.22)*	-
Other Current Assets	**61,388,537.42**	-
Prepayments	**61,388,537.42**	-
Prepaid Registration	823,209.43	-
Prepaid Insurance	402,930.18	-
Creditable Input Tax	74,571.46	-
Withholding Tax at Source	60,051,920.10	-
Other Prepayments	35,906.25	-
Total Current Assets	**3,947,941,959.63**	-
Non-current Assets		
Financial Assets	**796,970.00**	-
Financial Assets at Fair Value Through Other Comprehensive Income	**796,970.00**	-
Financial Assets at Fair Value Through Other Comprehensive Income	796,970.00	-
Receivables	**98,491,690.23**	-
Loans and Receivable Accounts	**46,727,617.35**	-
Accounts Receivable	50,879,182.48	-
Allowance for Impairment-Accounts Receivable	*(4,151,565.13)*	-
Other Receivables	**51,764,072.88**	-
Due from Officers and Employees	52,433,458.75	-
Allowance for Impairment-Due from Officers and Employees	*(669,385.87)*	-
Investments in Subsidiaries	**61,200,000.20**	-
Investments in Subsidiaries	225,193,889.26	-
Allowance for Impairment-Investments in Subsidiaries	*(163,993,889.06)*	-
Investments in Joint Venture	**1,485,816,700.00**	-
Investments in Joint Ventures	1,485,816,700.00	-
Other Investments	**1,546,610.30**	-
Other Investments	**1,546,610.30**	-
Investments in Stocks	13,368,079.47	-
Allowance for Impairment-Investments in Stocks	*(13,186,921.52)*	-
Other Investments	1,652,052.35	-
Allowance for Impairment-Other Investments	*(286,600.00)*	-
Investment Property	**54,516,776,757.36**	-
Land and Buildings	**54,516,776,757.36**	-
Investment Property, Land	54,195,128,000.00	-
Investment Property, Buildings	325,666,386.57	-
Accumulated Depreciation-Investment Property, Buildings	*(4,017,629.21)*	-
Property, Plant and Equipment	**2,300,806,945.75**	-
Land	**2,268,135,528.40**	-
Land	2,268,135,528.40	-
Land Improvements	**777,000.00**	-
Other Land Improvements	24,399,465.34	-
Accumulated Depreciation-Other Land Improvements	*(23,622,465.34)*	-
Infrastructure Assets	-	-
Road Networks	2,182,996,127.47	-
Accumulated Depreciation-Road Networks	*(2,182,996,127.47)*	-
Buildings and Other Structures	**12,529,800.16**	-
Buildings	122,998,435.36	-
Accumulated Depreciation-Buildings	*(110,468,635.20)*	-
Machinery and Equipment	**1,214,110.01**	-
Office Equipment	2,056,842.91	-
Accumulated Depreciation-Office Equipment	*(2,056,826.91)*	-
Information and Communication Technology Equipment	5,583,921.73	-
Accumulated Depreciation-Information and Communication Technology Equipment	*(5,356,648.03)*	-
Communications Equipment	190,000.00	-
Accumulated Depreciation-Communications Equipment	*(189,999.00)*	-
Construction and Heavy Equipment	4,486,176.66	-
Accumulated Depreciation-Construction and Heavy Equipment	*(3,828,162.61)*	-
Sports Equipment	181,801.83	-
Accumulated Depreciation-Sports Equipment	*(181,697.83)*	-
Other Machinery and Equipment	5,498,430.62	-
Accumulated Depreciation-Other Machinery and Equipment	*(5,169,729.36)*	-

ANNEX "G"

Transportation Equipment	**18,150,489.16**	-
Motor Vehicles	43,555,850.00	-
Accumulated Depreciation-Motor Vehicles	*(25,405,360.84)*	-
Furniture, Fixtures and Books	**15.02**	-
Furniture and Fixtures	1,309,959.75	-
Accumulated Depreciation-Furniture and Fixtures	*(1,309,944.73)*	-
Leased Assets Improvements	**3.00**	-
Leased Assets Improvements, Buildings and Other Structures	4,373,670.13	-
Accumulated Depreciation-Leased Assets Improvements, Buildings and Other Structures	*(4,373,667.13)*	-
Intangible Assets	**357,142.86**	-
Development in Progress	**357,142.86**	-
Development in Progress-Computer Software	357,142.86	-
Deferred Tax Assets	**24,542,414.37**	-
Deferred Tax Assets	**24,542,414.37**	-
Deferred Tax Assets	24,542,414.37	-
Other Non-current Assets	**86,276,862.02**	-
Deposits	**72,789,486.55**	-
Guaranty Deposits	71,072,000.00	-
Other Deposits	1,717,486.55	-
Restricted Fund	**14,264,726.83**	-
Restricted Fund	14,264,726.83	-
Other Non-current Assets	***(777,351.36)***	-
Deferred Charges/Losses	6,802,732.68	-
Other Non-current Assets	232,192.70	-
Accumulated Impairment Losses-Other Assets	*(7,812,276.74)*	-
Total Non-current Assets	**58,576,612,093.09**	-
Total Assets	**₱ 62,524,554,052.72**	**₱** -
Liabilities		
Current Liabilities		
Financial Liabilities	**₱ 11,179,907,719.43**	**₱** -
Payables	**20,270,303.42**	-
Accounts Payable	20,270,303.42	-
Other Financial Liabilities	**11,159,637,416.01**	-
Other Financial Liabilities	11,159,637,416.01	-
Inter-Agency Payables	**77,387,762.25**	-
Inter-Agency Payables	**77,387,762.25**	-
Due to BIR	588,140.19	-
Due to Pag-IBIG	27,460.33	-
Due to SSS	135,453.42	-
Income Tax Payable	76,636,708.31	-
Trust Liabilities	**102,012,785.95**	-
Trust Liabilities	**102,012,785.95**	-
Trust Liabilities	3,789,628.75	-
Customers' Deposits Payable	98,223,157.20	-
Deferred Credits/Unearned Revenue/Income	**52,527,410.83**	-
Deferred Credits	**52,527,410.83**	-
Output Tax	13,618,708.96	-
Other Deferred Credits	38,908,701.87	-
Total Current Liabilities	**11,411,835,678.46**	-
Non-current Liabilities		
Deferred Tax Liabilities	**14,178,051,928.33**	-
Deferred Tax Liabilities	**14,178,051,928.33**	-
Deferred Tax Liabilities	14,178,051,928.33	-
Total Non-current Liabilities	**14,178,051,928.33**	-
Total Liabilities	**25,589,887,606.79**	-
Equity		
Revaluation Surplus	**1,609,762,871.55**	-
Revaluation Surplus	**1,609,762,871.55**	-
Revaluation Surplus	1,609,762,871.55	-
Retained Earnings/(Deficit)	**27,516,164,453.34**	-
Retained Earnings/(Deficit)	**27,516,164,453.34**	-
Retained Earnings/(Deficit)	27,516,164,453.34	-
Stockholders' Equity	**7,808,763,121.04**	-
Stockholders' Equity	**7,808,763,121.04**	-
Share Capital	2,339,916,950.64	-
Share Premium	46,137,443.18	-
Subscribed Share Capital	*(56,158,831.00)*	-
Subscriptions Receivable	*(56,158,830.64)*	-
Treasury Shares	*(16,699,918.45)*	-
Other Equity Instruments	5,551,726,307.31	-
Other Comprehensive Income	***(24,000.00)***	-
Unrealized Gain/(Loss)	***(24,000.00)***	-
Unrealized Gain/(Loss)	***(24,000.00)***	-
Unrealized Gain/(Loss) from Changes in the Fair Value of Financial Instruments	*(24,000.00)*	-
Total Equity	**36,934,666,445.93**	-
Total Liabilities and Equity	**₱ 62,524,554,052.72**	**₱** -
	-	-

ANNEX "G"

Philippine National Construction Corporation
Quarter Trial Balance
As of March 31, 2025
(in Philippine Peso)

Account Title	Account Code	Debit	Credit
Assets	**10000000**	**₱ 65,282,345,383.46**	**₱ 2,757,791,330.74**
Current Assets	**10000000**	**4,146,655,758.39**	**198,713,798.76**
Cash and Cash Equivalents	**10100000**	**154,572,183.47**	**-**
Cash on Hand	**10101000**	**315,000.00**	**-**
Petty Cash	10101020	315,000.00	-
Cash in Bank-Local Currency	**10102000**	**154,257,183.47**	**-**
Cash in Bank-Local Currency, Current Account	10102020	151,276,754.62	-
Cash in Bank-Local Currency, Savings Account	10102030	2,980,428.85	-
Investments	**10200000**	**3,038,702,379.96**	**-**
Investments in Time Deposits	**10211000**	**3,038,702,379.96**	**-**
Investments in Time Deposits-Local Currency	10211010	3,038,702,379.96	-
Receivables	**10300000**	**885,210,727.51**	**194,713,836.54**
Loans and Receivable Accounts	**10301000**	**273,667,600.20**	**117,472,087.67**
Accounts Receivable	10301010	195,857,932.47	-
Allowance for Impairment-Accounts Receivable	10301012	-	117,308,588.37
Interests Receivable	10301050	32,527,143.46	-
Allowance for Impairment-Interests Receivable	10301052	-	163,499.30
Contributions and Premiums Receivable	10301090	70,000.00	-
Receivables from Joint Ventures	10301220	45,212,524.27	-
Lease Receivable	**10302000**	**289,676,390.89**	**54,828,519.11**
Operating Lease Receivable	10302010	289,676,390.89	-
Allowance for Impairment-Operating Lease Receivable	10302012	-	54,828,519.11
Inter-Agency Receivables	**10303000**	**150,729,112.93**	**-**
Due from National Government Agencies	10303010	150,000,000.00	-
Due from Subsidiaries	10303060	729,112.93	-
Other Receivables	**10399000**	**171,137,623.49**	**22,413,229.76**
Due from Officers and Employees	10399020	222,176.99	-
Allowance for Impairment-Due from Officers and Employees	10399022	-	37,948.74
Other Receivables	10399990	170,915,446.50	-
Allowance for Impairment-Other Receivables	10399992	-	22,375,281.02
Inventories	**10400000**	**6,781,930.03**	**3,999,962.22**
Inventory Held for Consumption	**10404000**	**6,781,930.03**	**3,999,962.22**
Office Supplies Inventory	10404010	710,054.51	-
Medical, Dental and Laboratory Supplies Inventory	10404070	551,921.58	-
Fuel, Oil and Lubricants Inventory	10404080	742,980.81	-
Other Supplies and Materials Inventory	10404990	4,776,973.13	-
Allowance for Impairment-Other Supplies and Materials Inventory	10404992	-	3,999,962.22
Other Assets	**19900000**	**61,388,537.42**	**-**
Prepayments	**19902000**	**61,388,537.42**	**-**
Prepaid Registration	19902030	823,209.43	-
Prepaid Insurance	19902050	402,930.18	-
Creditable Input Tax	19902070	74,571.46	-
Withholding Tax at Source	19902080	60,051,920.10	-
Other Prepayments	19902990	35,906.25	-
Non-current Assets	**10000000**	**61,135,689,625.07**	**2,559,077,531.98**
Investments	**10200000**	**1,726,827,691.08**	**177,467,410.58**
Investments in Joint Venture	**10205000**	**1,485,816,700.00**	**-**
Investments in Joint Ventures	10205010	1,485,816,700.00	-
Investments in Subsidiaries	**10210000**	**225,193,889.26**	**163,993,889.06**
Investments in Subsidiaries	10210010	225,193,889.26	-
Allowance for Impairment-Investments in Subsidiaries	10210012	-	163,993,889.06
Financial Assets at Fair Value Through Other Comprehensive Income	**10213000**	**796,970.00**	**-**
Financial Assets at Fair Value Through Other Comprehensive Income	10213010	796,970.00	-
Other Investments	**10299000**	**15,020,131.82**	**13,473,521.52**
Investments in Stocks	10299010	13,368,079.47	-
Allowance for Impairment-Investments in Stocks	10299012	-	13,186,921.52
Other Investments	10299990	1,652,052.35	-
Allowance for Impairment-Other Investments	10299992	-	286,600.00
Receivables	**10300000**	**103,312,641.23**	**4,820,951.00**
Loans and Receivable Accounts	**10301000**	**50,879,182.48**	**4,151,565.13**
Accounts Receivable	10301010	50,879,182.48	-
Allowance for Impairment-Accounts Receivable	10301012	-	4,151,565.13
Other Receivables	**10399000**	**52,433,458.75**	**669,385.87**
Due from Officers and Employees	10399020	52,433,458.75	-
Allowance for Impairment-Due from Officers and Employees	10399022	-	669,385.87
Investment Property	**10500000**	**54,520,794,386.57**	**4,017,629.21**
Land and Buildings	**10501000**	**54,520,794,386.57**	**4,017,629.21**
Investment Property, Land	10501010	54,195,128,000.00	-
Investment Property, Buildings	10501020	325,666,386.57	-
Accumulated Depreciation-Investment Property, Buildings	10501021	-	4,017,629.21
Property, Plant and Equipment	**10600000**	**4,665,766,210.20**	**2,364,959,264.45**
Land	**10601000**	**2,268,135,528.40**	**-**
Land	10601010	2,268,135,528.40	-
Land Improvements	**10602000**	**24,399,465.34**	**23,622,465.34**
Other Land Improvements	10602990	24,399,465.34	-
Accumulated Depreciation-Other Land Improvements	10602991	-	23,622,465.34
Infrastructure Assets	**10603000**	**2,182,996,127.47**	**2,182,996,127.47**
Road Networks	10603010	2,182,996,127.47	-
Accumulated Depreciation-Road Networks	10603011	-	2,182,996,127.47
Buildings and Other Structures	**10604000**	**122,998,435.36**	**110,468,635.20**
Buildings	10604010	122,998,435.36	-
Accumulated Depreciation-Buildings	10604011	-	110,468,635.20
Machinery and Equipment	**10605000**	**17,997,173.75**	**16,783,063.74**
Office Equipment	10605020	2,056,842.91	-
Accumulated Depreciation-Office Equipment	10605021	-	2,056,826.91
Information and Communication Technology Equipment	10605030	5,583,921.73	-
Accumulated Depreciation-Information and Communication Technology Equipment	10605031	-	5,356,648.03
Communications Equipment	10605070	190,000.00	-
Accumulated Depreciation-Communications Equipment	10605071	-	189,999.00
Construction and Heavy Equipment	10605080	4,486,176.66	-
Accumulated Depreciation-Construction and Heavy Equipment	10605081	-	3,828,162.61
Sports Equipment	10605130	181,801.83	-
Accumulated Depreciation-Sports Equipment	10605131	-	181,697.83
Other Machinery and Equipment	10605990	5,498,430.62	-
Accumulated Depreciation-Other Machinery and Equipment	10605991	-	5,169,729.36
Transportation Equipment	**10606000**	**43,555,850.00**	**25,405,360.84**
Motor Vehicles	10606010	43,555,850.00	-
Accumulated Depreciation-Motor Vehicles	10606011	-	25,405,360.84
Furniture, Fixtures and Books	**10607000**	**1,309,959.75**	**1,309,944.73**
Furniture and Fixtures	10607010	1,309,959.75	-
Accumulated Depreciation-Furniture and Fixtures	10607011	-	1,309,944.73
Leased Assets Improvements	**10609000**	**4,373,670.13**	**4,373,667.13**
Leased Assets Improvements, Buildings and Other Structures	10609020	4,373,670.13	-
Accumulated Depreciation-Leased Assets Improvements, Buildings and Other Structures	10609021	-	4,373,667.13
Intangible Assets	**10800000**	**357,142.86**	**-**
Development in Progress	**10898000**	**357,142.86**	**-**
Development in Progress-Computer Software	10898020	357,142.86	-

ANNEX "G"

Deferred Tax Assets	**11200000**	**24,542,414.37**	**-**
Deferred Tax Assets	**11201000**	**24,542,414.37**	**-**
Deferred Tax Assets	11201010	24,542,414.37	-
Other Assets	**19900000**	**94,089,138.76**	**7,812,276.74**
Deposits	**19903000**	**72,789,486.55**	**-**
Guaranty Deposits	19903020	71,072,000.00	-
Other Deposits	19903990	1,717,486.55	-
Restricted Fund	**19904000**	**14,264,726.83**	**-**
Restricted Fund	19904010	14,264,726.83	-
Other Assets	**19999000**	**7,034,925.38**	**7,812,276.74**
Deferred Charges/Losses	19999080	6,802,732.68	-
Other Assets	19999990	232,192.70	-
Accumulated Impairment Losses-Other Assets	19999992	-	7,812,276.74
Liabilities	**20000000**	**-**	**25,589,887,606.79**
Current Liabilities	**20000000**	**-**	**11,411,835,678.46**
Financial Liabilities	**20100000**	**-**	**11,179,907,719.43**
Payables	**20101000**	**-**	**20,270,303.42**
Accounts Payable	20101010	-	20,270,303.42
Other Financial Liabilities	**20199000**	**-**	**11,159,637,416.01**
Other Financial Liabilities	20199990	-	11,159,637,416.01
Inter-Agency Payables	**20200000**	**-**	**77,387,762.25**
Inter-Agency Payables	**20201000**	**-**	**77,387,762.25**
Due to BIR	20201010	-	588,140.19
Due to Pag-IBIG	20201030	-	27,460.33
Due to SSS	20201110	-	135,453.42
Income Tax Payable	20201130	-	76,636,708.31
Trust Liabilities	**20400000**	**-**	**102,012,785.95**
Trust Liabilities	**20401000**	**-**	**102,012,785.95**
Trust Liabilities	20401010	-	3,789,628.75
Customers' Deposits Payable	20401050	-	98,223,157.20
Deferred Credits/Unearned Revenue/Income	**20500000**	**-**	**52,527,410.83**
Deferred Credits	**20501000**	**-**	**52,527,410.83**
Output Tax	20501030	-	13,618,708.96
Other Deferred Credits	20501990	-	38,908,701.87
Non-current Liabilities	**20000000**	**-**	**14,178,051,928.33**
Deferred Tax Liabilities	**20900000**	**-**	**14,178,051,928.33**
Deferred Tax Liabilities	**20901000**	**-**	**14,178,051,928.33**
Deferred Tax Liabilities	20901010	-	14,178,051,928.33
Equity	**30000000**	**129,041,580.09**	**36,950,363,579.68**
Revaluation Surplus	**30200000**	**-**	**1,609,762,871.55**
Revaluation Surplus	**30201000**	**-**	**1,609,762,871.55**
Revaluation Surplus	30201010	-	1,609,762,871.55
Unrealized Gain/(Loss)	**30500000**	**24,000.00**	**-**
Unrealized Gain/(Loss)	**30501000**	**24,000.00**	**-**
Unrealized Gain/(Loss) from Changes in the Fair Value of Financial Instruments	30501020	24,000.00	-
Retained Earnings/(Deficit)	**30700000**	**-**	**27,402,820,007.00**
Retained Earnings/(Deficit)	**30701000**	**-**	**27,402,820,007.00**
Retained Earnings/(Deficit)	30701010	-	27,402,820,007.00
Stockholders' Equity	**30800000**	**129,017,580.09**	**7,937,780,701.13**
Stockholders' Equity	**30801000**	**129,017,580.09**	**7,937,780,701.13**
Subscriptions Receivable	10399060	56,158,830.64	-
Share Capital	30801010	-	2,339,916,950.64
Share Premium	30801020	-	46,137,443.18
Subscribed Share Capital	30801030	56,158,831.00	-
Treasury Shares	30801040	16,699,918.45	-
Other Equity Instruments	30801990	-	5,551,726,307.31
Revenue/Income	**40000000**	**-**	**233,718,987.21**
Service and Business Income	**40200000**	**-**	**233,717,467.21**
Business Income	**40202000**	**-**	**233,717,467.21**
Rent/Lease Income	40202050	-	84,430,052.09
Dividend Income	40202200	-	6,622,437.60
Interest Income	40202210	-	42,117,333.15
Share in the Profit//Revenue of Joint Venture	40202220	-	100,547,644.37
Other Non-Operating Income	**40600000**	**-**	**1,520.00**
Miscellaneous Income	**40699000**	**-**	**1,520.00**
Miscellaneous Income	40699990	-	1,520.00
Expenses	**50000000**	**120,374,540.87**	**-**
Personnel Services	**50100000**	**20,025,581.73**	**-**
Salaries and Wages	**50101000**	**10,190,881.91**	**-**
Salaries and Wages-Regular	50101010	10,190,881.91	-
Other Compensation	**50102000**	**7,415,104.74**	**-**
Personnel Economic Relief Allowance (PERA)	50102010	322,245.99	-
Clothing/Uniform Allowance	50102040	350,000.00	-
Honoraria	50102100	405,000.00	-
Overtime and Night Pay	50102130	474,551.59	-
Year End Bonus	50102140	863,511.88	-
Cash Gift	50102150	67,500.02	-
Mid-Year Bonus	50102160	2,072,428.58	-
Directors and Committee Members' Fees	50102170	2,589,866.68	-
Other Bonuses and Allowances	50102990	270,000.00	-
Personnel Benefit Contributions	**50103000**	**767,167.92**	**-**
Pag-IBIG Contributions	50103020	32,200.00	-
PhilHealth Contributions	50103030	192,457.92	-
Employees Compensation Insurance Premiums	50103040	542,510.00	-
Other Personnel Benefits	**50104000**	**1,652,427.16**	**-**
Terminal Leave Benefits	50104030	932,592.87	-
Other Personnel Benefits	50104990	719,834.29	-
Maintenance and Other Operating Expenses	**50200000**	**35,304,727.07**	**-**
Traveling Expenses	**50201000**	**407,999.42**	**-**
Traveling Expenses-Local	50201010	407,999.42	-
Training and Scholarship Expenses	**50202000**	**900.00**	**-**
Training Expenses	50202010	900.00	-
Supplies and Materials Expenses	**50203000**	**1,380,133.59**	**-**
Office Supplies Expenses	50203010	459,350.79	-
Fuel, Oil and Lubricants Expenses	50203090	97,190.91	-
Semi-Expendable Machinery and Equipment Expenses	50203210	761,452.15	-
Semi-Expendable Furniture, Fixtures and Books Expenses	50203220	28,571.43	-
Other Supplies and Materials Expenses	50203990	33,568.31	-
Utility Expenses	**50204000**	**501,438.49**	**-**
Water Expenses	50204010	106,373.92	-
Electricity Expenses	50204020	395,064.57	-
Communication Expenses	**50205000**	**293,088.59**	**-**
Postage and Courier Services	50205010	2,656.00	-
Telephone Expenses	50205020	181,011.15	-
Internet Subscription Expenses	50205030	106,600.00	-
Cable, Satellite, Telegraph and Radio Expenses	50205040	2,821.44	-
Professional Services	**50211000**	**1,694,276.76**	**-**
Legal Services	50211010	334,504.44	-
Auditing Services	50211020	869,593.74	-
Other Professional Services	50211990	490,178.58	-
General Services	**50212000**	**2,694,786.50**	**-**
Security Services	50212030	2,131,962.44	-
Other General Services	50212990	562,824.06	-
Repairs and Maintenance	**50213000**	**186,228.40**	**-**

ANNEX "G"

Repairs and Maintenance-Buildings and Other Structures	50213040	9,902.00		-
Repairs and Maintenance-Machinery and Equipment	50213050	6,153.57		-
Repairs and Maintenance-Transportation Equipment	50213060	99,069.83		-
Repairs and Maintenance-Other Property, Plant and Equipment	50213990	71,103.00		-
Taxes, Insurance Premiums and Other Fees	**50215000**	**26,851,092.51**		**-**
Taxes, Duties and Licenses	50215010	4,911,128.06		-
Insurance/Reinsurance Expenses	50215030	235,376.59		-
Income Tax Expenses	50215040	21,704,587.86		-
Other Maintenance and Operating Expenses	**50299000**	**1,294,782.81**		**-**
Advertising, Promotional and Marketing Expenses	50299010	190.00		-
Representation Expenses	50299030	561,931.20		-
Membership Dues and Contributions to Organizations	50299060	57,369.50		-
Subscription Expenses	50299070	5,944.91		-
Donations	50299080	5,000.00		-
Major Events and Conventions Expenses	50299180	260,192.80		-
Other Maintenance and Operating Expenses	50299990	404,154.40		-
Financial Expenses	**50300000**	**63,625,500.00**		**-**
Financial Expenses	**50301000**	**63,625,500.00**		**-**
Bank Charges	50301040	8,500.00		-
Other Financial Charges	50301990	63,617,000.00		-
Non-Cash Expenses	**50500000**	**1,418,732.07**		**-**
Depreciation	**50501000**	**1,418,732.07**		**-**
Depreciation-Buildings and Other Structures	50501040	457,354.98		-
Depreciation-Machinery and Equipment	50501050	30,267.87		-
Depreciation-Transportation Equipment	50501060	923,668.74		-
Depreciation-Other Property, Plant and Equipment	50501990	7,440.48		-
Total		**₱ 65,531,761,504.42**	**₱**	**65,531,761,504.42**
				-

ANNEX "G"

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Quarter Ended March 31, 2025
(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, 2024		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,609,762,872	27,402,820,007	(24,000)	36,821,322,000
Add (Deduct):										0
Correction of prior year's income	35							-	0	-
As at January 1, 2025, as restated		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,609,762,872	27,402,820,007	(24,000)	36,821,322,000
Changes in equity for 2025										
Add (Deduct):										0
Comprehensive loss for the year, as restated								113,344,446		113,344,446
Other comprehensive income										0
Unrealized gain on financial asset at FVOCI									-	0
Movement in revaluation increment, net of tax							0			0
Other adjustments										0
Piecemeal realization of revaluation increment							-	0		0
Reduction in deferred tax liability							0			0
Balance at March 31, 2025		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,609,762,872	27,516,164,453	(24,000)	36,934,666,446

EXHIBIT 5

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

1.5. Notes to Interim Financial Statements

1.5.1. Earnings (loss) Per Share

The Company's earnings (loss) per share is presented on the face of the Statement of Comprehensive Income (Exhibit 2). Said earnings (loss) per share is computed by dividing the net income (loss) by the number of outstanding common shares.

1.5.2. Disclosure that the issuer's interim financial report is in compliance with the generally accepted accounting principles

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

The interim financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs 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.

1.5.3. Notes to Financial Statements

1.5.3.a. Accounting Policies and Methods

1.5.3.a.1. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

The most recent annual financial statements were reclassified/converted to adopt the Revised Chart of Accounts pursuant to COA Circular No. 2015-010 dated December 1, 2015.

1.5.3.a.2. <u>Revenue Recognition</u>

Revenue and Dividend Share from Joint Venture Companies (JVCs)

Pursuant to the Supreme Court En Banc Decision, as discussed in Note 1 to the 2022 Audited Financial Statements, the Company no longer recorded the tollways income from the North and South Luzon Tollways (NLT and SLT).

Pending issuance of the Implementing Rules and Guidelines for the determination of the amounts due to the Company for its

administrative expenses, the Company recognized 10 percent of its share from the JVCs gross toll revenues, in accordance with the interim rules and guidelines issued by TRB.

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

Rental Income

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

Service Income and Cost

Service income and costs are recognized on the basis of percentage of completion method.

Other Income

Other income is recognized when earned.

1.5.3.a.3 Allowance for Impairment Losses on Loans and Receivables

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

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

1.5.3.a.4 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.

Prepayments also include inventories consisting 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 writedown is provided for all non-moving/obsolete items.

1.5.3.a.5 Investments

The Company 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 Company believes that the effects of not consolidating the subsidiaries are not material to the financial statements because these subsidiaries are no longer operating, except for DISC Contractors, Builders and General Services, Inc. (DCBGSI) which has been incurring losses, resulting in accumulated deficit. In addition, in 2015, the Company has initiated the process of closing its subsidiaries that are no longer operating and those that are losing. On October 1, 2015, as part of the reorganization and streamlining of Company operations, PNCC assumed the operations of DCBGSI which now operates as a separate division of the Company.

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

Available for sale equity securities (club shares) are recorded/ measured/presented at fair market value as provided for under Philippine Interpretations Committee (PIC) Q&A 6-02.

1.5.3.a.6 Investment Property

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

Investment property is initially measured at cost. Subsequent to initial recognition, the account is stated at fair value, which has been

determined based on the average valuations performed by two independent firms of appraisers every other year. The changes in fair value are recognized in profit or loss.

1.5.3.a.7 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.

Depreciation commences once the property and equipment are available for 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 is recognized in profit or loss.

1.5.3.a.8 Revaluation Increment in Property

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. Realization of the revaluation increment is credited to "Retained Earnings" account.

Piecemeal realization of the revaluation increment is effected every two (2) years.

1.5.3.a.9 Borrowing Costs

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

1.5.3.a.10 Income Taxes

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

For financial reporting purposes, deferred tax assets are recognized for the carry forward benefits of unused tax credits from Net Operating Loss Carry-Over (NOLCO) and from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) to the extent that it is probable that future taxable profit will be available against which the deferred tax assets 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.

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.

1.5.3.b Comments about the seasonality or cyclicality of interim operations

- Not applicable -

1.5.3.c Nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size, or incidents

- Not applicable -

1.5.3.d Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have material effects in the current interim period

- Not applicable -

1.5.3.e Issuances, repurchases, and repayments of debt and equity securities

PNCC was not able to make any settlement of its concession fee obligation to the Toll Regulatory Board (TRB) during the six months ended and as of March

31, 2023. The last payment was made on December 2016. Penalty charges of 2% accruing from the TRB loan are continuously recognized in the books.

The Company intends to pay recognized debts using the proceeds from the sale of its investment properties. The Board approved the offer to apply part of FCA to pay liabilities to the National Government (NG). The Company sent a letter dated July 21, 2015 to the OP recognizing its liability to the NG in the amount of P7.9 billion and proposing to "pay off the recognized obligations, particularly given that the obligation to the TRB for unpaid concession fees carries with it a penalty of two percent per month." The Company is awaiting the decision of the OP.

1.5.3.f Payment of dividend

There were no dividends paid during the six months ended March 31, 2025.

1.5.3.g Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

- None -

1.5.3.h Effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition, or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

- None -

1.5.3.i Changes in contingent liabilities or contingent assets since the last annual balance sheet date

- None -

1.5.3.j Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period

1.5.3.j.1 <u>Pending Lawsuits and Litigations:</u>

The Company 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 consist of those filed against the Company 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 Company before the National Labor Relations Commission, Court of Appeals and Supreme Court.

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

1.5.3.j.2 Tax Matters

As stated in Note 36 of the 2024 Audited Financial Statements, the Company 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 Company's financial statements.

- Deficiency internal revenue taxes for taxable year 1980 (income tax, contractor's tax, and documentary stamp tax) totaling P212.52 million.
- Deficiency business tax of P64 million due the Belgian Consortium, the Company's partner in its LRT Project.
- Deficiency internal revenue taxes for taxable year 1992 (income tax, value-added tax, and expanded withholding tax) of P1.04 billion which was reduced to P709 million after the Company's written protest.
- Deficiency internal revenue taxes for the taxable year 2002 totaling P72.92 million.
- Deficiency taxes for taxable year 2006 amounting to P116.141 million (inclusive of interest of P48.76 million).

EXHIBIT 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 2.1 Comparable discussion that will enable the reader to assess material changes in financial condition and results of operation since the end of the last fiscal year and for the comparable interim period in the preceding financial year.

Financial Position:

As of March 31, 2025, the Company's resources totaled P62.525 billion, higher by P200.600 million or 0.32% compared to the December 31, 2024 figure of P62.324 billion.

The increase in resources was attributable to the increase in cash and short-term investments provided by the Company's operating and investing activities, as offset by the decrease in Other Investment and other non-current assets.

Please refer to Item 2.2.e for further analysis of material changes in the financial statements.

Results of Operations:

The Company's net income of 113.344 million for the three months ended March 31, 2025 increased by P19.374 million or 20.62% compared to the reported net income of P93.971 million for the same period of 2024. This is due to the increase in total revenue.

Key Performance Indicators:

Please refer to Exhibit 7 for the analysis of the Company's key performance indicators.

Item 2.2 Discussion and analysis of material event/s and uncertainties known to Management that would address the past and would have an impact on future operations on the following:

2.2.a Any known trends, demands, commitments, events, uncertainties that will have a material impact on the issuer's liquidity

2.2.a.1 The Company's inability to settle its outstanding obligations with the TRB and the National Government brought about by the difficulties in collecting receivables from various government agencies.

2.2.a.2 Pending labor cases which consist of those filed against the Company involving dismissal, back wages, and separation pay; most of which had been ruled by the Labor Arbiter in favor of the

complainants, pending appeal by PNCC before the National Labor Relation Commission (NLRC).

2.2.a.3 Pending civil cases which consist 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).

2.2.a.4 Pending assessments on deficiency taxes. Discussion is contained under Item 1.5.3.j.2 including courses of actions already undertaken by the Company to address the issue.

To address PNCC's liquidity concern, the Company implemented a program of manpower rightsizing in 2001. The program will be considered in the succeeding quarters/years until the Company attains manpower complement to match its present revenue level which is generated by its share in the Joint Venture Companies' gross toll revenue and its earnings from the leased FCA property.

The Company does not have material off-balance sheet transactions and arrangements during the reporting period.

As of reporting quarter, there is nothing that trigger direct or contingent financial obligation that is material to the Company, except for the default in payment of its TRB loan and the recognition of debts to the National Government.

2.2.b Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures

- None –

2.2.c 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/revenues/income from continuing operations

The following had affected the revenue generating capacity of the Company:

- The veering away from the construction business since 2002;
- The turnover of the North Luzon Tollway operations to the MNTC on February 10, 2005;
- The turnover of its South Luzon Tollway operations to SLTC/MATES on May 2, 2010; and
- DPWH's takeover of the Daang Hari Project (pursuant to its PPP mandate).

2.2.d Any significant elements of income or loss that did not arise from the issuer's continuing operations

ANNEX "G"

Income Statement	FOR THE SIX MONTHS ENDED Mar-31 2025	Mar-31 2024	INCREASE/(DECREASE) Amount	%	Remarks
REVENUES	184,977,696	63,763,096	21,214,600	12.95%	Attributable to increase in rental income from FCA properties and JV Shares
Other Income (Charges)	47,322,559	43,866,377	3,456,182	7.88%	Attributable to the increases in Interest Income and Depreciation expense vis-à-vis the decline in Dividend Income and Miscellaneous income
Personnel Services	20,025,582	17,354,901	2,670,681	15.39%	Attributable to the increase in Directors fees per GCG memorandum
Maintenance and Other Operating Expenses	13,608,639	16,048,522	(2,439,883)	-15.20%	Attributable to changes in Business permits mode of payment from annual to quarterly payment due to impending transfer to FCA
Income Tax	21,704,588	16,638,176	5,066,412	30.45%	Attributable to higher Income in 2025.
Comprehensive Income	113,344,446	93,970,874	19,373,572	20.62%	Attributable to reasons stated above.

2.2.eThe causes for any material change/s (5% or more) from period to period in one or more line items of the issuer's financial statements

Balance Sheet	AS AT Mar-31 2025	Dec-31 2024	INCREASE/(DECREASE) Amount	%	Remarks
Cash	154,572,183	128,894,489	25,677,694	19.92%	Attributable to cash flow provided by operating activities

Receivables, net	690,496,891	640,462,927	50,033,964	7.81%	Attributable to the increase in uncollected revenue from rental and JV shares.
Inventories	2,781,968	2,443,852	338,116	13.84%	Attributable to the increase in fuel and oil and other materials
Other Investment	1,546,610	2,275,883	(729,273)	-32.04%	Attributable to payment of investment by CESLA
Financial Liabilities	20,286,435	23,199,373	(2,912,938)	-12.56%	Attributable to payment of liabilities to suppliers of goods and services
Inter-agency Payable	77,371,631	56,630,922	20,740,709	36.62%	Attributable to increase in Income Tax payable
Deferred Credits/unearned Income	52,527,411	46,716,319	5,811,092	12.44%	Attributable to increase in Other deferred credits

2.2.f Any seasonal aspects that had a material effect on the financial condition or results of operations

- Not applicable -

FINANCIAL INFORMATION

Management's Discussion and Analysis

1st Quarter 2025 vs. 1st Quarter 2024

Results of Operations

Revenue. Revenue for the quarter ended March 31, 2025 stood at ₱163.763 million, higher by 12.95% or ₱21.215 million compared to ₱163.763 million for the quarter ended March 31, 2024. The increase was attributable to the increase in JV Revenue Shares and Rental Income.

General and Administrative Overhead. Overhead account increased by 0.69% or ₱0.231 million from ₱33.403 million for the quarter ended March 31, 2024 to ₱33.634 million for the quarter ended March 31, 2025 due to the increases in employees cost due to Director's fees new rate that took effect only on July 2024 vis-a-vis the decrease in Maintenance and other operating expense due to the change in mode of payment of Business Tax permit from annually to quarterly in 2024 and 2025, respectively due to the impending transfer of office in FCA.

Income from Operation. Income from operation for the quarter ended March 31, 2025 increased by 16.10% or ₱20.984 million from ₱130.360 million for the quarter ended March 31, 2024 to ₱151.343 million for the quarter ended March 31, 2025. Said favorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a balance of ₱47.323 million for the quarter ended March 31, 2025 compared to ₱43.866 million for the quarter ended March 31, 2024. The 7.88% increase was due to the increases in Interest Income and Depreciation expense vis-à-vis the decrease in Dividend Income and Miscellaneous Income.

Comprehensive Income (Loss). Net Comprehensive Income for the quarter ended March 31, 2025 amounted to ₱113.344 million compared to the net income of ₱93.971 million for the quarter ended March 31, 2024. The variance was due to the reasons discussed above.

Financial Position

Current Assets. Current assets increased by 5.44% or ₱203.685 million from ₱3.744 billion as of March 31, 2024 to ₱3.948 billion as of March 31, 2025 mainly due to the cash flows provided by the Company's operating and investing activities, receivables, inventories and other non-current assets.

Current Liabilities. Current liabilities increased by 0.77% or ₱87.256 million from ₱11.321 billion as of March 31, 2024 to ₱11.408 billion as of March 31, 2025 mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB), inter-agency payables and Other deferred credits vis-à-vis the decrease in Financial Liabilities.

Stockholder's Equity. Stockholder's Equity as of March 31, 2025 totalled ₱36.935 billion vis-à-vis the stockholders' equity as of March 31, 2024 in the amount of ₱36.821 billion. The increase in the account is attributable to the comprehensive income in 2025.

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

Performance Indicators	As of		Explanation
	03/31/2025	03/31/2024	

ANNEX "G"

	(Unaudited)	(Unaudited)	
Current/Liquidity Ratios			
Current Ratio **(Current Assets Divided by Current Liabilities)**	0.35	0.28	This ratio evaluates the ability of the company to pay its current debt promptly. Current ratio of 0.28 as of March 31, 2024 slightly increased to 0.35 as of March 31, 2025 due to cash inflows provided by operating activities.
Solvency Ratios			
Debt to Assets **(Total Liabilities Divided by Total Assets)**	40.93%	41.18%	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 41.18% as of March 31, 2024 to 40.93% as of March 31, 2025 brought mainly by the accrual of the 2% penalty charges on unpaid concession fees.
Debt to Equity **(Total Liabilities Divided by Total Equity)**	69.28%	70.00%	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 70.00% as of March 31, 2024 to 69.28% as of March 31, 2025 was brought by the 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)	169.28%	170.00%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The slight improvement of the ratio from 170.00% as of March 31, 2024 to 169.28% as of March 31, 2025 is due to the comprehensive income in 2025.
Interest Rate Coverage Ratio (Income Before Interest/Penalty/Penalty and Taxes Divided by Interest/Penalty)	2.78	2.48	Determines how easily a company can pay interest on outstanding debt. The ratio increased from 2.48 as of March 31, 2024 to 2.78 as of March 31, 2025 due to recognition of higher income in March 31, 2025 as compared to same period in 2024.
Profitability Ratios	0.18%	0.15%	Measures the Company's earnings in relation to all the resources it had at its disposal.
Return on Assets (**Net Income (Loss) Divided by Total Assets)**			The ratio of 0.15% as of March 31, 2024 vis-à-vis the ratio of 0.18% as of March 31, 2025 was the outcome of the income recognition of ₱93.971 million for March 31, 2024 as compared with the recognized comprehensive income of ₱113.344 million for the quarter ended March 31, 2025.
Return on Equity **(Net Income (Loss) Divided by Total Equity)**	0.31%	0.26%	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 0.26% to 0.31% is attributable to the increase in stockholder's equity as a result of higher comprehensive income in March 31, 2025 vis-à-vis March 31, 2024.

(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 2024 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 2024 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.

(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, 2025 compared to March 31, 2024 (increased/decrease of 5% or more)**

*Cash in*creased by ₱25.678 million or 19.92% from ₱128.894 million as of March 31, 2024 to ₱154.572 million as of March 31, 2025 due to the cash flows used in Company's operating activities and investing activities.

Receivables increased by ₱50.034 million or 7.81% from ₱640.463 million as of March 31, 2024 to ₱690.497 million as of March 31, 2025 due to the booking of PCPI rental and JV revenue shares.

Inventories - increased by ₱0.338 million or 13.84% from ₱2.444 million as of March 31, 2024 to ₱2.782 million as of March 31, 2025 due mainly to the increase in fuel and oil and other materials.

Other Investment - decreased by ₱0.729 million or 32.04% from ₱2.276 million as of March 31, 2024 to ₱1.547 million as of March 31, 2025 due mainly to the return of investment by CESLA.

*Financial Liabilities – Accounts Payable de*creased by ₱2.913 million or 12.56% from ₱23.199 million as of March 31, 2024 to ₱20.286 million as of March 31, 2025 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 ₱20.741 million or 36.62% from ₱56.631 million as of March 31, 2024 to ₱77.372 million as of March 31, 2025 due to increases in Income Tax Payable.

Deferred credits/Unearned Revenue/Income - increased by ₱5.811 million or 12.44% from ₱46.716 million as of March 31, 2024 to ₱52.527 million as of March 31, 2025 mainly due to the increase in other deferred credits.

Material changes to the Company's Statement of Income for the quarter ended March 31, 2025 compared to the quarter ended March 31, 2024 (increase/decrease of 5% or more)

*Business Income in*creased by ₱21.215 million or 12.95% from ₱163.763 million as of March 31, 2024 to ₱184.978 million as of March 31, 2025 due to increases in share in JVs Revenue and Rental Income.

*Other Income/Charges de*creased by 12.19% or ₱501,282 from ₱502,802 *as of* March 31, 2024 *to* ₱1,520 as of March 31, 2025 mainly due to the Miscellaneous Income in 2025.

General and Administrative Expenses increased by 0.69% or ₱230,798 from ₱33.403 million for the quarter ended March 31, 2024 to ₱33.634 million for the quarter ended March 31, 2025 due to the increases in Personnel Cost brought about by the increase in BOD's per diems rate in July 2024 vis-a-vis the decrease in MOOE due to the the change in mode of payment of business permits this 2025 due to the impending transfer to FCA.

*Income Tax in*creased by 30.45% or ₱5.066 million from ₱16.638 million *as of* March 31, 2024 *to* ₱21.705 million as of March 31, 2025 mainly due to the increase in Revenue in 2025.

Comprehensive Income increased by 20.62% or ₱19.374 million from ₱93.971 million for the quarter ended March 31, 2024 to ₱113.344 million for the quarter ended March 31, 2025 due to the reasons discussed above.

SECURITIES AND EXCHANGE COMMISSION
THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No.:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph

The following document has been received:

Receiving: DONNA ENCARNADO
Receipt Date and Time: July 30, 2025 04:28:21 PM

Company Information

SEC Registration No.: 0000030939
Company Name: PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
Industry Classification: F45300
Company Type: Stock Corporation

Document Information

Document ID: OST10730202583631196
Document Type: Quarterly Report
Document Code: SEC_Form_17-Q
Period Covered: June 30, 2025
Submission Type: Original Filing
Remarks: None

Acceptance of this document is subject to review of forms and contents

ANNEX "H"

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2025**

2. SEC Identification No. **30939**

3. BIR Tax Identification No. **000-058-330-000**

4. Exact name of issuer as specified in its charter: **Philippine National Construction Corporation**

5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**

6. Industry Classification Code: [ ] (SEC Use Only)

7. **PNCC Complex, KM. 15, East Service Road, Bicutan, Parañaque City** **1700**
   Address of issuer's principal office Postal Code

8. **(632) 8822-5725**
   Issuer's telephone number, including area code

9. **Not applicable**
   Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or 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:

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 Institutions in 1983. For purposes of registration of said shares, PNCC with Feria Law Offices as consultant filed its Amended Registration Statement on August 15, 2001. On December 19, 2001, the Securities and Exchange Commission (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 the securities listed on a Stock Exchange?

Yes [x] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

The Common shares of the Company are listed on the 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 Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 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 ninety (90) days.

Yes [x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Interim financial statements are attached as Exhibits 1 to 5 hereof and incorporated herein by reference:

Exhibit 1	Statements of Financial Position as at June 30, 2025 and December 31, 2024
Exhibit 2	Statements of Comprehensive Income for the six months ended June 30, 2025 and June 30, 2024
Exhibit 3	Statements of Changes in Equity for the six months ended June 30, 2025 and June 30, 2024
Exhibit 4	Statements of Cash Flows for the six months ended June 30, 2025 and June 30, 2024
Exhibit 5	Notes to Interim Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Please refer to Exhibits 6 & 7.

PART II – OTHER INFORMATION

The Company is not in possession of information which has not been previously reported in a report on SEC Form 17-C and with respect to which a report on SEC Form 17-C is required to be filed.

ANNEX "H"

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.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
Issuer

By:

ATTY. MIGUEL E. UMALI
President

CRISTY M. MEDIAVILLO
Corporate Treasurer

VERONICA B. TACDERAS
Head - Controllership

ANNEX "H"

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

July 30, 2025

SECURITIES AND EXCHANGE COMMISSION
SEC Building
7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City

Gentlemen:

In connection with the financial statements of Philippine National Construction Corporation as of June 30, 2025, which will be submitted to the Philippine Stock Exchange (PSE), we confirm to the best of our knowledge and belief, the following:

1. We are responsible for the fair presentation of the financial statements in conformity with the generally accepted accounting principles.

2. There have been no:

   a. Irregularities involving management or employees who have significant roles in the system or internal accounting control.

   b. Irregularities involving other employees that could have a material effect on financial statements.

   c. Communication from regulatory agencies concerning non-compliance with or deficiencies in, financial reporting practices that could have a material effect on the financial statements.

3. There are no:

   a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

   b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed.

4. The accounting records underlying the financial statements accurately and fairly reflect the transactions of the company.

5. The company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.

6. Provision has been made for any material loss to be sustained.
7. We have complied with all respects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

CRISTY M. MEDIAVILLO
Corporate Treasurer

ANNEX "H"

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Philippine National Construction Corporation (PNCC) is responsible for all information and representations contained in the consolidated unaudited financial statements for the quarter ended June 30, 2025. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on the best estimates and informed judgment with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

ATTY. MIGUEL E. UMALI
President and CEO
TIN: 106-974-003

CRISTY M. MEDIAVILLO
Head, Treasury
TIN: 118-060-474

VERONICA B. TACDERAS
Head, Controllership
TIN: 122-819-743

ANNEX "H"

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2025 and June 30, 2024
(In Philippine Peso)

	June	
	2025 (UnAudited)	**2024 (UnAudited)**
ASSETS		
Current Assets		
Cash	114,877,146	56,195,852
Other investments	3,186,690,842	2,731,674,469
Receivables, net	730,884,194	552,231,849
Inventories	2,586,863	2,406,827
Other current assets	63,644,587	53,080,227
	4,098,683,632	**3,395,589,224**
Non-Current Assets		
Financial Assets	796,970	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	1,546,610	2,275,883
Receivables	98,491,690	98,491,690
Investment property	54,516,776,758	54,126,958,000
Property and equipment, net	2,304,680,763	2,293,302,193
Intangible Assets	446,429	-
Deferred tax assets	24,542,414	24,646,804
Other non-current assets, net	86,279,318	88,266,591
	58,580,577,652	**58,181,729,831**
TOTAL ASSETS	**62,679,261,284**	**61,577,319,055**
LIABILITIES		
Current Liabilities		
Financial liabilitiles	24,979,760	26,528,825
Other financial liabilities (Due to NG and GOCCs)	11,223,961,316	10,965,958,916
Inter-agency payables	51,956,873	46,451,779
Trust liabilities	98,223,157	120,613,949
Deferred credits/unearned income	55,369,793	45,955,020
	11,454,490,899	**11,205,508,489**
Non-Current Liabilities		
Deferred tax liabilities	14,178,051,928	14,082,671,258
Trust liabilities	3,789,629	3,789,629
	14,181,841,557	**14,086,460,887**
TOTAL LIABILITIES	**25,636,332,456**	**25,291,969,376**
EQUITY	**37,042,928,828**	**36,285,349,679**
TOTAL LIABILITIES AND EQUITY	**62,679,261,284**	**61,577,319,055**

ANNEX "H"

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Period Ended June 30, 2025 and June 30, 2024
(In Philippine Peso)

	June	
	2025 (Unaudited)	**2024 (Unaudited)**
Income		
Service and business income	463,349,835	422,135,092
Gains	-	312,499
Other non-operating income	18,931	1,714,780
	463,368,766	**424,162,371**
Expenses		
Personnel services	40,342,820	38,437,420
Maintenance and other operating expenses	26,316,082	27,789,802
Financial expenses		
Penalty charges on unpaid concession fee	127,940,900	127,940,900
Bank charges	10,100	7,520
Direct costs	-	-
Non-Cash Expenses	2,860,596	3,772,162
	197,470,498	**197,947,804**
Income (Loss) Before Tax	**265,898,268**	**226,214,567**
Income Tax expense	43,530,679	33,603,338
Net Income (Loss)	**222,367,589**	**192,611,229**
Other Comprehensive income (loss)	-	-
Total Comprehensive Income (Loss)	**222,367,589**	**192,611,229**

ANNEX "H"

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Quarter Ended June 30, 2025
(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, 2024		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,609,762,872	27,402,820,007	(24,000)	36,821,322,000
Add (Deduct):										0
Correction of prior year's income	35							(760,760.00)	0	(760,760.00)
As at January 1, 2025, as restated		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,609,762,872	27,402,059,247	(24,000)	36,820,561,240
Changes in equity for 2025										
Add (Deduct):										0
Comprehensive loss for the year, as restated								222,367,588		222,367,588
Other comprehensive income										0
Unrealized gain on financial asset at FVOCI									-	0
Movement in revaluation increment, net of tax							0			0
Other adjustments										0
Piecemeal realization of revaluation increment							-	0		0
Reduction in deferred tax liability							0			0
Balance at June 30, 2025		2,283,758,120	46,137,443	5,551,726,307	(56,158,831)	(16,699,918)	1,609,762,872	27,624,426,835	(24,000)	37,042,928,828

EXHIBIT 5

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

1.5. Notes to Interim Financial Statements

1.5.1. Earnings (loss) Per Share

The Company's earnings (loss) per share is presented on the face of the Statement of Comprehensive Income (Exhibit 2). Said earnings (loss) per share is computed by dividing the net income (loss) by the number of outstanding common shares.

1.5.2. Disclosure that the issuer's interim financial report is in compliance with the generally accepted accounting principles

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

The interim financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs 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.

1.5.3. Notes to Financial Statements

1.5.3.a. Accounting Policies and Methods

1.5.3.a.1. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

The most recent annual financial statements were reclassified/converted to adopt the Revised Chart of Accounts pursuant to COA Circular No. 2015-010 dated December 1, 2015.

1.5.3.a.2. <u>Revenue Recognition</u>

Revenue and Dividend Share from Joint Venture Companies (JVCs)

Pursuant to the Supreme Court En Banc Decision, as discussed in Note 1 to the 2022 Audited Financial Statements, the Company no longer recorded the tollways income from the North and South Luzon Tollways (NLT and SLT).

Pending issuance of the Implementing Rules and Guidelines for the determination of the amounts due to the Company for its

administrative expenses, the Company recognized 10 percent of its share from the JVCs gross toll revenues, in accordance with the interim rules and guidelines issued by TRB.

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

Rental Income

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

Service Income and Cost

Service income and costs are recognized on the basis of percentage of completion method.

Other Income

Other income is recognized when earned.

1.5.3.a.3 Allowance for Impairment Losses on Loans and Receivables

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

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

1.5.3.a.4 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.

Prepayments also include inventories consisting 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.

1.5.3.a.5 Investments

The Company 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 Company believes that the effects of not consolidating the subsidiaries are not material to the financial statements because these subsidiaries are no longer operating, except for DISC Contractors, Builders and General Services, Inc. (DCBGSI) which has been incurring losses, resulting in accumulated deficit. In addition, in 2015, the Company has initiated the process of closing its subsidiaries that are no longer operating and those that are losing. On October 1, 2015, as part of the reorganization and streamlining of Company operations, PNCC assumed the operations of DCBGSI which now operates as a separate division of the Company.

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

Available for sale equity securities (club shares) are recorded/ measured/presented at fair market value as provided for under Philippine Interpretations Committee (PIC) Q&A 6-02.

1.5.3.a.6 Investment Property

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

Investment property is initially measured at cost. Subsequent to initial recognition, the account is stated at fair value, which has been

determined based on the average valuations performed by two independent firms of appraisers every other year. The changes in fair value are recognized in profit or loss.

1.5.3.a.7 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.

Depreciation commences once the property and equipment are available for 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 is recognized in profit or loss.

1.5.3.a.8 Revaluation Increment in Property

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. Realization of the revaluation increment is credited to "Retained Earnings" account.

Piecemeal realization of the revaluation increment is effected every two (2) years.

1.5.3.a.9 Borrowing Costs

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

1.5.3.a.10 Income Taxes

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

For financial reporting purposes, deferred tax assets are recognized for the carry forward benefits of unused tax credits from Net Operating Loss Carry-Over (NOLCO) and from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) to the extent that it is probable that future taxable profit will be available against which the deferred tax assets 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.

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.

1.5.3.b Comments about the seasonality or cyclicality of interim operations

- Not applicable -

1.5.3.c Nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size, or incidents

- Not applicable -

1.5.3.d Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have material effects in the current interim period

- Not applicable -

1.5.3.e Issuances, repurchases, and repayments of debt and equity securities

PNCC was not able to make any settlement of its concession fee obligation to the Toll Regulatory Board (TRB) during the six months ended and as of March

31, 2023. The last payment was made on December 2016. Penalty charges of 2% accruing from the TRB loan are continuously recognized in the books.

The Company intends to pay recognized debts using the proceeds from the sale of its investment properties. The Board approved the offer to apply part of FCA to pay liabilities to the National Government (NG). The Company sent a letter dated July 21, 2015 to the OP recognizing its liability to the NG in the amount of P7.9 billion and proposing to "pay off the recognized obligations, particularly given that the obligation to the TRB for unpaid concession fees carries with it a penalty of two percent per month." The Company is awaiting the decision of the OP.

1.5.3.f Payment of dividend

There were no dividends paid during the six months ended June 30, 2025.

1.5.3.g Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

- None -

1.5.3.h Effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition, or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

- None -

1.5.3.i Changes in contingent liabilities or contingent assets since the last annual balance sheet date

- None -

1.5.3.j Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period

1.5.3.j.1 <u>Pending Lawsuits and Litigations:</u>

The Company 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 consist of those filed against the Company 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 Company before the National Labor Relations Commission, Court of Appeals and Supreme Court.

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

1.5.3.j.2 Tax Matters

As stated in Note 36 of the 2024 Audited Financial Statements, the Company 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 Company's financial statements.

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

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

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

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

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

EXHIBIT 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 2.1 Comparable discussion that will enable the reader to assess material changes in financial condition and results of operation since the end of the last fiscal year and for the comparable interim period in the preceding financial year.

Financial Position:

As of June 30, 2025, the Company's resources totaled P62.679 billion, higher by P355.308 million or 0.57% compared to the December 31, 2024 figure of P62.324 billion.

The increase in resources was attributable to the increase in cash and short-term investments provided by the Company's operating and investing activities, as offset by the decrease in Other Investment.

Please refer to Item 2.2.e for further analysis of material changes in the financial statements.

Results of Operations:

The Company's net income of 222.368 million for the six months ended June 30, 2025 increased by P29.756 million or 15.45% compared to the reported net income of P192.611 million for the same period of 2024. This is due to the increase in total revenue.

Key Performance Indicators:

Please refer to Exhibit 7 for the analysis of the Company's key performance indicators.

Item 2.2 Discussion and analysis of material event/s and uncertainties known to Management that would address the past and would have an impact on future operations on the following:

2.2.a Any known trends, demands, commitments, events, uncertainties that will have a material impact on the issuer's liquidity

2.2.a.1 The Company's inability to settle its outstanding obligations with the TRB and the National Government brought about by the difficulties in collecting receivables from various government agencies.

2.2.a.2 Pending labor cases which consist of those filed against the Company involving dismissal, back wages, and separation pay; most of which had been ruled by the Labor Arbiter in favor of the

complainants, pending appeal by PNCC before the National Labor Relation Commission (NLRC).

2.2.a.3 Pending civil cases which consist 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).

2.2.a.4 Pending assessments on deficiency taxes. Discussion is contained under Item 1.5.3.j.2 including courses of actions already undertaken by the Company to address the issue.

To address PNCC's liquidity concern, the Company implemented a program of manpower rightsizing in 2001. The program will be considered in the succeeding quarters/years until the Company attains manpower complement to match its present revenue level which is generated by its share in the Joint Venture Companies' gross toll revenue and its earnings from the leased FCA property.

The Company does not have material off-balance sheet transactions and arrangements during the reporting period.

As of reporting quarter, there is nothing that trigger direct or contingent financial obligation that is material to the Company, except for the default in payment of its TRB loan and the recognition of debts to the National Government.

2.2.b Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures

- None –

2.2.c 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/revenues/income from continuing operations

The following had affected the revenue generating capacity of the Company:

- The veering away from the construction business since 2002;
- The turnover of the North Luzon Tollway operations to the MNTC on February 10, 2005;
- The turnover of its South Luzon Tollway operations to SLTC/MATES on May 2, 2010; and
- DPWH's takeover of the Daang Hari Project (pursuant to its PPP mandate).

2.2.d Any significant elements of income or loss that did not arise from the issuer's continuing operations

ANNEX "H"

Income Statement	FOR THE SIX MONTHS ENDED June-30 2025	June-30 2024	INCREASE/(DECREASE) Amount	%	Remarks
REVENUES	371,574,284	330,333,878	41,240,406	12.48%	Attributable to increase in rental income from FCA properties and JV Shares
Other Income (Charges)	88,933,886	90,056,331	(1,122,445)	(1.25%)	Attributable to the decreases in Dividend Income and Miscellaneous income vis-à-vis the increase in Interest Income and Depreciation expense
Personnel Services	40,342,820	38,437,420	1,905,400	4.96%	Attributable to the increase in Directors fees and personnel step increment per GCG memorandum
Maintenance and Other Operating Expenses	26,326,182	27,797,322	(1,471,140)	(5.29%)	Attributable to changes in Business permits mode of payment from annual to quarterly payment due to impending transfer to FCA
Income Tax	43,530,679	33,603,338	(9,927,341)	(29.54%)	Attributable to higher Income in 2025.
Comprehensive Income	222,367,588	192,611,229	29,756,360	15.45%	Attributable to reasons stated above.

ANNEX "H"

2.2.eThe causes for any material change/s (5% or more) from period to period in one or more line items of the issuer's financial statements

	AS AT		INCREASE/(DECREASE)		
Balance Sheet	June-30 2025	Dec-31 2024	Amount	%	Remarks
Cash	114,877,146	128,894,489	(14,017,343)	(10.88%)	Attributable to cash flow provided by operating activities
Other Investment - Placements	3,186,690,842	2,913,899,616	272,791,226	9.36%	Attributable to cash flow provided by investing activities
Receivables, net	730,884,194	640,462,927	90,421,267	14.12%	Attributable to the increase in uncollected revenue from rental and JV shares.
Inventories	2,586,863	2,443,852	143,011	5.85%	Attributable to the increase in fuel and oil and other materials
Other current Assets- Prepayments	63,644,587	58,555,950	5,088,637	8.69%	Attributable to the increase in Withholding-at-source
Other Investment	1,546,610	2,275,883	(729,273)	-32.04%	Attributable to payment of investment by CESLA
Intangible Assets	446,429	357,143	89,286	25.00%	Attributable to payment of Accounting software
Financial Liabilities	24,979,760	23,199,373	(1,780,387)	7.67%	Attributable to payment of liabilities to suppliers of goods and services
Inter-agency Payable	51,956,873	56,630,922	(4,674,049)	(8.25%)	Attributable to decreases in SSS, Pag-ibig, PHIC and Income Tax Payable
Deferred Credits/unearned Income	55,369,793	46,716,319	8,653,474	18.52%	Attributable to increase in Other deferred credits

2.2.f Any seasonal aspects that had a material effect on the financial condition or results of operations

- Not applicable -

FINANCIAL INFORMATION

Management's Discussion and Analysis

2nd Quarter 2025 vs. 2nd Quarter 2024

Results of Operations

Revenue. Revenue for the quarter ended June 30, 2025 stood at ₱371.574 million, higher by 12.48% or ₱41.240 million compared to ₱330.334 million for the quarter ended June 30, 2024. The increase was attributable to the increase in JV Revenue Shares and Rental Income.

General and Administrative Overhead. Overhead account increased by 0.66% or ₱0.434 million from ₱66.235 million for the quarter ended June 30, 2024 to ₱66.669 million for the quarter ended June 30, 2025 due to the increases in employees cost due to salary adjustment of eleven (11) employees, CPCS step-increment and Director's fees new rate that took effect only on July 2024 vis-a-vis the decrease in Maintenance and other operating expense due to the change in mode of payment of Business Tax permit from annually to quarterly in 2024 and 2025, respectively due to the impending transfer of office in FCA.

Income from Operation. Income from operation for the quarter ended June 30, 2025 increased by 15.45% or ₱40.806 million from ₱264.099 million for the quarter ended June 30, 2024 to ₱304.905 million for the quarter ended June 30, 2025. Said favorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a balance of ₱88.934 million for the quarter ended June 30, 2025 compared to ₱90.056 million for the quarter ended June 30, 2024. The 1.25% unfavorable variance was due to the decreases in Dividend Income and Miscellaneous Income vis-à-vis the increases in Interest Income and Depreciation expense.

Comprehensive Income. Net Comprehensive Income for the quarter ended June 30, 2025 amounted to ₱222.368 million compared to the net income of ₱192.611 million for the quarter ended June 30, 2024. The variance was due to the reasons discussed above.

Financial Position

Current Assets. Current assets increased by 9.47% or ₱354.427 million from ₱3.744 billion as of June 30, 2024 to ₱4.099 billion as of June 30, 2025 mainly due to the cash flows provided by the Company's operating and investing activities, receivables, inventories and other non-current assets.

Current Liabilities. Current liabilities increased by 1.18% or ₱133.701 million from ₱11.321 billion as of June 30, 2024 to ₱11.454 billion as of June 30, 2025 mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB), Accounts Payable and Other deferred credits vis-à-vis the decrease in Inter-agency Payable.

Stockholder's Equity. Stockholder's Equity as of June 30, 2025 totalled ₱37.043 billion vis-à-vis the stockholders' equity as of June 30, 2024 in the amount of ₱36.821 billion. The increase in the account is attributable to the comprehensive income in Q2 2025.

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

Performance Indicators	As of 06/30/2025 (Unaudited)	As of 06/30/2024 (Unaudited)	Explanation
Current/Liquidity Ratios			
Current Ratio **(Current Assets Divided by Current Liabilities)**	0.36	0.30	This ratio evaluates the ability of the company to pay its current debt promptly. Current ratio of 0.30 as of June 30, 2024 slightly increased to 0.36 as of June 30, 2025 due to cash inflows provided by operating activities.
Solvency Ratios			
Debt to Assets **(Total Liabilities Divided by Total Assets)**	40.90%	41.07%	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 41.07% as of June 30, 2024 to 40.90% as of June 30, 2025 brought mainly by the accrual of the 2% penalty charges on unpaid concession fees.
Debt to Equity **(Total Liabilities Divided by Total Equity)**	69.21%	69.70%	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 69.70% as of June 30, 2024 to 69.21% as of June 30, 2025 was brought by the 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)	169.21%	169.70%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The slight improvement of the ratio from 169.70% as of June 30, 2024 to 169.21% as of June 30, 2025 brought about by higher comprehensive income in Q2 2025.
Interest Rate Coverage Ratio (Income Before Interest/Penalty/Penalty and Taxes Divided by Interest/Penalty)	2.74	2.51	Determines how easily a company can pay interest on outstanding debt. The increased of ratio from 2.51 as of June 30, 2024 to 2.74 as of June 30, 2025 was due to recognition of higher income in June 30, 2025 as compared to same period in 2024.
Profitability Ratios	0.35%	0.31%	Measures the Company's earnings in relation to all the resources it had at its disposal.
Return on Assets (**Net Income (Loss) Divided by Total Assets)**			The ratio of 0.31% as of June 30, 2024 vis-à-vis the ratio of 0.35% as of June 30, 2025 was the outcome of the income recognition of ₱192.611 million for June 30, 2024 as compared with the recognized comprehensive income of ₱222.368 million for the quarter ended June 30, 2025.
Return on Equity **(Net Income (Loss) Divided by Total Equity)**	0.60%	0.53%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital. The increased in ratio from 0.53% to 0.60% was attributable to

the increase in stockholder's equity as a result of higher comprehensive income in June 30, 2025 as compared to same period in 2024.

(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 2024 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 2024 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.

(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, 2025 compared to June 30, 2024 (increased/decrease of 5% or more)**

*Cash in*creased by ₱58.681 million or 104.42% from ₱56.196 million as of June 30, 2024 to ₱114.877 million as of June 30, 2025 due to the cash flows used in Company's operating activities and investing activities.

*Other Investment-Placements in*creased by ₱455.016 million or 16.66% from ₱2.732 billion as of June 30, 2024 to ₱3.187 billion as of June 30, 2025 due to the additional money placements.

Receivables increased by ₱178.652 million or 32.35% from ₱552.232 million as of June 30, 2024 to ₱730.884 million as of June 30, 2025 attributable to PCPI rental and JV revenue shares.

Inventories - increased by ₱0.180 million or 7.48% from ₱2.407 million as of June 30, 2024 to ₱2.587 million as of June 30, 2025 brought about by the increase in fuel and oil and other materials.

Other-current Assets- Prepayments increased by ₱10.564 million or 19.90% from ₱53.080 million as of June 30, 2024 to ₱63.645 million as of June 30, 2025 due to Withholding-at-source.

Other Investment - decreased by ₱0.729 million or 32.04% from ₱2.276 million as of June 30, 2024 to ₱1.547 million as of June 30, 2025 attributable to the return of investment by CESLA.

Intangible Assets - increased by ₱0.089 million or 25.00% from ₱0.357 million as of June 30, 2024 to ₱0.446 million as of June 30, 2025 attributable to payment of Accounting Software.

*Financial Liabilities – Accounts Payable de*creased by ₱1.549 million or 5.84% from ₱26.529 million as of June 30, 2024 to ₱24.980 million as of June 30, 2025 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 in*creased by ₱5.505 million or 11.85% from ₱46.452 million as of June 30, 2024 to ₱51.957 million as of June 30, 2025 due to increases in SSS, Pag-ibig, Philhealth and Income Tax Payable.

*Trust Liabilities de*creased by ₱22.391 million or 18.56% from ₱120.614 million as of June 30, 2024 to ₱98.223 million as of June 30, 2025 due to realized customer's deposit.

Deferred credits/Unearned Revenue/Income - increased by ₱9.415 million or 20.49% from ₱45.955 million as of June 30, 2024 to ₱55.370 million as of June 30, 2025 mainly due to the increase in other deferred credits.

Material changes to the Company's Statement of Income for the quarter ended June 30, 2025 compared to the quarter ended June 30, 2024 (increase/decrease of 5% or more)

*Business Income in*creased by ₱41.215 million or 9.76% from ₱422.135 million as of June 30, 2024 to ₱463.350 million as of June 30, 2025 due to increases in share in JVs Revenue and Rental Income.

*Gains de*creased by 100.00% or ₱312,499 *as of* June 30, 2024 *to* nil in June 30, 2025 mainly due to the sale of unserviceable property in 2024.

*Other non-operating Income de*creased by 98.90% or ₱1.696 million from ₱1.715 million *as of* June 30, 2024 *to* ₱18,931 as of June 30, 2025 mainly due to the penalty or Interest Income from rental deferment in 2024.

Maintenance and Other Operating Expenses decreased by 5.30% or ₱1.474 million from ₱27.790 million for the quarter ended June 30, 2024 to ₱26.316 million for the quarter ended June 30, 2025 due to the decrease in Taxes and Licenses attributable to the the change in mode of payment of business permits this 2025 owing to the impending transfer of office to FCA.

*Non-cash Expense-Depreciation de*creased by 24.17% or ₱0.912 million from ₱3.772 million *as of* June 30, 2024 *to* ₱2.861 million as of June 30, 2025 attributable to lesser depreciable assets.

*Income Tax in*creased by 29.54% or ₱9.927 million from ₱33.603 million *as of* June 30, 2024 *to* ₱43.531 million as of June 30, 2025 mainly due to higher Revenue in 2025.

Comprehensive Income increased by 15.45% or ₱29.756 million from ₱192.611 million for the quarter ended June 30, 2024 to ₱222.368 million for the quarter ended June 30, 2025 due to the reasons discussed above.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS

PNCC Complex
Km 15 East Service Road
Bicutan, Parañaque City
17 October 2016, 2:00P.M.

STOCKHOLDERS PRESENTED/REPRESENTED	Stockholdings (%):	
	Common	Preferred
	83%	100%

OTHERS PRESENT:

Board of Directors

Elpidio C. Jamora, Jr.	Chairman
Luis F. Sison	President & CEO
Rosendo T. Capco	Director
Nora O. Vinluan	Director
Cristino L. Panlilio	Director

Officers:

Renato M. Monsanto	Acting Corporate Secretary
Janice Day E. Alejandrino	SVP, Admin & Property Administration
Miriam M. Pasetes	VP, Corporate Treasurer
Yolanda C. Mortel	VP, Materials Management and Asset Disposal
Henry B. Salazar	AVP, Legal Officer

APOLOGIES:

Tomas C. Alvarez	Director
Tomas C. Falgui II	Director
Elisea G. Gozun	Director
Antonio C. Pido	Director
Rosanna E. Velasco	Director
Robert G. Vergara	Director

I. CALL TO ORDER

The Chairman of the Board, Elpidio C. Jamora, Jr., called the meeting to order at 2:25 p.m.

II. CERTIFICATION OF NOTICE AND QUORUM

The Acting Secretary reported that the notices of the meeting were duly sent to all the stockholders in accordance with the By-Laws of the Company and that 83% of the total issued and outstanding common shares were present while 100% of the total issued and outstanding preferred "D" shares were present by owners or their respective proxies. A quorum existed, therefore, for the transaction of business.

III. ANNUAL REPORT OF THE PRESIDENT AND CEO

The President and Chief Executive Officer, Luis F. Sison, proceeded with presenting the Management report for the year ended December 31, 2015 as contained in the Information Statement and Financial Statements which was previously distributed to the stockholders.

After the report, the President opened the floor for comments and questions.

One of the stockholders inquired how the P5.5B payable to the NG in 1983 has now ballooned to more than P57B. The Corporate Treasurer explained that the P5.5B referred to is actually under the equity side of PNCC's FS and ever since 2001when there was a formal attempt at privatization, PNCC did not recognize it as liabilities anymore in its books. She mentioned that what is recognized as liabilities of around P7B comprising of unpaid concession fees to TRB, the principal of which is P1B and penalty is P4B; and unremitted revenue shares in the toll collection amounting to P2B.

Another stockholder asked why PNCC did not partner with Metro Pacific group in the NLEX connector road while it is a partner in the NLEX. The Chairman explained that much as PNCC would have wanted to be a partner of the MP group in that connector road project, there was an issue that was raised in the DOJ which resolved that the project could not be undertaken through PNCC but through bidding and Swiss challenge; that the period for exercising the Swiss challenge has lapsed and there was no challenger, so the project goes to the MP group without PNCC.

Another stockholder inquired why he does not see the balance of P5.5B being converted into equity. The Corporate Treasurer replied that the balance of the loan was not converted because of the single borrower's limit imposed by the Central Bank on the GFIs at the time, but in 2001 after these debts were conveyed by the GFIs to the APT, the forerunner of PMO, PNCC continued to carry it in the equity account, reason for which, over the years, it never recognized the interest on this portion of the debt of CDCP which eventually became PNCC.

The same stockholder then asked if the conversion to equity is in limbo. The President/CEO explained to him that PNCC's books carries the P5.5B classified as equity rehabilitation plan, meaning that there was intention to convert that into equity; that however there is a position by the PMO that PNCC could no longer convert that into equity. He further explained that PNCC's position relative to the assumption that that portion of the debt could no longer be converted into equity is that therefore it would simply be a debt of P5.5B which PNCC is willing to pay. However, the PMO is claiming that since it is a debt and since 1983 PNCC has to pay the interest and the penalty, so the debt is no longer P5.5B but is now P58B. These issues are now pending before the Office of the President under arbitration.

The same stockholder pointed out that since LOI 1295 is a law, he is asking now what is the legal basis for not converting the P5.5B into equity. Pres. Sison answered that PNCC maintains the position that it should be equity. All the Board members in the past and today have been appointed by the government, so the Boards simply follow instructions from higher authorities. PNCC has documentation to prove that when the DOF was under Sec. Teves, the Privatization Council approved the conversion of this debt into equity. However, for one reason or the other, it did not push through. So the Board is still saying now that it should be converted into equity which, to his mind, is the best position for PNCC.

A stockholder's proxy inquired why the business with JAMVIC did not materialize at PNCC's property in Pasay City, where otherwise, given his computation, PNCC would have earned a rental income of P160M from November 2014 up to 2016. Pres. Sison answered that the proposition adverted to needed further discussions in the board but the proponent, impelled by his immediate need for a staging area near the port area in Manila for his forwarding business, suddenly changed his mind because he had found a cheaper space owned by a single proprietor.

Another stockholder's proxy asked how the dispute on the conversion of debt to equity could be resolved via arbitration by a government entity. The President answered that the matter is a government-to-government issue, and the rules provide for arbitration to resolve to issue. There was an agreement between the PNCC Board and then PMO Head Karen Singson that the matter be brought for arbitration before the DOJ and consequently to the highest authority if necessary, meaning the Supreme Court. If the issue is not resolved by the OP in favor of either party, each party has the option to elevate the matter to the Supreme Court which will make the final decision thereon.

The same proxy remarked that elevation to the SC will resolve questions of law but it doesn't seem complete to him to have the determination of facts be resolved by the OP, viewed from the premise that the DOF Secretary is the alter ego of the President then the acts of the Finance Secretary consisting of that position will also be the acts of the President. So for those reasons it doesn't

seem that the OP will be an impartial third party and does not give the public shareholders with a venue to determine an issue regarding shares of stock. Pres. Sison answered that all matters relating to issues from all the departments are appealable to the OP and, although the Secretaries are alter egos of the President, it does not necessarily mean that the OP will have the same opinion and that is why issues are elevated to the OP. He does not think that there is a question of fact that has to be resolved in the case as it is a question of law that has to be decided by the OP and eventually by the SC, for two reasons: (1) PNCC does not deny that there is a debt of P5.5B; (2) There is no dispute that LOI 1295 still exists because the SC had so held. So the only issue is whether or not interest can be charged on the debt, and he thinks it is a question of law and if the finding is that LOI 1295 still exists then the debt will be converted into equity and no interest will be charged.

The same proxy observed that it appears that LOI 1295 arose out of an agreement and therefore "intent" could be an issue, in which case there would be an issue of fact. Pres. Sison replied that although the SC decides only on matters of questions of law, they do decide on matters of fact, and, right or wrong, it is the final arbiter. That as far as LOI 1295 is concerned, yes, Pres. Marcos issued LOI 1295 to in fact convert the debt of CDCP to GFIs into equity. That was the intent, hence PNCC is of the opinion that since LOI 1295 still exists, the purpose of which it was issued still exists and therefore we can convert into equity.

Another proxy asked how much is the value of the shares now, whether they can sell the shares if they want to, and what will happen if the company and its franchise will be extended for another 50 years. Chairman Jamora replied to the queries that while PNCC is listed with PSE, but since 2008 the trading of its shares was suspended, so that no one can say for sure how much is the value of shares now. On the second question, the shares can be sold, not through PSE but via secondary sale if there is a willing buyer. On the third question, PNCC's franchise under PD 1113 had expired but the Supreme Court has ruled that if PNCC wants to have a franchise it is not prohibited to avail of an administrative franchise that is given by the government. As of now, there are two ongoing projects where PNCC is in joint venture with Citra and San Miguel. The extension issue will be taken up in the next agenda item.

There being no further questions/comments from the floor, a stockholder moved that the President's Report together with the Audited Financial Statements for the period December 31, 2015 be noted and approved. Another stockholder seconded the motion. The following resolution was therefore adopted:

RESOLUTION NO. SH-001-2016

"RESOLVED, that the President's Annual Report and the Audited Financial Statements as of December 31, 2015 be, as they are hereby, accepted and approved, and the Corporate Secretary is instructed to file the same as parts of these minutes."

IV. AMENDMENT OF THE FOURTH ARTICLE OF THE AMENDED ARTICLES OF INCORPORATION TO EXTEND THE CORPORATE TERM FOR 50 YEARS FROM NOVEMBER 22, 2016

The Chairman stated that the next item on the agenda was the Amendment of the fourth article of the Articles of Incorporation to extend the corporate term for 50 years from November 22, 2016.

After minor clarifications to two shareholders, a stockholder moved that the amendment of the fourth article of the Articles of Incorporation to extend the corporate term for fifty (50) years from November 22, 2016 be accepted and approved by the stockholders. Another stockholder seconded.

There being 77.67% or more than two-thirds (2/3) of stockholders present or by proxy voted for the amendment of the fourth article of the Articles of Incorporation to extend the corporate term for fifty (50) years from November 22, 2016, a resolution was adopted, approving and adopting the resolution approved by the Board of Directors. The following resolution was therefore adopted:

RESOLUTION NO. SH-002-2016

"RESOLVED, that the resolution of the Board of Directors dated June 22, 2016 [BD No. 36-2016] approving the extension of the corporate life of the corporation for another fifty years (50) years from November 22, 2016 and to amend the Fourth Article of the Articles of Incorporation accordingly is hereby confirmed, ratified and approved;

"RESOLVED FURTHER, that the Officers of the Corporation are instructed to file the relevant application with the Securities and Exchange Commission to effect the amendment."

V. ELECTION OF DIRECTORS

The Chairman proceeded with the next item on the agenda, the election of directors for the ensuing year.

A stockholder moved to defer taking up this item of the agenda. She said that the Office of the President of the Philippines will nominate new Board of Directors although the appointees have not yet been named. She added that to avoid changing the Board again after a few days, it is prudent to wait for the Office of the President to name its appointees.

After hearing no objections, and after motion duly made and seconded, the following resolution was approved:

RESOLUTION NO. SH-003-2016

"RESOLVED, that the election of directors is deferred to a later date to be set by the Board, after the list of new nominees from the Office of the President shall have been received by PNCC."

Thereafter, a stockholder sought clarification about the issuance from Malacañan that all presidential appointees of the previous administration are considered resigned. The Chairman clarified that under the MC Circular No. 4 which came after that, it is provided that the appointees of the previous administration, except heads of offices, have to continue performing their duties until their resignation is acted upon by the Office of the President; that in compliance with MC 4, the incumbent Board of Directors of PNCC is staying on until the Office of the President replaces them; that the more important thing is that the corporate life was extended; that the election of the new directors will be held in the next few days upon receipt of the list of the new directors from the Office of the President, and that PNCC will be happy to see again the stockholders in the special meeting to be called for the purpose.

Another stockholder sought clarification that whereas the postponement of the election of the directors representing the National Government was upon the instance of the Office of the President, her question is whether the independent directors who have been prequalified will remain the same for the forthcoming special stockholders' meeting. The Chairman replied in the affirmative.

VII. ADJOURNMENT

There being no further business to transact, on motion made and duly seconded, the meeting was adjourned at 4:30 p.m.

ATTESTED BY:

ELPIDIO C. JAMORA, JR.
Chairman

LUIS F. SISON
President & CEO

ROSENDO T. CAPCO
Director

CRISTINO L. PANLILIO
Director

NORA O. VINLUAN
Director

Certified Correct:

RENATO M. MONSANTO
Acting Corporate Secretary

MINUTES OF THE 2024 ANNUAL MEETING OF STOCKHOLDERS OF PHILIPPINE NATIONAL CONSTRUCTION CORPORATION HELD AT THE PNCC COMPLEX

PNCC Complex, KM 15, East Service Road
Bicutan, Parañaque City
21 November 2024, 11:45 A.M.

STOCKHOLDERS PRESENTED/REPRESENTED

Common Shares	Number of Shares	Percentage (%)
PROXIES	75,403,316	37.7120%
IN PERSON	120,276	0.0602%
TOTAL:	75,523,592	37.7722%

Stockholdings (%):

Common – 37.7722%
Preferred – 0%

ALSO PRESENT:

Directors:

Herculano C. Co Jr.	Chairman
Miguel E. Umali	President & CEO/Vice-Chairman
Oscar T. Zaldivar	Director
Ruben D. Torres	Director
Lamberto B. Mercado Jr.	Director
Danilo S. Constantino	Director
Alan R. Luga	Director/GSIS Representative
Evelina G. Escudero	Director/GSIS Representative
Alex L. Sembrano	Director
Jonathan S. Avanceña	Director

John Benedick R. Dela Cruz	Corporate Secretary
Ilie Lionel B. Gramata	VP, Head of Corporate Legal Department/Compliance Officer
Rosalyn S. Delivios	Head, MIS Department/Assistant Compliance Officer
Felix M. Erece, Jr.	AVP, Head of Human Resource Department
Cristy M. Mediavillo	Head of Treasury Department/Corporate Treasurer
Demosthenes F. Faminiano	Head, Realty Management Department/Material Management Department

Other Attendees:

Atty. Dennis CRC De Leon	Supervising Auditor (COA)
Marbile Q. Calapardo	Audit Team Leader (COA)
Juland B. Andrada	Audit Team Member (COA)
Edelyn S. Jimeno	Stock Transfer Agent (PSTI)
Hilda R. Amion	Stock Transfer Agent (PSTI)
Arlene B. Gealogo	Stock Transfer Agent (PSTI)

APOLOGIES:

Mariano Jesus S. Averia	Director
Erika Grace E. Velasco	Assistant Corporate Secretary

I. CALL TO ORDER / ROLL CALL

During the annual stockholders' meeting, all the members of the Board were present namely: (1) Chairman Herculano C. Co, Jr. (2) President & CEO Miguel E. Umali, (3) Director Alan R. Luga, (4) Director Oscar T. Zaldivar, (5) Director Ruben D. Torres, (6) Director Lamberto B. Mercado, Jr., (7) Director Jonathan S. Avanceña, and (8) Director Danilo S. Constantino. (9) Director Alex L.

Sembrano, (10) Director Evelina G. Escudero except Director Mariano Jesus S. Averia who was unable to attend the meeting.

The Chairman of the Board of Directors, Mr. Herculano C. Co, Jr., presided over and called the meeting to order at 3:00 P.M. The Corporate Secretary, Atty. John Benedick R. Dela Cruz, recorded the minutes of the meeting.

The Chairman welcomed the stockholders to the 2024 Annual Meeting of the Stockholders of Philippine National Construction Corporation (PNCC). Chairman Co then introduced the members of the PNCC Board and PNCC's Senior Management. Chairman Co likewise introduced the Board of Election Inspectors composed of a Chairman, two (2) PNCC employees, two (2) representatives from the Commission on Audit, and (2) representatives from PNCC's stock transfer agent, the Professional Stock Transfer Inc.

II. CERTIFICATION OF NOTICE OF MEETING AND DETERMINATION OF QUORUM

The Corporate Secretary reported that the Board fixed 30 September 2024 as the record date for determining shareholders entitled to vote at the meeting. An affidavit was duly submitted to the Board of Election Inspectors attesting to the fact that the Notice of Meeting, the Proxy Statement, and the 2023 Audited Financial Statements and Information Statement were mailed to all shareholders of record beginning 22 October 2024. Further, the Notice of Meeting was published in a newspaper of general circulation last 05 March 2024, 02 September 2024, 09 September 2024, 21 October 2024 and 22 October 2024.

The Corporate Secretary reported that as of the record date, there are 174,444,759 common shares and 25,500,000 preferred "D" shares entitled to vote with a total number of 199,944,759 shares outstanding. Only 75,523,592 shares or 37.7722% were present both in proxies and in person. Therefore, the Corporate Secretary certified that there is no quorum for the 2024 Annual Stockholders' Meeting.

Considering that there was no quorum for today's meeting, upon motion duly made and seconded, the 2024 Annual Stockholders' Meeting was adjourned at 3:20 P.M.

ATTESTED BY:

HERCULANO C. CO JR.
Chairman

MIGUEL E. UMALI
President & CEO

LAMBERTO B. MERCADO JR.
Director

JONATHAN S. AVANCEÑA
Director

ALEX L. SEMBRANO
Director

OSCAR T. ZALDIVAR
Director

DANILO S. CONSTANTINO
Director

MARIANO JESUS S. AVERIA
Director

EVELINA G. ESCUDERO
Director

ALAN R. LUGA
Director

RUBEN D. TORRES
Director

Certified correct:

JOHN BENEDICK R. DELA CRUZ
Corporate Secretary

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:

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.

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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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:

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.

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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SUMMARY OF BOARD RESOLUTIONS PASSED IN 2024

JANUARY 10, 2024 – SPECIAL

BD-01-2024 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves and adopts the first set of Rules and Regulations on the grant of standard allowances, benefits and incentives under the CPCS particularly: 1) Year-end Bonus and Cash Gift; 2) Uniform/Clothing Allowance (U/CA); 3) Grant of Personnel Economic Relief (PERA); 4) Mid-Year Bonus (MYB); and 5) Productivity Enhancement Incentive (PEI).

RESOLVED FUTHER, that the Board authorizes PNCC's President & CEO Miguel E. Umali to sign the aforesaid first set of Rules and Regulations on the grant of standard allowances, benefits and incentives under the CPCS.

BD-02-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board hereby sets a fixed schedule of its regular meetings on the fourth (4^{th}) Wednesday of every month. Thus, the following dates shall be the schedule of the regular board meetings for CY 2024 unless otherwise revised by the Board, to wit:

1.	24 January 2024	7.	24 July 2024
2.	28 February 2024	8.	28 August 2024
3.	27 March 2024	9.	25 September 2024
4.	24 April 2024	10.	23 October 2024
5.	22 May 2024	11.	27 November 2024
6.	26 June 2024	12.	18 December 2024

JANUARY 24, 2024 – REGULAR

BD-03-2024 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves and adopts the Annual Procurement Plan for FY 2024 of PNCC prepared and executed by the PNCC Bids and Awards Committee and approved by the President & CEO, as the Head of Procuring Entity for PNCC.

BD-04-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the annual stockholders' meeting of PNCC scheduled to be held on March 26, 2024 pursuant to the Corporation's By-Laws be postponed to November 21, 2024 at 3:00 P.M. and that the appropriate notices of postponement of the annual stockholders' meeting be effected by the Corporate Secretary.

ANNEX "L"

BD-05-2024 RESOLVED, AS IT IS HEREBY RESOLVED, the Committee membership in the standing Committees of the Board for CY 2024, unless otherwise changed or reconstituted by a subsequent Board action, shall 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
6. Evelina G. Escudero	Member
7. Alan R. Luga	Member
8. PMO Representative	Ex-Officio 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
6. Ruben D. Torres	Member
7. Oscar T. Zaldivar	Member
8. PMO Representative	Ex-Officio 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. Evelina G. Escudero	Member
6. PMO Representative	Ex-Officio 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. Mariano Jesus S. Averia	Member
6. Lamberto B. Mercado Jr.	Member
7. PMO Representative	Ex-Officio 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
6. Jonathan S. Avanceña	Member
7. PMO Representative	Ex-Officio 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. Evelina G. Escudero	Member
6. Danilo S. Constantino	Member
7. Alex L. Sembrano	Member
8. PMO Representative	Ex-Officio 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

FEBRUARY 08, 2024 – SPECIAL

BD-06-2024 RESOLVED, AS IT IS HEREBY RESOLVED, to adopt the joint committees' recommendation to approve the transmittal of the 2023 Financial Statement to the COA for final audit.

BD-07-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that AVILA PRINTING PRESS, represented by Shirley G. Hunggay, with address at Block 142 Lot 53 San Diego St., Central Bicutan, Taguig City is hereby authorized to print the Official Receipts/Billing Invoices of PNCC

FEBRUARY 28, 2024 – REGULAR

BD-08-2024 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, authorizes the Company's stock transfer agent, the Professional Stock Transfer, Inc. to cancel the PNCC Stock Certificate in the name of Eastern Securities Development Corp. under Certification No. 51804 with the total number of shares of 1,259 and to issue a new Stock Certificate in its place.

BD-09-2024 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously confirms and validates the existence of the following positions as of the pertinent dates as hereunder indicated:

POSITIONS WITH NO JOB GRADES	**EFFECTIVITY DATE**
1) Dispatcher/SV Driver	April 20, 2022
2) Recruitment/Employee Relations manager	May 5, 2022
3) Aircon Technician/Electrician	August 22, 2022
4) Executive Assistant (OC)	January 26, 2023
5) Liason/Driver	January 26, 2023
6) Field Operations/Billing Officer-Principal Engineer	March 1, 2023
7) Coordinator/Billing Officer	March 1, 2023
8) Purchasing Assistant	August 5, 2023
9) Building Maintenance Supervisor	August 5, 2023
10) Senior Mechanic	August 5, 2023
11) Wage & Benefits Administrative Manager	August 17, 2023

BD-10-2024 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 for CY 2024, 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-11-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously approves the application for the transfer of water service connection of MAYNILAD with Contract No. 56077689 under the name of World Trading & Handicraft Corp. to the name of Philippine National Construction Corporation.

RESOLVED FURTHER, that the Board authorizes 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.

MARCH 07, 2023 – SPECIAL

BD-12-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously adopts and approves the Terms of Reference (TOR) and other bid documents submitted by the Management and LSC for the proposed lease of the Sta. Rita Property through open bidding;

RESOLVED FINALLY, to adopt and approve the immediate implementation of the open bidding for the lease of the Sta. Rita Property.

BD-13-2024 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.

MARCH 20, 2024 – REGULAR

BD-14-2024 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves and adopts the Rules and Regulations on the grant of standard allowances, benefits and incentives under the CPCS particularly:

1) Loyalty Award;
2) Anniversary Bonus;
3) Leave Credits;
4) Monetization of Leave Credits; and
5) Terminal Leave Benefits.

RESOLVED FUTHER, that the Board authorizes PNCC's President & CEO Miguel E. Umali to sign the aforesaid Rules and Regulations on the grant of standard allowances, benefits and incentives under the CPCS.

APRIL 17, 2024 – SPECIAL

BD-15-2024 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 Verification of the Motion for Reconsideration of the COA Decision No. 2023-322.

APRIL 24, 2024 – REGULAR

BD-16-2024 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves the reprioritization of the two (2) service vehicles included in the 2023 APMV but will be procured in 2024 and accordingly, to amend the request for APMV stating therein the specific intended use/user of the requested two (2) service vehicles.

RESOLVED FURTHER, that the Board confirms that these procurements in the total amount of Thirteen Million Nine Hundred Thousand Pesos (Php 13,900,000.00) is included and incorporated in the approved 2024

Corporate Operating Budget as per Resolution No. BD 50-2023 dated 15 November 2023.

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 purpose of implementing the 2nd Year of the approved 3 – Year Re-Fleeting Program.

MAY 08, 2024 – SPECIAL

BD-17-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board approves the supplemental budget in the amount of Six Hundred Thirty Thousand Three Hundred Sixty Four Pesos (Php 630,364.00) to be included in the 2024 Corporate Operating Budget (COB) to cover the retirement benefits of Mr. Roy D. Pasos.

BD-18-2024 RESOLVED FURTHER, that the herein authorized representative 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-19-2024 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously accepts the resignation of Atty. Kevin Jordan DL. Mendoza as the Corporate Secretary of PNCC.

RESOLVED FURTHER, that the Board appoints and designates Atty. JOHN BENEDICK RIGOS DELA CRUZ as the new Corporate Secretary of PNCC effective 16 May 2024, with an honorarium/premium of PESOS: PHP 30,000.00 / 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.

MAY 22, 2024 – REGULAR

BD-20-2024 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously appoints and designates Atty. ERIKA GRACE E. VELASCO as the new Assistant Corporate Secretary of PNCC effective 22 May 2024, 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 she is performing such function.

JUNE 13, 2024 – SPECIAL

BD-21-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously approves the assignment and transfer of rights in favor of the Toll Regulatory Board, pursuant to P.D. 1113 over the following described service vehicles of PNCC:

MAKE	PLATE NO.
1) MAZDA 323	DRW-990
2) TOYOTA FORTUNER	ZCL-600
3) TOYOTA INNOVA	ZDW-502
4) TOYOTA INNOVA	ZDE-501 AND
5) TOYOTA INNOVA	ZEH-620

RESOLVED FURTHER, that the Board authorizes PNCC's President & CEO Miguel E. Umali as the authorized representative of PNCC to sign the Deed of Assignment and Transfer of Rights for the said vehicles in favor of TRB to document the transfer of the above-mentioned service vehicles to the TRB.

RESOLVED FINALLY, that the President & CEO Miguel E. Umali is authorized to officially transmit the signed Deed of Assignment to the TRB.

BD-22-2024 RESOLVED, AS IT IS HEREBY RESOLVED, to designate Atty. John Benedick R. Dela Cruz, 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 use of Electronic Filing and Submission Tool (eFAST).

JUNE 26, 2024 – REGULAR

BD-23-2024 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves and adopts the *Per Diem rates* for appointive Directors as provided in GCG Memorandum Circular No. 2016-01 for Medium sized GOCCs, as follows:

I. Board Meetings: For regular or special meetings actually attended, Php 20,000.00 per diem per meeting, but not to exceed the amount of Php 480,000.00 per annum;

II. Committee Meetings: For regular and special committee meetings actually attended, Php 12,000.00 per diem per meeting, but not to exceed the amount of Php 288,000.00 per annum; and

III. For Board Meetings, Appointive Board Chairpersons will receive 20% more than the *per diem* rate set for the other Appointive Directors. For Committee Meetings, Committee Chairpersons will receive at most 20% more than the *per diem* rate set for the other Appointive Directors.

RESOLVED FURTHER, that the adjustment in the *per diem* of Appointive Directors shall be effected retroactively to 17 August 2023 when the Company officially received a copy of the ATI-CPCS from the GCG.

RESOLVED FINALLY, that the Board approves a supplemental budget in the total amount of **Six Million One Hundred Ninety Two Thousand Eight Hundred Pesos (Php 6,192,800.00)** to be included in the 2024 Corporate Operating Budget (COB) to cover the adjustment of *per diem* as follows:

1) Php 1,748,000.00 to cover the period of 17 August 2023 up to 30 December 2023; and
2) Php 4,444,800.00 to cover the period of January 2024 up to December 2024.

BD-24-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously approves the payment of the VAT Deficiency for calendar year 2022 in the amount of **Two Million Four Hundred Ninety-Seven Thousand Eight Hundred Six Pesos and Forty-One Centavos (Php 2,497,806.41)** as per PAN issued by the BIR;

RESOLVED, FINALLY, that the amount of **Two Million Four Hundred Ninety-Seven Thousand Eight Hundred Six Pesos and Forty-One Centavos (Php 2,497,806.41)** be included in the 2024 COB by way of a supplemental budget to cover the payment of VAT Deficiency for CY 2022 as assessed by the BIR.

BD-25-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously approves a supplemental budget for the Income Tax Expense account in the amount of **Sixty-Six Million Five Hundred Fifty-Two Thousand Seven Hundred Four Pesos and Ninety Centavos (PhP66,552,704.90)** to be included in the 2024 COB to cover PNCC's Income Tax Expense for CY 2024.

BD-26-2024 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 Contract for Installation and Deployment of Accounting System for PNCC with PHILSOFT TECHNOLOGIES GROUP, INC.

BD-27-2024 RESOLVED, FURTHER, for the OGCC to file a Motion for Execution of the Decision pending Appeal in the event that the Defendant LCDC do not appeal the Decision in order to regain possession of the property and the payment of the award as contained in the Appealed Decision;

RESOLVED, FINALLY, for the Company to inform and direct the OGCC to implement this resolution by filing the appropriate Notice of Partial Appeal and such other necessary pleadings and motions in connection therewith.

JULY 31, 2024 – REGULAR

BD-28-2024 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves and adopts the *Representation Allowance* in the amount of PhP 12,500.00 *and Transportation Allowance* of PhP 12,500.00 for appointive Directors as provided in GCG Memorandum Circular No. 2016-01 and DBM Circular No. 593 effective 01 January 2024.

RESOLVED FINALLY, that the Board approves the realignment of budget in the 2024 Corporate Operating Budget for the purpose of funding the increase in the *Representation Allowance* and *Transportation Allowance* of Directors to cover the adjustment from 01 January 2024 up to 30 December 2024.

BD-29-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board approves the supplemental budget in the amount of Three Hundred Seventy-Eight Thousand Three Hundred Ninety-Seven Pesos and Forty-Four Centavos (PhP 378,397.44) to be included in the 2024 Corporate Operating Budget (COB) to cover the retirement benefits of Mr. Dionisio C. Quiño.

BD-30-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board approves the supplemental budget in the amount of One Million Twenty-Five Thousand Four Hundred Ninety-Two Pesos and Ten Centavos (PhP 1,025,492.10) to be included in the 2024 Corporate Operating Budget (COB) to cover the retirement benefits of Mr. Moses M. Pangilinan.

BD-31-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously adopts and approves the Terms of Reference (TOR) and other bid documents submitted by the Management for the proposed procurement of services of a Contractor for the Sewage Treatment Plant in

the PNCC's Financial Center Area Property at Pasay City through competitive bidding;

RESOLVED FINALLY, to adopt and approve the immediate implementation of the competitive bidding for the procurement of services of a Contractor for the Design and Build of the Sewage Treatment Plant in the PNCC's Financial Center Area Property at Pasay City.

BD-32-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously approves the disposal of the following service vehicles through public bidding, to wit:

Prop. No.	Brand and Model, Engine Displacement	Year Acquired	Plate No.
1) SV-647	Hyundai Grand Starex Gold, 2497cc (diesel)	2009	NSQ-692
2) SV-592	Toyota Hi Lux 2694cc (gas)	2006	ZEM-917
3) SV-613	Toyota Hi Lux 4x2 DSL, 2494 cc (diesel)	2007	ZJM-977
4) SV-570	Toyota Corolla Altis, 1600cc (gas)	2005	XTG-377
5) BT-01	Isuzu Dropside Truck with Crane, 8226 cc (diesel)	1997	NQU-161
6) SC-663	Mitsubishi Strada GLS 2.5, 2477 (diesel)	2010	NQN-832
7) MC-80	YMAHA, FZ6, 125cc (Gas)	2007	5247MF
8) DM-001	Ford Truck with Declogging Machine	2000	WFC-347

RESOLVED FINALLY, that the Board authorizes the President & CEO Miguel E. Umali to sign for and on behalf of the Corporation on the Deeds of Sale with the winning bidders, covering the above-mentioned Service Vehicles.

AUGUST 14, 2024 – SPECIAL

BD-33-2024 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously adopts and approves the Terms of Reference (TOR) submitted by the Compliance Team for the services of a facilitator for the 2024 PNCC Strategic Planning.

BD-34-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board unanimously approves to amend the THIRD Article of the Amended Articles of Incorporation, subject to the approval of the shareholders, so as to read as follows: "THIRD: That the corporation shall have its principal office and place of business at PNCC Complex, KM 15 East Service Road, Bicutan, Parañaque 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."

RESOLVED FURTHER, that the Board directs the Corporate Secretariat to include the above-stated amendment in the Agenda for the upcoming Annual Stockholders' Meeting.

BD-35-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board unanimously approves the Agenda for the conduct of the 2024 Annual Stockholders' Meeting on 21 November 2024 at 3:00 P.M., to wit:

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 of 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

RESOLVED FURTHER, to fix 30 September 2024 as the Record Date for the Annual Stockholders' Meeting on 21 November 2024 at 3:00 P.M. to be held at the PNCC Complex, KM 15 East Service Road, Bicutan, Parañaque City.

BD-36-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board approves the supplemental budget in the amount of Nine Million Six Hundred Thousand Pesos (PhP 9,600,000.00) to be included in the 2024 COB to cover the ABC of the procurement of services of a Contractor for the Sewage Treatment Plant in the PNCC's Financial Center Area Property at Pasay City.

AUGUST 21, 2024 – REGULAR

BD-37-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously adopts and approves the PNCC Implementing Rules for the Step Increments based on Length of Service.

RESOLVED, FINALLY, that the Management thru the President & CEO shall make the requisite submissions to the GCG for the purpose of securing the approval of the Company's Implementation of the Step Increments based on Length of Service.

BD-38-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously appoints Atty. Ilie Lionel B. Gramata, Head of the Corporate Legal Department, as the authorized representative/Proxy of PNCC to attend, vote, ratify and confirm any and all matters which may be properly approved during the Annual Stockholders Meeting of the Alabang-Sto. Tomas Development Inc. on 03 September 2024.

SEPTEMBER 18, 2024 – SPECIAL

BD-39-2024 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 (Hobbies of Asia) Property;

RESOLVED FURTHER, that the Management shall amend the Service Contract of P/MGen. Christopher A. Laxa (Ret) to include in the duties and responsibilities the administration and overseeing of FCA (Hobbies of Asia) Property in addition to the FCA (Dampa Seaside) Property;

RESOLVED FURTHER, that the honorarium/responsibility premium of P/MGen. Christopher A. Laxa (Ret) shall be increased from Ninety Thousand Pesos (PhP90,000) to One Hundred Fifty Thousand Pesos (PhP150,000) per month effective 01 September 2024;

RESOLVED FINALLY, that the Board authorizes PNCC's President & CEO Miguel E. Umali to execute and sign appropriate Amended Service Contract of P/MGen. Christopher A. Laxa (Ret) and any subsequent renewals/extension of the same.

SEPTEMBER 25, 2024 – REGULAR

BD-40-2024 RESOLVED AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously designates the Head of Treasury Department, Ms. Cristy M. Mediavillo, and/or the Head of the Corporate Legal Department, Atty. Ilie Lionel B. Gramata or any employee of PNCC that the said department heads may designate through an authorization letter, as the duly authorized representatives of the Company to make representations with the LBP-Pasig Branch to recover the dormant bank account of CDCP-FC and

to coordinate with LBP and redeem the Agrarian Reform Bonds with Serial Nos. A-0059217 and A-0059263 registered in the name of CDCP-FC.

OCTOBER 3, 2024 – SPECIAL

BD-41-2024 RESOLVED, that the Board, hereby APPROVES the revisited vision, mission and core values of PNCC required under GCG M.C. No. 2024-01, as follows:

Revisited Vision Statement	By 2028, PNCC would have strengthened its financial viability through strategic partnership ventures in toll road projects and other related infrastructure/property development, while ensuring disaster resiliency, and promoting equity and inclusivity for all.
Revisited Mission Statement	To continue pursuing toll road projects and other infrastructure/property development and management to strengthen the company's financial viability and thereby contribute to the nation's developmental goals.
Revisited Core values	Professionalism. *We are honest, transparent and compliant with ethical standards.* Integrity. *We are always mindful to do the right thing.* Commitment. *We are committed to perform our duties and obligations.* Innovation. *We are prepared to meet challenges to better fulfill the needs of our stakeholders.* Excellence. *We are guided to do the best in all our dealings.* Loyalty. *We are dedicated and devoted to the company.* Equity. *We are fair, just and inclusive.* Resiliency. *We are ready to adapt to changes and challenges.*

BD-42-2024 RESOLVED, that the Board, hereby APPROVES the following:

1. The PNCC CY 2025 proposed performance scorecard and all other documents as required under GCG M.C. No. 2024-01, 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. John Benedick R. Dela Cruz	Legal Officer/Corporate Secretary
4. Veronica B. Tacderas	Head – Controllership Department
5. Cristy M. Mediavillo	Head – Treasury Department

3. Authorization of the President/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/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-43-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously adopts and approves PNCC's 2025 Table of Organization;

RESOLVED FURTHER, that in the future hiring of personnel on the PNCC's 2025 Table of Organization, said hiring shall be based on the administrative and operational needs/requirements of PNCC as per recommendation of the Management;

RESOLVED FINALLY, that PNCC's 2025 Table of Organization be submitted to Governance Commission for GOCCs (GCGs) for their information and appropriate approval.

BD-44-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously appoints Atty. Ilie Lionel B. Gramata, Head of the Corporate Legal Department, as the authorized representative/Proxy of

PNCC to attend, vote, ratify and confirm any and all matters which may be properly approved during the Annual Stockholders Meeting of the Alabang-Sto. Tomas Development Inc. on 17 October 2024.

RESOLVED, FINALLY, that the Board authorizes PNCC's President & CEO Miguel E. Umali as the authorized representative of PNCC to sign the Proxy form appointing Atty. Ilie Lionel B. Gramata as the authorized representative/Proxy of PNCC to attend, vote, ratify and confirm any and all matters which may be properly approved during the Annual Stockholders Meeting of the Alabang-Sto. Tomas Development Inc. on 17 October 2024.

OCTOBER 29, 2024 – REGULAR

BD-45-2024 RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves the proposed Corporate Operating Budget for 2025 submitted by the Management.

BD-46-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that AVILA PRINTING PRESS, represented by Shirley G. Hunggay, with address at Block 142 Lot 53 San Diego St., Central Bicutan, Taguig City is hereby authorized to print the Collection Receipts and Billing Invoices of PNCC.

NOVEMBER 13, 2024 – SPECIAL

BD-47-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that Board, constituting a quorum, unanimously approves the creation of the Board of Election Inspectors for the Annual Stockholders Meeting on 21 November 2024, composed of: [a] Chairman, with an Honorarium of PhP 2,500.00; [b] two (2) representatives form the stock transfer agent (Professional Stock Transfer, Inc.), with an Honorarium of PhP 2,000.00 each; [c] two (2) PNCC employees, with an Honorarium of PhP 2,000.00 each; and [d] two (2) representatives from the Commission on Audit as election validators.

RESOLVED FURTHER, that the Board approves the Honorarium in the amount of PhP 700.00 to each of the fifteen (15) personnel who will render assistance in the formal requirements and physical arrangements for the 2024 Annual Stockholders Meeting.

BD-48-2024 RESOLVED, AS IT IS HEREBY RESOLVED, that Board, constituting a quorum, unanimously approves to authorize Engr. Demosthenes F. Faminiano, or any PNCC authorized representative to be designated by Engr. Faminiano to secure documents from the Register of Deeds and to

cause the annotation of the Affidavit of Loss of Transfer Certificate of Title No. (452587) 23646 before the Registry of Deeds for Parañaque City.

RESOLVED, for the PNCC Management and Office of the Government Corporate Counsel (OGCC) to file the necessary Petition for Reconstitution of Title before the appropriate court for the purpose.

RESOLVED, that the Board authorizes Atty. Ilie Lionel B. Gramata and/or Engr. Demosthenes F. Faminiano, to represent the Corporation, its officers and employees, in connection with the filing of the necessary Petition for Reconstitution of Title before the appropriate Court, to sign verifications and certifications against forum-shopping, affidavits, pleadings, other documents and to take similar courses of action in connection with the said Petition.

RESOLVED FURTHER, that the Board authorizes the Office of the Government Corporate Counsel and/or Atty. Ilie Lionel B. Gramata, their co-legal counsels and paralegals, to represent the Corporation at the pre-trial conferences, hearings of the case and appear as the Corporation's duly authorized representative during the pre-trial, mediation and trial of the case with full power and authority to enter stipulations, agreements and/or compromise settlement that they may deem fit and necessary, to sign and verify as well as to authenticate such Petition, pleadings, documents, records and other papers necessary for the purpose, including verifications and certifications against forum-shopping, affidavits, pleadings and documents for and in behalf of the Corporation.

RESOLVED FINALLY, that the Board hereby authorizes and empowers Atty. Ilie Lionel B. Gramata and/or Engr. Demosthenes F. Faminiano and the OGCC to sign, execute and deliver any and all documents necessary and proper to carry out the foregoing resolution.

BD-49-2024

RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum and after due deliberation and discussion, unanimously approves the attached list of employees with the corresponding salary adjustment based on length of service all in accordance with CPCS Circular No. 2023-01 and the Board-approved Implementing Rules for the Step Increments Based on Length of Service.

RESOLVED, FINALLY, that the Management thru the President & CEO shall make the requisite submissions to the GCG for the purpose of securing the approval of the Company's Implementation of the Step Increments based on Length of Service.

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2025 ANNUAL STOCKHOLDERS' MEETING (ASM) OF PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
Requirements and Procedure for Voting and Participation in the ASM

PNCC's Annual Stockholders' Meeting will be held on Thursday, November 20, 2025, 3:00 p.m. at PNCC Complex, KM 15 East Service Road, San Martin De Porres, Paranaque City.

1. **Stockholders of record as of August 29, 2025** shall be entitled to attend in person:
   i. Have their share authenticated and verified by the Stock Transfer Agent;
   ii. Submit their proxies, if any and applicable, accompanied by their respective authorities (Special Power of Attorney or Secretary's Certificate validated);
   iii. Only stockholders whose shares have been verified, proxies validated in accordance with the procedure below shall be counted in the determination of a quorum and other corporate actions.

2. Registration will start at 2:00 p.m. Requirements for registration:

   i. For individual stockholders with Certified Shares:
      a) 1 government issued ID with photo and signature
   ii. For stockholders, individual or corporate with or under Broker Accounts:
      a) Authorization Letter/Certificate, duly notarized, from Broker specifying the number of shares. The Authorization Letter / Certificate must indicate the number of shares and the name of the authorized representative.
      b) 1 government issued ID with photo and signature
   iii. For corporate stockholder:
      a) Signed Proxy Form
      b) Secretary's Certificate or Board Resolution duly notarized, authorizing the registering stockholder to attend and vote in the ASM.
      c) 1 government issued ID with photo and signature
   iv. The company reserves its right to require additional personal date or documents to ensure identity and right to vote to the stockholder. At all times, the right of the stockholder to the privacy of his/her personal data as provided in the Data Privacy Act shall be ensured.

3. Stockholder may appoint a proxy to represent him/her, and vote all shares owned by, and/or his/her name as registered in the books of the Corporation for this ASM.

4. Stockholder who wants to vote by proxy shall comply with the following procedure and requirements:

   i. Download and fill-up the Proxy form. Proxy form is attached to the Notice sent to stockholders or it can be accessible through www.pncc.ph/proxy
   ii. Send an advanced scanned copy of the duly accomplished Proxy form through email to asm-2025@pncc.ph

iii. Stockholder must send an **original copy of the signed proxy** to the Office of the Corporate Secretary at PNCC Complex, KM 15 East Service Road, San Martin De Porres, Paranaque City.
iv. **Submission of proxies shall be done on or before November 17, 2025.**

5. The polls are open for the stockholders / or representatives to cast their votes manually.

6. The stockholder may vote manually using the ballot provided upon registration and placing the voted ballot in the ballot boxes located at the registration table.

7. Each outstanding share of stock entitles the registered holder to one vote.

8. 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.

9. 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.

10. The election of directors shall be by plurality of votes. Every stockholder shall be entitled to cumulate his vote.

11. The stockholders may cast their votes anytime during the meeting.

12. 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 – Audit Team.

13. 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. The Corporate Secretary shall report the result of voting during the meeting. The final tally of votes shall be reflected in the minutes of the meeting.