Office of the President of the Philippines
PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION
KM. 15 EAST SERVICE ROAD, BICUTAN, PARAÑAQUE CITY, 1700
DIRECT LINE : 88460209

BAGONG PILIPINAS

# 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 19 November 2026.

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This proxy shall be valid only for the said meeting of the stockholders, unless withdrawn by the undersigned stockholder by written notice filed with the Corporate Secretary of the Corporation.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 _____ 2026.

**By:**

_____

Office of the President of the Philippines
PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION
KM. 15 EAST SERVICE ROAD, BICUTAN, PARAÑAQUE CITY, 1700
DIRECT LINE : 88460209

BAGONG PILIPINAS

October 15, 2026

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 New Hobbies of Asia, Financial Center Area, Macapagal Blvd., Pasay City, on **Thursday, November 19, 2026** 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. Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on November 20, 2025;
6. Ratification of all previous acts by the Board of Directors;
7. Report of the President;
8. Amendment of the Third Article of the Amended Articles of Incorporation;
9. Amendment of Sixth Article of the Amended Articles of Incorporation for the Increase of the Number of Directors from 11 to 13;
10. Amendment of PNCC Corporate By-Laws Section 4.01, Article IV to change the date of Annual Meeting of the Stockholders from 4$^{th}$ Tuesday of March every year to 4$^{th}$ Tuesday of November every year;
11. Election of the Board of Directors including Independent Directors;
12. Other Matters; and
13. Adjournment

Only stockholders of record at the close of business hours on 30 July 2026 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 and Sixth Article of the Articles of Incorporation and Section 4.01 of the Corporate 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.

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:**

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

4. Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on 20 November 2025

   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 20 November 2025.

   **Proposed Resolution:**

   "RESOLVED, that the minutes of the stockholders' meeting dated 20 November 2025 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 2025 and the outlook for 2026. Audited Financial Statements (AFS) as of December 31, 2025 (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, 2025 be, as they are hereby accepted and approved, and the Corporate Secretary is instructed to file the same as parts of these minutes."

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

This item pertains to the Amendment of the Third Article of the Amended Articles of Incorporation of the Company is in accordance with SEC Memorandum Circular (MC) No. 6 Series of 2016. The said SEC MC No. 6 S. 2016 directs a Corporation to file the necessary Amendment whenever a Company transfers or moves to a new location. Here, the Company will change its principal office address from Makati, Rizal to a different city which is Pasay City.

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

**Resolution:**

"RESOLVED, that the amendment of the Third Article of the Amended Articles of Incorporation as follows:

THIRD: That the corporation shall have its principal office and place of business at **PNCC FCA Property, Diosdado Macapagal Blvd., Pasay City**, but may have such branches, agencies and correspondents in the Philippines and in foreign countries as may be necessary for the proper conduct of its business.

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

8. Amendment of the Sixth Article of the Amended Articles of Incorporation to Change the number of Directors of PNCC from eleven (11) to thirteen (13) Directors.

   This item pertains to the Amendment of the Sixth Article of the Amended Articles of Incorporation which is required in order to comply with the Securities and Regulation Code Rule 38 and Revised Corporation Code (RA 11232) Section 22 and 23 requirements on the election of Independent Directors. Currently, the Board seats have already been filled up by eight (8) Presidential Appointees, two (2) GSIS Representatives and one (1) representing a substantial private stockholder. Thus, there is a need to Amend the Sixth Article of the Amended Articles of Incorporation of the Company to change the number of Directors from eleven (11) to thirteen (13) in order to accommodate Independent Directors.

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

   **Resolution:**

   "RESOLVED, that the amendment of the Sixth Article of the Amended Articles of Incorporation as follows:

   SIXTH: That the **number** of directors of the said corporation shall be **thirteen (13)** and the names and residences of the directors of the corporation who are to serve until successors are elected and qualified as provided by the By-Laws

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

9. Amendment of Section 4.01, Article IV of the PNCC Corporate By-Laws to Change the Date of the Annual Meeting of the Stockholders

This item of the Agenda which is the Amendment of Section 4.01, Article IV of the PNCC Corporate By-Laws pertains to the change of date of the Annual Meeting of the Stockholders. The Company submits its Unaudited Financial Statements for the preceding fiscal year to the Commission on Audit (COA) on or before the 14th day of February. Usually, the Company receives its Audited Financial Statements (AFS) from COA around second week of June of every year. The AFS are vital during an ASM as it provides independent, credible account of the company's financial health upon which the stockholders base critical voting decisions and governance actions. Therefore, it is not possible to conduct the PNCC Annual Stockholders Meeting due to unavailability of reportorial requirements every 4th Tuesday of March of every year, thus there is a need for such amendment.

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

**Resolution:**

"RESOLVED, that the amendment of Section 4.01, Article IV of the PNCC Corporate By-Laws as follows:

**Section 4.01:** All meetings of the shareholders shall be held at the Head Office of the Corporation. The Annual Meeting of shareholders shall be held at 3:00 p.m. on the 4th Tuesday of **November** of every year, if not a holiday, otherwise on the next business day following.

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

10. 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 2026. 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.

11. Other Matters

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

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

1. Check the appropriate box:
[ ] Preliminary Information Statement
[ X ] 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 19, 2026, 3:00 p.m.**
**PNCC New Hobbies of Asia, FCA Property, Macapagal Blvd., Pasay City**

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

**October 15, 2026**

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 (07/31/2026)** | **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 19, 2026
Time: 3:00 p.m.
Place: PNCC New Hobbies of Asia, FCA Property, Diosdado Macapagal Blvd., Pasay City

The corporate mailing address of the principal office of the Registrant is PNCC New Hobbies of Asia, FCA Property, Diosdado Macapagal Blvd., Pasay City.

The Information Statement will approximately be sent or given first to stockholders of record on 15 October 2026 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 2025-2026 (prior to the 19 November 2026 Annual Stockholders' Meeting):

| | |
|---|---|
| 1. Avancena, Jonathan S. | 7. Sadsad, Gilbert T. |
| 2. Averia, Mariano Jesus S. | 8. Sembrano, Alex L. |
| 3. Co, Herculano Jr. C. | 9. Torres, Ruben D. |
| 4. Constantino, Danilo S. | 10. Umali, Miguel E. |
| 5. Escudero, Evelina G. | 11. Zaldivar, Oscar T. |
| 6. 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 2026:

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

(b) Record Date: 30 July 2026

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 2026:

| Title of Class | Name and Address of Record Owner and relationship with issuer | Name of beneficial owner and relationship with record owner | Citizenship | Number of shares held | % to Total Outstanding Shares |
|---|---|---|---|---|---|
| Common | **Republic of the Philippines thru Privatization Management Office**<br>Address: 104 Gamboa St Legaspi Village, Makati City<br>\<br>Relationship with Issuer: Stockholder<br><br>*The representative/s whose name/s indicated in the Secretary's Certificate are authorized to vote the shares of Republic of the Philippines* | Republic of the Philippines thru Privatization Management Office | Filipino | 79,271,024 | 39.65% |
| Common | **Government Service Insurance System (GSIS)**<br>Address: Roxas Boulevard, Pasay City<br><br>Relationship with Issuer: Stockholder<br><br>*The representative/s whose name/s indicated in the Secretary's Certificate are authorized to vote the shares of GSIS* | The beneficial ownership belongs to the members of record of GSIS | Filipino | 47,490,383 | 23.75% |

| | | | | | |
|---|---|---|---|---|---|
| Common | **Wellex Petroleum, Inc.**<br>Address: 22/F BDO Tower, 6741 Paseo De Roxas, Makati City<br>Relationship with Issuer: Stockholder<br><br>*The representative/s whose name/s indicated in the Secretary's Certificate are authorized to vote the shares of Wellex Petroleum, Inc.* | The beneficial ownership of this company belongs to the shareholders of record of said company | Filipino | 26,635,891 | 13.32% |
| Common | **PCD Nominee Corporation**<br>Address: 37/F Tower I The Enterprise Center, 1226 Ayala Avenue, Makati City<br>Relationship with Issuer: Stockholder<br><br>*The representative/s whose name/s indicated in the Secretary's Certificate are authorized to vote the shares of PCD Nominee Corporation. There is no person holds 5% or more under the PCD Account* | PCD participants acting for themselves or for their customers | Filipino | 11,808,578 | 5.9% |
| Preferred D | **Republic of the Philippines thru Privatization Management Office**<br>Address: 104 Gamboa St Legaspi Village, Makati City<br><br>Relationship with Issuer: Stockholder<br><br>*The representative/s whose name/s indicated in the Secretary's Certificate are authorized to vote the shares of Republic of the Philippines* | Republic of the Philippines thru Privatization Management Office | Filipino | 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 23.85% of PNCC's voting equity is strictly under private ownership and 5.9% of which is being held by PCD Nominee Corporation. PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Depository & Trust Corporation, a private company organized to implement an automated book entry system of handling securities transactions on the Philippines (PCD). Under the PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, the PCD shall execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares in the principal securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients. As of Record Date, the Registrant is not aware of any investor beneficially

owning shares lodged with the PCD which comprise more than five percent (5%) of the Registrant's total outstanding common shares of stock.

Security ownership of Directors and Management as of 30 June 2026:

| Title of Class | Name of Beneficial Owner/ Position | | Amount/Nature of Beneficial Ownership "R" / "B"* | Citizenship | % of Class |
|---|---|---|---|---|---|
| *Board of Directors* | | | | | |
| **Common** | **Jonathan S. Avancena** | **Director** | P1,000 "R" | Filipino | 00.00% |
| **Common** | **Mariano Jesus S. Averia** | **Director** | P250 "R" | Filipino | 00.00% |
| **Common** | **Herculano C. Co, Jr.** | **Chairman** | P120 "R" | Filipino | 00.00% |
| **Common** | **Danilo S. Constantino** | **Director** | P10 "R" | Filipino | 00.00% |
| **Common** | **Evelina G. Escudero** | **Director** | P500 "R" | Filipino | 00.00% |
| **Common** | **Lamberto B. Mercado, Jr.** | **Director** | P250 "R" | Filipino | 00.00% |
| **Common** | **Alex L. Sembrano** | **Director** | P500 "R" | Filipino | 00.00% |
| **Common** | **Gilbert T. Sadsad** | **Director** | P500 "R" | Filipino | 00.00% |
| **Common** | **Ruben D. Torres** | **Director** | P1,000 "R" | Filipino | 00.00% |
| **Common** | **Miguel E. Umali** | **President & CEO Vice Chairman** | P10 "R" | Filipino | 00.00% |
| **Common** | **Oscar T. Zaldivar** | **Director** | P1,010 "R" | Filipino | 00.00% |
| *Management* | | | | | |
| **Common** | **John Benedick R. Dela Cruz** | **Corporate Secretary** | 0 | Filipino | 00.00% |
| **Common** | **Erika Grace E. Velasco** | **Asst. Corporate Secretary** | 0 | Filipino | 00.00% |
| **Common** | **Ilie Lionel B. Gramata** | **Compliance Officer / Head, Legal Dept.** | 0 | Filipino | 00.00% |
| **Common** | **Rosalyn S. Delivios** | **Asst. Compliance Officer / Head, MIS Dept.** | 0 | Filipino | 00.00% |
| **Common** | **Cristy M. Mediavillo** | **Corporate Treasurer** | 0 | Filipino | 00.00% |
| **Common** | **Ibarra G. Paulino** | **Independent Director Nominee** | P1,080 "R" | Filipino | 00.00% |
| ***Directors and Officers (as a Group)*** | | | P6,230 | 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 30 July 2026 are as follows:

1. HERCULANO C. CO, JR.

| | |
|---|---|
| Personal Information | **Age**: 67; **Nationality**: Filipino; **Gender**: Male;<br>**Current Position in PNCC**: Chairman of the Board;<br>**No. of Years in PNCC**: 7 years<br>**First Election to the Position**; November 16, 2017;<br>**Last Election**: January 26, 2023 |
| Affiliations in Publicly Listed Companies (PLCs) | N/A |
| Affiliations in Non-PLCs | • Chairman, Herco Agro-Industries, Inc. (1982 to present)<br>• Chairman, Alheed International Trading Corporation (1995-present)<br>• Vice Chairman, Aurora Securities, Inc. (1993 – present)<br>• Director, Santa Clara Shipping Corporation (1996 – present) |
| Civic/Advisory Board | • President, Philippine Confederation of Grains Associations, Inc.<br>• Founding Member, Philippine Grains Industry Council<br>• Honorary Consul General, Consulate of the Government of Tuvalu (Philippines)<br>• Member, Cereal Sub-committee, National Agricultural and Fishery Council (NAFC)<br>• Member, Business Sector Representative-Gintong Ani Program for rice and corn<br>• 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<br>• Recipient of unit in College of Law of Ateneo de Manila University |

2. MIGUEL E. UMALI

| | |
|---|---|
| Personal Information | **Age**: 61; **Nationality**: Filipino; **Gender**: Male;<br>**Current Position in PNCC**: President and CEO;<br>**No. of Years in PNCC**: 7 years<br>**First Election to the Position**; February 6, 2019;<br>**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<br>• Bachelor of Laws, Ateneo de Manila University |

3. JONATHAN S. AVANCEÑA

| | |
|---|---|
| Personal Information | **Age**: 56; **Nationality**: Filipino; **Gender**: Male;<br>**Current Position in PNCC**: Director;<br>**No. of Years in PNCC**: 9 years<br>**First Election to the Position**; August 15, 2017;<br>**Last Election**: January 26, 2023 |
| Affiliations in Publicly Listed Companies (PLCs) | N/A |
| Affiliations in Non-PLCs | • Assistant Manager, Netgear/Concentrix (2007 - present) |
| Civic/Advisory Board | N/A |
| Educational Background & Achievements/Awards | • Bachelor of Science in Computer Science, Ateneo de Davao University |

4. MARIANO JESUS S. AVERIA

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| Personal Information | **Age**: 65; **Nationality**: Filipino; **Gender**: Male;<br>**Current Position in PNCC**: Director;<br>**No. of Years in PNCC**: 3 years<br>**First Election to the Position**; January 26, 2023;<br>**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<br>• Recipient of unit in College of Law of Ateneo de Manila University |

5. DANILO S. CONSTANTINO

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| Personal Information | **Age**: 66; **Nationality**: Filipino; **Gender**: Male;<br>**Current Position in PNCC**: Director;<br>**No. of Years in PNCC**: 3 years<br>**First Election to the Position**; January 26, 2023;<br>**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 |

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

6. EVELINA G. ESCUDERO

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|---|---|
| Personal Information | **Age**: 83; **Nationality**: Filipino; **Gender**: Female;<br>**Current Position in PNCC**: Director;<br>**No. of Years in PNCC**: 3 years<br>**First Election to the Position**; May 25, 2023;<br>**Last Election**: N/A |
| Affiliations in Publicly Listed Companies (PLCs) | • Chairperson, National Reinsurance Corp. of the Philippines (2023 - present) |
| Affiliations in Non-PLCs | • Trustee, Government Service Insurance System (2022- present)<br>• Congresswoman representing Sorsogon's 1st congressional district (2013-2022)<br>• Member, Board of Regents, University of the Philippines (2012-2014) |
| Civic/Advisory Board | • Treasurer, University of the Philippines Alumni Association<br>• 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<br>• Master in Education Administration, University of the Philippines<br>• Doctorate Degree in Philosophy in Education, University of the Philippines |

7. LAMBERTO B. MERCADO, JR.

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| Personal Information | **Age**: 61; **Nationality**: Filipino; **Gender**: Male;<br>**Current Position in PNCC**: Director;<br>**No. of Years in PNCC**: 9 years<br>**First Election to the Position**; April 17, 2017;<br>**Last Election**: January 26, 2023 |
| Affiliations in Publicly Listed Companies (PLCs) | • Director, Wellex Industries, Inc. (1998 – present)<br>• Legal Counsel and Director, Waterfront Philippines, Inc. (1998 – present)<br>• Legal Counsel and Director, Forum Pacific, Inc. (1998 – present)<br>• Legal Counsel and Director, Mabuhay Vinyl Corporation (1998 – present)<br>• Chief Risk Officer and Director, Acesite (Phils.) Hotel Corp. (1998 – present) |
| Affiliations in Non-PLCs | • Vice President for Legal, The Wellex Group, Inc. (1998 – present)<br>• Legal Counsel and Director, Air Philippines Corp. (1998 – present)<br>• Legal Counsel and Director, Philippine International Airways, Inc. (1998 – present)<br>• Legal Counsel and Director, Grand Ilocandia Resort and Development, Inc. (1998 – present)<br>• Legal Counsel and Director, Metro Alliance Holdings & Equities Corp. (1998 – present)<br>• Legal Counsel and Director, Pacific Wide Realty & Development Corp. (1998 – present)<br>• Consultant, Divina Law |
| Civic/Advisory Board | • Member, Integrated Board of the Philippines |
| Educational Background & Achievements/Awards | • Bachelor of Science in Commerce Major in Accounting, University of Santo Tomas<br>• Bachelor of Laws, Ateneo de Manila University |

**8.** GILBERT T. SADSAD

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|---|---|
| Personal Information | **Age**: 61; **Nationality**: Filipino; **Gender**: Male;<br>**Current Position in PNCC**: Director;<br>**No. of Years in PNCC**: 0.16 year<br>**First Election to the Position**; June 24, 2026;<br>**Last Election**: N/A |
| Affiliations in Publicly Listed Companies (PLCs) | N/A |
| Affiliations in Non-PLCs | • Trustee, Government Service Insurance System (2025 – present)<br>• Director IV of the Department of Education Region V (2022-present)<br>• President of Philippine Public School Teachers (2022 – present) |
| Civic/Advisory Board | N/A |
| Educational Background & Achievements/Awards | • College of Agriculture Bicol University, Guinobatan, Albay<br>• Master's Degree in Education, Naga College Foundation, Naga City<br>• Doctor of Education, Partido College in Goa, Camarines Sur |

9. ALEX L. SEMBRANO

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|---|---|
| Personal Information | **Age**: 67; **Nationality**: Filipino; **Gender**: Male;<br>**Current Position in PNCC**: Director;<br>**No. of Years in PNCC**: 3 years<br>**First Election to the Position**; January 26, 2023;<br>**Last Election**: N/A |
| Affiliations in Publicly Listed Companies (PLCs) | N/A |
| Affiliations in Non-PLCs | • Easy Foods, Inc.<br>• South Point Driving Range, Inc. |
| Civic/Advisory Board | • Member, PMA Alumni Association, Inc<br>• Member, Alumni Association of AIM, Inc. |
| Educational Background & Achievements/Awards | • Bachelor of Science, Philippine Military Academy<br>• Master's in Business Management, Asian Institute of Management |

10. RUBEN D. TORRES

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|---|---|
| Personal Information | **Age**: 84; **Nationality**: Filipino; **Gender**: Male;<br>**Current Position in PNCC**: Director;<br>**No. of Years in PNCC**: 4 years<br>**First Election to the Position**; June 8, 2022;<br>**Last Election**: N/A |
| Affiliations in Publicly Listed Companies (PLCs) | • Lead Independent Director, Philippine Estates Corporation (2022 – present)<br>• Director, Wellex Industries, Inc. (2018 – present)<br>• Independent Director, Forum Pacific, Inc. (2022 – present)<br>• Independent Director, Waterfront Philippines, Inc. (2006 – present)<br>• Independent Director, Acesite (Phils.) Hotel Corp. (2014 – present) |
| Affiliations in Non-PLCs | • Chairman & CEO, Universal Matrix Corp. (2006 – present)<br>• Senior Partner, Torres Caparas Torres Law Office<br>• Chairman, Alliance Energy Power and Development, Inc. (2022 – present) |

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| | • Director, Waterfront Manila Premier Development, Inc. (2021 – present)<br>• Chairman, Taguig Lake City Development Corp. (2018 – present)<br>• Chairman, Triton Construction and Development Corp. (2021 – present)<br>• Proprietor, Kitsie's Farm (2018 – present)<br>• Chief Operating Officer, Optimus Medical Care and Trading Corp.<br>• Chairman and Chief Operating Officer, Service Exporters Risk Management and Consultancy Co. |
| Civic/Advisory Board | • President, BPO Workers Association<br>• Member, Integrated Bar of the Philippines<br>• Member, Philippine Academy of Professional Arbitrators<br>• Adviser, Tytana Colleges |
| Educational Background & Achievements/Awards | • Bachelor of Arts in Political Science, University of the Philippines<br>• Bachelor of Laws, University of the Philippines |

11. OSCAR T. ZALDIVAR

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| Personal Information | **Age**: 68; **Nationality**: Filipino; **Gender**: Male;<br>**Current Position in PNCC**: Director;<br>**No. of Years in PNCC**: 3 years<br>**First Election to the Position**; January 26, 2023;<br>**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<br>• Bachelor of Laws, Ateneo de Manila University |

The complete business experience and continuing trainings/education/seminars of the Board of Directors for the last five years is attached hereto as Annex "A".

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 2025.

| | NAME OF DIRECTOR | 2025 Attendance | | | | | | | | | | | | | | | | | | | | | | | | No. of Meetings Held during incumbency | No. of Meetings Attended Held during incumbency | % | Length of Service in the Board |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Date of Election in the Board | Date of Resignation | January 8 | January 12 | February 12 | February 26 | March 12 | March 26 | April 8 | April 23 | May 7 | May 21 | Jun 11 | Jun 25 | Jul 09 | Jul 30 | Aug 13 | Aug 27 | Sep 10 | Sep 24 | Oct 07 | Oct 22 | Nov 06 | Nov 20 | Dec 03 | Dec 17 | | | | |
| Member | Avance ³a, Jonathan S. | 08/15/2017 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 24 | 24 | 100% | 8.33 years |
| Member | Averia, Mariano Jesus S. | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 24 | 24 | 100% | 2.91 years |
| Chairman | Co, Herculano Jr. C. | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 24 | 24 | 100% | 2.91 years |
| Member | Constantino, Danilo S. | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 24 | 24 | 100% | 2.91 years |
| Member / GSIS Representative | Escudero, Evelina G. | 05/25/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 24 | 24 | 100% | 2.58 years |
| Member / GSIS Representative | Luga, Alan R. | 04/17/2017 | 05/21/2025 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | | | | | | | | | | | 9 | 9 | 100% | 7.75 years |
| Member | Mercado, Lamberto Jr. B. | 04/17/2017 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 24 | 24 | 100% | 8.08 years |
| Member | Sembrano, Alex L. | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 24 | 24 | 100% | 2.91 years |
| Member / GSIS Representative | Torno, Beatriz G. | 05/21/2025 | N/A | | | | | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 15 | 15 | 100% | .58 years |
| Member / Private Representative | Torres, Ruben D. | 06/08/2022 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 24 | 24 | 100% | 3.5 years |
| President & CEO / Vice Chairman | Umali, Miguel E. | 02/19/2019 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 24 | 24 | 100% | 6.83 years |
| Member | Zaldivar, Oscar T. | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 24 | 24 | 100% | 2.91 years |

Legend: [✓] Present [x] Absent

**Average Attendance for CY 2025 : 100%**
**Average Directors' Attendance per meeting for 2025 : 100%**

| Name | Age | Position | Citizenship |
|---|---|---|---|
| Miguel E. Umali | 61 | President and Chief Executive Officer | Filipino |
| John Benedick R. Dela Cruz | 35 | Corporate Secretary | Filipino |
| Erika Grace E. Velasco | 34 | Assistant Corporate Secretary | Filipino |
| Ilie Lionel B. Gramata | 50 | Compliance Officer, Head of Corporate Legal Department | Filipino |
| Rosalyn S. Delivios | 55 | Assistant Compliance Officer, Head of Management Information System Department | Filipino |
| Cristy M. Mediavillo | 61 | Corporate Treasurer | Filipino |
| Felix M. Erece, Jr. | 65 | Head, Human Resource Department | Filipino |
| Demosthenes F. Faminiano | 61 | Head, Materials Management Department, concurrent Head, Realty Department | Filipino |
| Veronica B. Tacderas | 64 | Head of Controllership Department | Filipino |

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| **MIGUEL E. UMALI**<br>President and CEO | *Please see profile under Directors and Executive Officers* |
| **JOHN BENEDICK R. DELA CRUZ**<br>Corporate Secretary<br>Legal Officer, Legal Department<br>Member, Technical Working Group – Tollways Development Projects (TWG)<br>Member, Leasehold Selection Committee | 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.<br><br>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.<br><br>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**<br>Assistant Corporate Secretary<br>Legal Officer, Legal Department<br>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.<br><br>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 |

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| | 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.<br><br>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**<br>Compliance Officer<br>Head, Legal Department<br>Chairman, BA<br>Chairman, Committee on Anti-Red Tape (CART)<br>Chairman, TWG<br>Chairman, Leasehold Selection Committee<br>Member, ISO Core Team<br>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.<br><br>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.<br><br>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**<br>Assistant Compliance Officer<br>Head, MIS Department<br>Deputy Quality Management Representative<br>Member, CART<br>Consultant, Inventory Committee<br>Internal Quality Auditor | She joined PNCC in August 1997 as Systems Analyst – Programmer and rose from the ranks to became the Head of MIS Department from 2006 to present. She was appointed Assistant Compliance Officer on April 18, 2023. Aside from her tasks in MIS Department, she was involved in the Quality Management System (QMS) development and implementation of PNCC from 2007 to 2011 and served as ISO Committee Secretariat, Document Controller and Internal Quality Auditor. 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 |

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| | Quality Institute (CQI).<br><br>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.<br><br>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**<br>Corporate Treasurer<br>Head, Treasury Department<br>Member, BAC<br>Member, TWG<br>Member, CART<br>Member, ISO Core Team<br>Member, Leasehold Selection Committee<br>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.<br><br>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.<br><br>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.**<br>Head, Human Resources Department<br>Member, BAC<br>Vice Chairman, CART<br>Consultant, Inventory Committee<br>Member, ISO Core Team<br>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.<br><br>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 |

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| | 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**<br>Head, Materials Management Department<br>Head, Realty Department<br>Vice Chairman, BAC<br>Member, TWG<br>Member, CART<br>Member, ISO Core Team<br>Member, Leasehold Selection Committee<br>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.<br><br>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**<br>Head, Controllership Department<br>Member, TWG<br>Member, ISO Core Team<br>Consultant, Inventory Committee<br>Member, Leasehold Selection Committee<br>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.<br><br>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. 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.

On 28 January 2025, the Commission issued a Resolution granting the Petition for Money Claim filed by Asiavest ESB-IMVL, for brevity, in the amount of MYR3,915,053.54, or its Philippine Peso equivalent to PhP 174,530,832.28, plus legal interest and attorney's fees in the amount of PhP 300,000.00 and cost of suit.

On 13 August 2025, PNCC moved to file a Petition for Certiorari with Application for the Issuance of a Temporary Restraining Order and Writ of Preliminary Injunction and Notice of Appearance before the Supreme Court. Asiavest filed its Comment dated 15 December 2025. Awaiting for SC's further action.

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

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.

On 08 October 2025, Asiavest ESB-IMVL filed a Petition before the Commission on Audit. The OGCC filed an Entry of Appearance with Answer to the Commission.

On 11 December 2025, a Supplement to Answer was filed by OGCC which Asiavest ESB-IMVL filed a Reply to the Supplement to Answer. Awaiting further action of 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 2025, there are no MRPTs entered into by the company, by directors and other officers.

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. Sadsad, Gilbert T. | *Please see profile under Directors and Corporate Officer* |
| 8. Sembrano, Alex L. | *Please see profile under Directors and Corporate Officer* |
| 9. Torres, Ruben D. | *Please see profile under Directors and Corporate Officer* |
| 10. Umali, Miguel E. | *Please see profile under Directors and Corporate Officer* |
| 11. Zaldivar, Oscar T. | *Please see profile under Directors and Corporate Officer* |

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

The 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 |
| | Gilbert T. Sadsad | - | 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 "B", 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**: 74; **Nationality**: Filipino; **Gender**: Male; |
|---|---|
| He was 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.<br><br>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.<br><br>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.<br><br>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 2025.

*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 2025, the Audit Committee, further to compliance with applicable corporate governance law, confirms their accomplishment for the year 2025:

1. The Committee had twelve (12) 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 2025 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, 2025 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 2025

| NAME OF DIRECTOR | | Date of Appointment (as a Director) | Date of Appointment (as a Member of the Committee) | Date of Resignation / Replaced in the Committee | 2025 Attendance | | | | | | | | | | | | No. of Meetings Held during incumbency | No. of Meetings Attended during incumbency | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Jan-22 | Feb-12 | April 23 | May 21 | Jun-11 | July 30 | August 13 | August 27 | September 24 | October 22 | December 3 | December 17 | | | | |
| Member | Avanceña, Jonathan S. | 08/15/2017 | 02/06/2019 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 12 | 12 | 100% | 8.33 |
| Member | Averia, Mariano Jesus S. | 01/26/2023 | 01/26/2023 | 05/21/2025 | ✓ | ✓ | ✓ | | | | | | | | | | 3 | 3 | | |
| Vice Chairman | Co, Herculano Jr. C. | 01/26/2023 | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 12 | 12 | 100% | 2.91 |
| Chairman | Mercado, Lamberto Jr. B. | 04/17/2017 | 04/17/2017 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 12 | 12 | 100% | 8.08 |
| Member | Sembrano, Alex L. | 01/26/2023 | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 12 | 12 | 100% | 2.91 |
| Member / GSIS Representative | Torno, Beatriz G. | 05/21/2025 | 05/21/2025 | N/A | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 9 | 9 | 100% | .58 years |
| Member / Private | Torres, Ruben D. | 06/08/2022 | 01/24/2024 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 12 | 12 | 100% | 3.5 years |
| Member | Zaldivar, Oscar T. | 01/26/2023 | 01/24/2024 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 12 | 12 | 100% | 2.91 |

Legend: [✓] Present [x] Absent

**Average Attendance for CY 2025 : 100%**

**Average Members' Attendance per meeting for CY 2025 : 100%**

*Corporate Governance Committee*

The Committee is currently composed of seven (7) 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 2025

| NAME OF DIRECTOR | | 2025 Attendance | | | | | | | | | | | | | No. of Meetings Held during incumbency | No. of Meetings Attended during incumbency | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Date of Appointment (as a Director) | Date of Appointment (as a Member of the Committee) | Date of Resignation / Replaced in the Committee | January 9 | January 22 | February 26 | March 26 | April 8 | April 23 | May 7 | June 25 | July 9 | July 30 | October 22 | December 17 | | | | |
| Chairman | Co, Herculano Jr. C. | 01/26/2023 | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 12 | 12 | 100% | 2.91 years |
| Member | Constantino, Danilo S. | 01/26/2023 | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 12 | 12 | 100% | 2.91 years |
| Member | Escudero, Evelina G. | 05/25/2023 | 05/21/2025 | N/A | | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 6 | 6 | 100% | 2.58 years |
| Member | Torno, Beatriz G. | 05/21/2025 | 05/21/2025 | N/A | | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 9 | 9 | 100% | 0.58 years |
| Member | Torres, Ruben D. | 06/08/2022 | 06/08/2022 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 9 | 9 | 100% | 3.25 years |
| Member | Umali, Miguel E. | 02/19/2019 | 02/19/2019 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 12 | 12 | 100% | 6.83 years |
| Member | Zaldivar, Oscar T. | 01/26/2023 | 01/24/2024 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 12 | 12 | 100% | 2.91 years |

Legend: [✓] Present [x] Absent

**Average Attendance for CY 2025 : 100%**

**Average Members' Attendance per meeting for CY 2025 : 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 2025

| NAME OF DIRECTOR | | 2025 Attendance | | | | | | | | | | | | | No. of Meetings Held during incumbency | No. of Meetings Attended during incumbency | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Date of Appointment (as a Director) | Date of Appointment (as a Member of the Committee) | Date of Resignation / Replaced in the Committee | Jan-22 | April 23 | May 21 | June 11 | July 30 | Aug-13 | Aug-27 | September 24 | October 22 | | | | | |
| Member | Averia, Mariano Jesus S. | 01/26/2023 | 05/21/2025 | N/A | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 7 | 7 | 100% | 1.33 |
| Vice Chairman | Co, Herculano Jr. C. | 01/26/2023 | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 9 | 9 | 100% | 2.91 |
| Member | Constantino, Danilo S. | 01/26/2023 | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 9 | 9 | 100% | 2.91 |
| Member / GSIS | Escudero, Evelina G. | 05/25/2023 | 05/25/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 9 | 9 | 100% | 2.33 years |
| Chairman | | | 05/21/2025 | N/A | | | | | | | | | | | | | | |
| Chairman | Luga, Alan R. | 04/17/2017 | 04/17/2017 | 05/21/2025 | ✓ | ✓ | | | | | | | | | 9 | 9 | 100% | 8 years |
| Member | Umali, Miguel E. | 02/19/2019 | 02/19/2019 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 12 | 12 | 100% | 7.08 |

Legend: [✓] Present [x] Absent

**Average Attendance for CY 2025 : 100%**

**Average Members' Attendance per meeting for CY 2025 : 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 2025

| | NAME OF DIRECTOR | 2025 Attendance | | | | | | | | | | | | No. of Meetings Held during incumbency | No. of Meetings Attended during incumbency | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Date of Appointment (as a Director) | Date of Appointment (as a Member of the Committee) | Date of Resignation / Replaced in the Committee | February 26 | March 26 | April 23 | May 7 | July 9 | July 30 | October 22 | November 20 | | | | | |
| Member | Avancena, Jonathan S. | 08/15/2017 | 08/15/2017 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 8 | 8 | 100% | 8.66 years |
| Chairman | Averia, Mariano Jesus S. | 01/26/2023 | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 8 | 8 | 100% | 2.91 years |
| Vice Chairman | Co, Herculano Jr. C. | 01/26/2023 | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 8 | 8 | 100% | 2.91 years |
| Member | Constantino, Danilo S. | 01/26/2023 | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 8 | 8 | 100% | 2.91 years |
| Member | Escudero, Evelina G. | 05/25/2023 | 05/25/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 8 | 8 | 100% | 2.58 years |
| Member | Sembrano, Alex L. | 01/26/2023 | 01/24/2024 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 8 | 8 | 100% | 2.91 years |
| Member | Umali, Miguel E. | 02/19/2019 | 02/19/2019 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 8 | 8 | 100% | 6.83 years |

Legend: [✓] Present [x] Absent

**Average Attendance for CY 2025 : 100%**

**Average Members' Attendance per meeting for CY 2025 : 100%**

*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 2025

| | NAME OF DIRECTOR | 2025 Attendance | | | | | | | | | | | | No. of Meetings Held during incumbency | No. of Meetings Attended during incumbency | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Date of Appointment (as a Director) | Date of Appointment (as a Member of the Committee) | Date of Resignation / Replaced in the Committee | January 8 | March 12 | March 26 | June 25 | September 24 | November 5 | November 20 | December 13 | | | | | |
| Member | Averia, Mariano Jesus S. | 01/26/2023 | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 8 | 8 | 100% | 2.91 |
| Vice Chairman | Co, Herculano Jr. C. | 01/26/2023 | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 8 | 8 | 100% | 2.91 |
| Chairman | Mercado, Lamberto Jr. B. | 04/17/2017 | 04/17/2017 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 8 | 8 | 100% | 8.66 years |
| Member | | | 05/21/2025 | N/A | | | | | | | | | | 8 | 8 | | |
| Member | Torres, Ruben D. | 06/08/2022 | 06/08/2022 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 8 | 8 | 100% | 3.5 years |
| Member | Umali, Miguel E. | 02/19/2019 | 02/19/2019 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 8 | 8 | 100% | 6.83 years |
| Member | Zaldivar, Oscar T. | 01/26/2023 | 01/24/2024 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 8 | 8 | 100% | 2.91 years |
| Chairman | | | 05/21/2025 | | | | | | | | | | | 8 | 8 | | |

Legend: [✓] Present [x] Absent

**Average Attendance for CY 2025 : 100%**

**Average Members' Attendance per meeting for CY 2025 : 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 2025

| | NAME OF DIRECTOR | 2025 Attendance | | | | | | | | | | No. of Meetings Held during incumbency | No. of Meetings Attended during incumbency | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Date of Appointment (as a Director) | Date of Appointment (as a Member of the Committee) | Date of Resignation / Replaced in the Committee | January 8 | March 12 | March 26 | June 25 | September 24 | November 5 | December 3 | | | | |
| Member | Avanceña, Jonathan S. | 08/15/2017 | 08/15/2017 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 7 | 7 | 100% | 8.33 |
| Member | Averia, Mariano Jesus | 01/26/2023 | 01/26/2023 | 05/21/2025 | ✓ | ✓ | ✓ | | | | | 3 | 3 | 100% | 2.33 |
| Vice Chairman | Co, Herculano Jr. C. | 01/26/2023 | 01/26/2023 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 7 | 7 | 100% | 2.91 |
| Member | Escudero, Evelina G. | 05/25/2023 | 05/21/2025 | N/A | | | | ✓ | ✓ | ✓ | ✓ | 4 | 4 | 100% | 2.58 |
| Member | Luga, Alan R. | 04/17/2017 | 01/26/2023 | 05/21/2025 | ✓ | ✓ | ✓ | | | | | 3 | 3 | 100% | 2.33 |
| Member | Mercado, Lamberto Jr. | 04/17/2017 | 04/17/2017 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 7 | 7 | 100% | 8.66 |
| Chairman | Sembrano, Alex L. | 01/26/2023 | 01/24/2024 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 7 | 7 | 100% | 2.91 |
| Member | Umali, Miguel E. | 02/19/2019 | 02/19/2019 | N/A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 7 | 7 | 100% | 6.83 years |

Legend: [✓] Present [x] Absent

**Average Attendance for CY 2025 : 100%**

**Average Members' Attendance per meeting for CY 2025 : 100%**

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

## Summary Compensation Table

For the calendar years December 31, 2025 and 2024, 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**<br>President & CEO<br>**Ilie Lionel B. Gramata**<br>Vice President for Corporate Legal Department<br>**Felix M. Erece**<br>Assistant Vice President – Human Resources Department<br>**Cristy M. Mediavillo**<br>Corporate Treasurer<br>Head, Treasury Department<br>**Demosthenes F. Faminiano**<br>Head, Materials Management Department / Realty Department | | | | |
| TOTAL | Estimate 2026<br>2025<br>2024 | 17.038M<br>17.365M<br>14.077M | 4.219M<br>2.290M<br>2.564M | .990M<br>1.077M<br>1.757M |
| All other Officers and Directors as a Group Unnamed | Estimate 2026<br>2025<br>2024 | 17.281M<br>16.474M<br>17.573M | 4.360M<br>2.926M<br>2.147M | 14.224M<br>13.810M<br>16.504M |

## 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 2025**

| 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 |
| Sadsad, Gilbert T.[1] | ------ |
| Sembrano, Alex L. | 1,238,485.33 |
| Torno, Beatriz G.[2] | ------ |
| 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 2025.

**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 2024 and 2025.

**Employment contract between the company and executive officers**

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

[1] Dir. Sadsad replaced Dir. Torno to the PNCC Board only on 24 June 2026.
[2] Dir. Torno replaced Dir. Luga to the PNCC Board only on 21 May 2025.

**Warrants and options held by the executive officers and directors**

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

Item 7. **Independent Public Accountants**

The Corporation has no independent public accountant but is subject to post-audit by the Commission on Audit ("COA"). The aggregate audit fees billed for the assigned COA Audit Team to the Company for the last two calendar years are ₱3,478,375 for CY 2025 and ₱ 3,335,636 for 2024.

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, Gilbert T. Sadsad, 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 "D" and the Company's Audited Financial Statements for fiscal year ended 31 December 2025 and 2024, 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 "F" to "H". The Company's 2025 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 June 2, 2026 and August 7, 2026 consecutively. A copy is attached to this Information Statement as Annex "I" and "J". 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, 2026.

All requests may be sent to:

**MS. ROSALYN S. DELIVIOS**
Assistant Compliance Officer
PNCC New Hobbies of Asia, FCA Property, Diosdado Macapagal Blvd., Pasay City
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 Minutes of the November 20, 2025 Annual Stockholders' Meeting;

4. Ratification of all Acts and Resolutions of the Board of Directors, Board Committees during 2023 up to November 20, 2026 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.

5. Approval of the Annual Report of Management and the Audited Financial Statements for the Fiscal Year Ending December 31, 2025;

6. Approval of the Amendment of the Third Article of the Amended Articles of Incorporation pertaining to the Principal Office Address of the Company;

7. Approval of the Amendment of the Sixth Article of the Amended Articles of Incorporation for the Increase of the Number of Directors from eleven (11) thirteen (13);

8. Approval of the Amendment of the PNCC Corporate By-Laws Section 4.01, Article IV to change the date of the Annual Stockholders' Meeting from 4$^{th}$ Tuesday of March every year to 4$^{th}$ Tuesday of November every year;

9. Election of the Board of Directors including Independent Director

The Minutes of the 2016, 2024 and 2025 Annual Stockholders' Meeting and a brief summary of relevant resolutions of the Board of Directors for ratification by the stockholders are attached as Annexes "K", "L" and "M" respectively.

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 20, 2025, 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 24.12% of the total issued and outstanding common shares were present wherein 24.08% thereof attended through proxies and 0.04% 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 |
| Beatriz G. Torno | - | 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**

The PNCC Board in its regular meeting dated 20 May 2026 approved the amendments on Amended Articles of Incorporation and By-Laws which will be submitted to the stockholders for approval, to wit:

1. Approval of the Amendment of the Third Article of the Amended Articles of Incorporation pertaining to the Principal Office Address of the Company;

   This item pertains to the Amendment of the Third Article of the Amended Articles of Incorporation of the Company is in accordance with SEC Memorandum Circular (MC) No. 6 Series of 2016. The said SEC MC No. 6 S. 2016 directs a Corporation to file the necessary Amendment whenever a Company transfers or moves to a new location. Here, the Company will change its principal office address from Makati, Rizal to a different city which is Pasay City.

2. Approval of the Amendment of the Sixth Article of the Amended Articles of Incorporation for the Increase of the Number of Directors from eleven (11) thirteen (13).

This item pertains to the Amendment of the Sixth Article of the Amended Articles of Incorporation which is required in order to comply with the Securities and Regulation Code Rule 38 and Revised Corporation Code (RA 11232) Section 22 and 23 requirements on the election of Independent Directors. Currently, the Board seats have already been filled up by eight (8) Presidential Appointees, two (2) GSIS Representatives and one (1) representing a substantial private stockholder. Thus, there is a need to Amend the Sixth Article of the Amended Articles of Incorporation of the Company to change the number of Directors from eleven (11) to thirteen (13) in order to accommodate Independent Directors.

3. Approval of the Amendment of the PNCC Corporate By-Laws Section 4.01, Article IV to change the date of the Annual Stockholders' Meeting from 4th Tuesday of March every year to 4th Tuesday of November every year.

   This item of the Agenda which is the Amendment of Section 4.01, Article IV of the PNCC Corporate By-Laws pertains to the change of date of the Annual Meeting of the Stockholders. The Company submits its Unaudited Financial Statements for the preceding fiscal year to the Commission on Audit (COA) on or before the 14th day of February. Usually, the Company receives its Audited Financial Statements (AFS) from COA around second week of June of every year. The AFS are vital during an ASM as it provides independent, credible account of the company's financial health upon which the stockholders base critical voting decisions and governance actions. Therefore, it is not possible to conduct the PNCC Annual Stockholders Meeting due to unavailability of reportorial requirements every 4th Tuesday of March of every year, thus there is a need for such amendment.

Item 18. **Other Proposed Action**

1. Election of the Board of Directors of the Corporation including an Independent Director/s.

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. The Election of the directors shall be by plurality of votes. Every stockholder shall be entitled to cumulate his vote.
6. The stockholders may cast their votes anytime during the meeting.

7. 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.
8. 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 New Hobbies of Asia, FCA Property, Diosdado Macapagal Blvd., Pasay City

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

## PART II.

## MANAGEMENT REPORT

### I. FINANCIAL STATEMENTS

The Financial Statements of the Registrant as of and for the year ended December 31, 2025 are incorporated herein in the accompanying Index to Financial Statements and Schedules (Refer to Annex "E").

### 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 "D"

### IV. NATURE AND SCOPE OF BUSINESS

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

CDCP eventually rose to be one of the country's foremost construction companies with extensive operations in the Philippines, the Middle East, and other ASEAN countries.

On March 31, 1977, Presidential Decree (PD) No. 1113 granted CDCP the franchise to operate, construct, and maintain toll facilities in the North and South

Luzon Tollways for a period of 30 years. (That franchise expired on May 1, 2007.) PD No. 1113 was amended by PD No. 1894 in 1983 to include, among others, the Metro Manila Expressway (MME) to serve as an additional artery in the transportation of trade and commerce in the Metro Manila Area and gave the PNCC another period of 30 years "from the completion of the project."

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

On February 23, 1983, then President Ferdinand E. Marcos issued LOI No. 1295, directing the creditor Government Financial Institutions (GFIs) to convert into CDCP shares of stock the following: (1) all of the direct obligations of CDCP and those of its wholly-owned subsidiaries, including, but not limited to loans, credits, accrued interests, fees and advances in any currency outstanding as of December 31, 1982; (2) the direct obligations of CDCP maturing in 1983; and (3) obligations maturing in 1983 which were guaranteed by the GFIs. With the implementation of LOI No. 1295, the GFIs became the majority stockholder of CDCP.

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

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

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

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

A total of P1.918 billion was transferred to the NG. Under LOI Nos. 1136 and 1295, 55.72 per cent of the PNCC's equity was held by the APT (now the Privatization Management Office or PMO), which was created on December 8, 1986, under Proclamation No. 50. The other 21.25 per cent was held by the Government Service Insurance System (GSIS) and the Land Bank of the Philippines (LBP) with 20.96 per cent and 0.29 per cent, respectively. The remaining 23.03 per cent of the PNCC's equity is under private ownership.

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

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

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

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

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

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

In February 2006, the PNCC entered into a JVA with Malaysian Corporation MTD Manila Expressways, Inc. (MTDME) and formed its joint venture company South Luzon Tollway Corporation (SLTC). Under the STOA entered into with the Toll Regulatory Board (TRB) and the PNCC, SLTC committed to undertake all works required for the SLEX Project including its total financing without sovereign

guarantees and with the recovery of its investment being in the form of the collection of tolls by the Manila Toll Expressway Systems, Inc. (MATES), its O&M company. The SLEX Rehabilitation and Upgrading Project consisted of the rehabilitation and expansion of the existing toll road from Alabang to Calamba (28.53 km) and the construction of the extension of the SLEX to Sto. Tomas, Batangas (5.81 km) with the associated spur to the Southern Tagalog Arterial Road (1.79 km). SLTC was granted a 30-year concession period from February 2006 to February 2036. It includes the period of construction which began in June 2006.

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

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

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

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

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

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

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

In February 2012, the PNCC's shares in JVCs, i.e. CMMTC, MNTC, TMC, SLTC, and MATES, were turned over to the government through a Deed of Compliance to Transfer Shares of Stocks to the NG in compliance with the SC decision in the Francisco Case (Note 2, New Projects and Other Significant Information).

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

In 2013, the PNCC was attached and placed under the Office of the President of the Republic of the Philippines (OP) from DTI per Executive Order No. 141. The PNCC entered into Joint Venture Projects with P.T. Citra Lamtoro Gung Persada (CITRA) for the implementation of the Metro Manila Skyway (MMS) Stage 3 Project and the Metro Manila Expressway (MME), or C-6 Project (Note 2, New Projects and Other Significant Information).

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

Corporation (CDCP FC), and Tierra Factors Corporation (TFC), which was approved by the President through a memorandum from the Executive Secretary dated August 7, 2014. The PNCC is in the process of abolishing the five subsidiaries.

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

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

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

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

*Stockholders*

There are 4,829 holders of common equity security of the Company as of June 30, 2026 (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 | 6.7692% |
| 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 are paid in stock.

There was no declaration of dividends in 2025.

*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 2025 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 2024, the Company has an "Outstanding" CGS rating. The assessment for 2025 is still on-going.

The Governance Commission for GOCCs developed the internet-based Performance Evaluation for Directors (iPED System to effectively implement the Performance Evaluation for Directors in the GOCC Sector. This tool is designed to facilitate a

more stable, confidential, secure and reliable database system that will house the performance reviews of all the members of the Governing Boards of various Government-Owned or Controlled Corporations (GOCC) under the jurisdiction of GCG.

Aside from GCG's internet-based Performance Evaluation for Directors (iPED), there was an internal appraisal done. Refer to attached Annex “C” for the result of performance assessment for 2025 including the criteria used in the Board Appraisal.

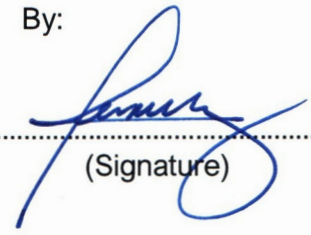
As of December 31, 2025, the Company was not able to fully satisfy the Manual on Corporate Governance because of peculiar circumstances of PNCC as a corporation. The Board is taking the preliminary steps to move towards the adherence to principles and practices of good corporate governance.

## 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"**

# BUSINESS EXPERIENCE OF DIRECTORS FOR THE LAST 5 YEARS

**HERCULANO C. CO, JR.**
***67 years old, Chairman re-appointed on 26 January 2023***

Mr. Co is a successful businessman engaged in milling, warehousing, wholesaling and retailing of palay and rice. Mr. Co was appointed Chairman of the PNCC Board on November 16, 2017 up to August 17, 2021 and re-appointed on January 26, 2023 for the same position. At present, he serves as Chairman of the following private companies: Herco Agro-Industries, Inc. (since 1982) and Alheed International Trading Corporation (since 1995); Vice Chairman of Aurora Securities, Inc. (since 1993), and Director of Santa Clara Shipping Corporation (since 1996).

He obtained his degree in Bachelor of Science in Commerce Major in Marketing from the Colegio de San Juan de Letran in 1980. He was a recipient of Marketing Leadership Award by the Philippine Marketing Association. He earned unit in the College of Law of Ateneo de Manila University from 1980-1981.

**MIGUEL E. UMALI**
***61 years old***
***President & CEO / Vice Chairman, since February 6, 2019***

Atty. Umali is a practicing lawyer previously connected with Castillo Laman Tan & Pantaleon Law Office and Teng & Cruz Law Offices. He had worked as Director, Corporate Secretary and Legal & Administrative consultant of various private companies such as Vishay (Phils.), Inc. from 1999 to 2007; Temic Automotive (Phils.), Inc. renamed as Continental Temic Electronics (Phils.), Inc. from 1999 to 2005; Temic Semiconductors (Phils.), Inc. renamed as Atmel Semiconductors, Inc. from 1999 to 2001; Temic RF Technologies, Inc. renamed as Microfortune RF Technologies, Inc. from 1999 to 2001. He had also served as Administrative and Legal Manager, Human Resources Manager, Director and Corporate Secretary of Temic Telefunken Microelectronic (Phils.) Inc. from 1992 to 2001.

He obtained his degree in Bachelor of Science in Business Management from Ateneo De Manila University in 1984. He then pursued his Bachelor of Laws from Ateneo De Manila University of Law in 1988 and admitted to the Integrated Bar of the Philippines on the following year.

**JONATHAN S. AVANCEÑA**
***56 years old***
***Director, since August 15, 2017***

Mr. Avancena has varied experience in the field of information technology having been part of the management of various Business Process Outsourcing companies. At present, he serves as Assistant Manager of Netgear/Concentrix based in Davao. He served as Team Captain of Linksys/Concentrix from 2007 to 2011. He later became Team Captain 3 of Dlink NA and Dlink International/Concentrix.

He earned his BS Computer Science degree from Ateneo de Davao University in 1993.

**MARIANO JESUS S. AVERIA**
***65 years old***
***Director, appointed on January 26, 2023***

Mr. Averia, a lawyer by profession, was PNCC's Corporate Secretary from November 16, 2017 up to January 26, 2023 and was then appointed as Acting Director *vice* Manuel Luis C. Antonio on January 26, 2023.

Mr. Averia is currently a Partner of the Law Firm Agcaoili & Associates where he started as a Senior Associate in 2001. He is the retained counsel of various business entities engaged in trading, banking, securities and business process outsourcing (BPO).

Prior his stint with PNCC, he held various positions in the private and Government sector : [1] Legal Aide and later as Legal Officer at the then Department of Education, Culture and Sports from 1988 to May 1990; [2] Associate Lawyer of the Singson Valdez Law Offices from June 1990 to June 1992; [3] Legislative Staff Officer at the Office of Senator Freddie N. Webb from July 1992 to January 1993; [4] Chief of Staff in the Office of Congressman Abdullah S. Mangotara from September 1996 to June 30,

1998; [5] Junior Partner at Delos Reyes Bonifacio Delos Reyes Law Office from September 1996 to December 2000; [6] Committee Secretary of the Senate Committee on Tourism chaired by then Senator Robert S. Jaworski from August 1998 to July 1999, and [7] Committee Secretary of the Senate Committee on Environment & Natural Resources chaired by then Senator Robert S. Jaworski from August 1999 to January 2001.

Mr. Averia took up Law at the Ateneo De Manila University in 1981 to 1983 and graduated at the University of Santo Tomas-Faculty of Civil Law in 1987 and took the bar exam in 1989 and admitted to the Philippine Bar in 1990.

**PLT GEN DANILO S . CONSTANTINO (RET)**
***66 years old***
***Director, appointed on January 26, 2023***

Mr. Constantino has been in military and police service in various capacities for more than 30 years until his retirement in 2016 where he was designated either as a Commander or a Staff Officer. His field of expertise were in operations, intelligence, investigation and community relations.

Prior retirement, Mr. Constantino's last five assignments in the Philippine National Police (PNP) were: [1] Officer-In-Charge, Deputy Chief PNP Administration from March 3, 2016 to June 24, 2016; [2] Deputy Chief PNP for Operations from August 11, 2015 to June 24, 2016; [3] The Chief Directorial Staff from April 23, 2016 to August 10, 2016; [4] Director, Directorate for Police Community Relations from May 7, 2014 to April 22, 2015, and [5] Regional Director, Police Regional Office 7 from August 1, 2013 to April 22, 2014.

He graduated from Philippine Military Academy in 1982 and obtained his Master's in Management from Philippine Christian University in 1996.

**EVELINA G. ESCUDERO *PhD***
***83 years old***
***Director, appointed on May 25, 2023***

Ms. Escudero was appointed in May 2023 to represents GSIS in the PNCC Board. Prior to her appointment as Member of the Board of Trustees of GSIS, she was a member of the House of Representatives of the Philippine s representing the 1st District of Sorsogon from 2013 to 2022. In fact, she was Deputy Speaker of the Lower House from 2018 to 2022.

As an educator, Director Escudero taught at the OB Montessori Center from 1987 to 2012. She has been active in serving the public sector in several capacities such as an Accredited TESDA Assessor in 2004 and a Treasurer of the University of the Philippines Alumni Association - Hostel and Canteen Services in 2009. In 2011, she co-anchored in Wais Spend, a radio program of DZUP which aims to help the Filipino consumers in saving and spending wisely.

Ms. Escudero graduated from the University of the Philippines with a degree of Bachelor of Science in Home Economics Major in Food and Nutrition, in 1964. She also obtained her Master in Education Administration (1999) and Doctorate in Philosophy in Education (2004), from University of the Philippines where she likewise appointed as Member of the Board of Regents in 2012.

**ATTY. LAMBERTO B. MERCADO, JR.**
***61 years old***
***Director since April 17, 2017***

Atty. Mercado is a Legal Counsel and member of the Board of Directors of the following corporations from 1998 until today : Air Philippines Corp., Philippine International Airways, Inc., Grand Ilocandia Resort and Development, Inc., Waterfront Philippines, Inc., Forum Pacific, Inc., Consumer Products Distribution Services, Inc., Mabuhay Vinyl Corporation, Metro Alliance Holdings & Equities Corp., Acesite (Phils.) Hotel Corp., Pacific Wide Realty & Develpment Corp.

He obtained his degree in Bachelor of Science in Commerce Major in Accounting from the University of Santo Tomas in 1985. He passed the

Certified Public Accountant (CPA) Board Examinations in June 1985. Further, Mr. Mercado took up his Bachelor of Laws from Ateneo De Manila University School of Law in 1990 and passed the Philippine Bar in 1991.

**ALEX L. SEMBRANO**
***67 years old***
***Director, appointed on January 26, 2023***

Mr. Sembrano was commissioned in the Philippine Navy as Ensign in 1982 and served in various board several ships. He then transferred to the erstwhile Philippine Constabulary (PC) and trained with the PMA Class 1983 as Scout Ranger of the Philippine Army. Finishing as number two in the regular Scout Ranger, he volunteered and accepted in the newly formed PC Special Action Force (PC, SAF). He was assigned to the local command in Batangas and served in various positions from 1983 up to 1986. He ten served as Aide de Camp to the AFP Chief Gen Fidel V. Ramos for a few month before returning to the PC, SAF. He resigned his commission in 1990 to join Citibank N.A. as Assistant Vice President for Credits Card Collection and later handled the Anti-Fraud Unit of the bank.

After his stint in Citibank N.A., he decided to get into business and has served in various capacities as a partner, director, shareholder and consultant to several corporations including Protectors of Assets and Personnel Services, Inc., Linkonsult Inc., Asian Diamond Plans, Inc., Great Pacific Travel Corporation, Labor Internatinal Corporation, Southpoint Driving Range, Ultrabus Corporation, Readycom Inc., Alheed Corporation, Jet Power Corporation, Couries Options and General Services, Inc. and Ikinari Restaurant.

He entered the Philippine Military Academy in 1978 where he graduated with the rank of Cadet Captain and designation of Regimental Finance Officer in 1982. He earned his Master's in Business Management at Asian Institute of Management in 1990.

**GILBERT T. SADSAD**
***63 years old***
***Director, appointed on June 24, 2026***

Mr. Sadsad is a respected leader in Philippine education and an advocate for the welfare and professional growth of public school teachers. He is currently the Director IV of the Department of Education Region V and represents educators nationwide being the national president of the Philippine Public School Teachers, a position he held since 2022.

Mr. Sadsad's educational foundation reflects both academic excellence and lifelong commitment to learning. He holds a Doctor of Education degree from Partido College in Goa, Camarines Sur, and a Master's Degree in Education from the Naga College Foundation in Naga City. He completed his undergraduate studies at the Bicol University College of Agriculture in Guinobatan, Albay.

Across his leadership roles in the Department of Education, he introduced and strengthened systems that enhanced teacher evaluation, promotion, support, and school monitoring. His initiatives included establishing annual division-wide assessments of teachers and schools, implementing transparent and open promotion processes, expanding supervisory and monitoring visits to provide direct assistance to teachers and school heads, and improving access to learning opportunities in schools without permit.

**RUBEN D. TORRES**
***84 years old***
***Director, appointed on June 8, 2022***

Mr. Torres graduated from the University of the Philippines with a degree of Bachelor of Arts in Political Science, after which he finished the degree of Bachelor of Laws at the same university. Presently, he is a senior partner of the Torres Caparas Torres Law Office and is the President of BPO Workers Association of the Philippines. He is associated with the Integrated Bar of the Philippines and the Philippine Academy of Professional Arbitrators.

His former positions in government include being a member of the House of

Representatives representing the 2nd district of Zambales, the Secretary of the Department of Labor and Employment and also the Secretary General of the ***Katipunan ng Manggagawa at Magsasaka ng Pilipinas***.

Mr. Torres is concurrently an independent director of listed companies Waterfront Philippines, Inc., Forum Pacific Inc. and Acesite (Phils.) Hotel Corporation. He is a member of the Board of Advisers of Tytana Colleges and is a Director of Waterfront Manila Premier Development, Inc. He is also the Chairman of Alliance Energy Power and Development, Inc., Taguig Lake City Development Corp. and Triton Construction and Development Corporation. He owns Kitsie's Farms in Iba Zambales, and is simultaneously the CEO of both the Optimus Medical Care and Trading Corporation and also the Service Exporters Risk Management and Consultancy Co.

**OSCAR T. ZALDIVAR**
***68 years old***
***Director, appointed on January 26, 2023***

Mr. Zaldivar had served the government on various capacities for more than 20 years. His stint in government were : [1] Assistant Project Officer from 1981 to 1982 and promoted to Project Officer II / Acting Regional Technical Coordinator from May 1983 to September 1985 at Human Settlements Regulatory Commission; [2] Senior Trade Development Specialist in Department of Trade and Industry from October 1985 to August 1987; [3] Public Attorney II from August 3, 1987 to May 15, 1991 at Public Attorney's Office, and [4] Presiding Judge of Regional Trial Court in Cagayan City from 2006 until his retirement in December 2019.

During his break in government service in 1991, he went into private practice and joined Agcaoili & Associates/Office for 15 years of litigation work.

He obtained his Bachelor of Arts degree from the University of the East, Manila in 1982. He then pursued and obtained his Bachelor of Laws at Ateneo De Manila University in 1982, passed the Bar on the same year and admitted to the Philippine Bar in 1983.

# TRAININGS / SEMINAR ATTENDED BY PNCC GOVERNING BOARD CY 2025 - 2026

| Name of Director | Training / Seminar Title | Conducted By | Inclusive Date/s |
|---|---|---|---|
| Avancena, Jonathan S. | | | |
| Averia, Mariano Jesus S. | 1. Awareness Training and Updates on AMLA<br>2. Whistle Blowing and Integrity Program (WHIP) | Center for Global Best Practices | October 29, 2025<br><br>July 16, 2026 |
| Co, Herculano Jr. C. | | | |
| Constantino, Danilo S. | | | |
| Escudero, Evelina G. | | | |
| Luga, Alan R. | | | |
| Mercado, Lamberto Jr. B. | | | |
| Sembrano, Alex L. | | | |
| Torres, Ruben D. | | | |
| Torno, Beatriz G. | | | |
| Umali, Miguel E. | | | |
| Zaldivar, Oscar T. | | | |
| Escudero, Evelina G. | Roles, Responsibilities & Liabilities of Board Directors | Center for Global Best Practices | October 3, 2025 |
| | GSIS Board Strategic Planning Conference | People Ignite | July 21-23, 2025 |

**ANNEX "A"**

| | | | |
|---|---|---|---|
| Torno, Beatriz G. | Macquarie Asset Management Private Markets Global Investor Meeting | | June 24-26, 2025 |
| | GSIS Board Strategic Planning Conference | People Ignite | July 21-23, 2025 |
| | 42nd ASSA Board Meeting Brunei Darussalam, | TAP | November 4-6, 2025 |
| Sadsad, Gilbert T. | Whistle Blowing and Integrity Program (WHIP) | Center for Global Best Practices | July 16, 2026 |

**42ND ASSA BOARD MEETING.** The 42ND ASEAN Social Security Association (ASSA) Board and Secretariat Meeting was successfully held at The Rizqun International Hotel, Gadong, Brunei Darussalam. The meeting was hosted by the Employee Trust Fund (TAP) and attended by delegates from ASSA member institutions across the ASEAN region.

The meeting was chaired by Mr. Jose Arnulfo A. Veloso, President and General Manager of the Government Service Insurance System (GSIS), Philippines , and ASSA Chairman for 2024-2025. The meeting features the signing of the ASSA Sustainability Pledge, a presentation of the ASSA Trophy Concept Video, the 2025 ASSA Recognition Awards, and the ASSA Year-in-Review Video, highlighting the collective achievements and collaborative efforts of member institutions throughout the year.

**AWARENESS TRAINING AND UPDATES ON AMLA.** This awareness training is mandatory in the Philippines for all covered persons under the AMCL, including financial institutions, real estate brokers, and designated non-financial businesses. These training sessions provide critical updates on the 2021 Revised IRR, customer diligence (CCD), and legal compliance to prevent severe penalties. The topics discussed were: (1) Revised Regulations: implementation of the 2021 Revised IRR of RA 9160, (2) Customer Due Diligence (CCD): enhanced Know Your Customer (KYC) procedures, including verification of beneficial owners and using PhilSys/National ID for verification, (3) Compliance Requirements: Detailed policies, risk management, and training to prevent money laundering and terrorism financing,
Awareness Training and Updates on AMLA, Risk-Based Approached: using risk assessment to apply appropriate due diligence levels (reduced, average, or enhanced), 4(Guidance from the Bangko Sentral ng Pilipinas (BSP), Insurance Commission (IC), and Securities and Exchange Commission (SEC) and (5) Suspicious Transaction Reporting (STR).

**MACQUARIE ASSET MANAGEMENT PRIVATE MARKETS GLOBAL INVESTOR MEETING.** The Macquarie Asset Management (MAM) Private Markets Global Investor Meeting (GIM) brings together hundreds of global investors to discuss infrastructure, green energy, and private credit opportunities. The meeting focused on AI-driven data center growth, a 105 GW energy portfolio, and navigating higher interest rates.

**ROLES, RESPONSIBILITIES AND LIABILITIES OF BOARD OF DIRECTOR.** The course teaches the roles and responsibilities of board members, as well as how to apply legal and ethical principles in decision-making. The course also helps board members develop their leadership skills and understand how to work together to achieve goals. It covered leadership, risk management, legal and ethical principles, corporate governance, stakeholder management, boardroom meetings, board evaluation and communication.

**STRATEGIC PLANNING CONFERENCE.** The Strategic Planning Conference is a workshop that covers the critical steps and processes for creating an effective strategic plan. It is designed to give you the tools needed to lead your organization through today's business environment and prepare for tomorrow's challenges. It will allow you to look back, align and recalibrate your plans within a set timeline. Through thorough analysis of the internal and external environment, aligned with the organization's vision and direction, leaders are able to craft strategies to prepare the organization for the everchanging future.

**WHISTLE BLOWING AND INTEGRITY PROGRAM.** The program is composed of 4 modules which discussed the following:

Module 1 : Laws Against Sexual Harassment
Module 2: Laws Against Graft, Corruption, Bribery, Malversation, and Plunder
Module 3: Code of Conduct and Ethical Standards for Public Officials and Employees
Module 4: Fraud Prevention and Whistleblowing

**ANNEX "B"**

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **IBARRA G. PAULINO**, Filipino, of legal age and a resident of **86 Josefa Ave., NSEV, Old Balara, Quezon City, Metro Manila**, after having duly sworn to in accordance with law doe hereby declare that:

1. I am a nominee for independent director of the 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 Corporation):

| COMPANY / ORGANIZATION | POSITION / RELATIONSHIP | PERIOD OF SERVICE |
|---|---|---|
| Brightbox, Inc. | Director / Part Owner | 2008 to present |
| COS / IFAWPCA | Chief of Staff | 2017 to 31 March 2026 |

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

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

| NAME OF DIRECTOR / OFFICER / SUBSTANTIAL SHAREHOLDER | COMPANY | NATURE OF RELATIONSHIP |
|---|---|---|
| **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 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.

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 07 JUL 2026 day of July 2026, at PARAÑAQUE CITY.

Affiant

**SUBSCRIBE AND SWORN** to before me this ___ day of July 2026 at PARAÑAQUE CITY affiant personally appeared before me and exhibited to me his/her OSCA ID issued at QUEZON CITY on 2021 | 04 | 16.

Doc No. 103,
Page No. 91,
Book No. 06,
Series of 2026

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. 4013575; 01/05/2026; Parañaque City
Roll No. 66641
MCLE No. VIII-0032290; 04/14/2028

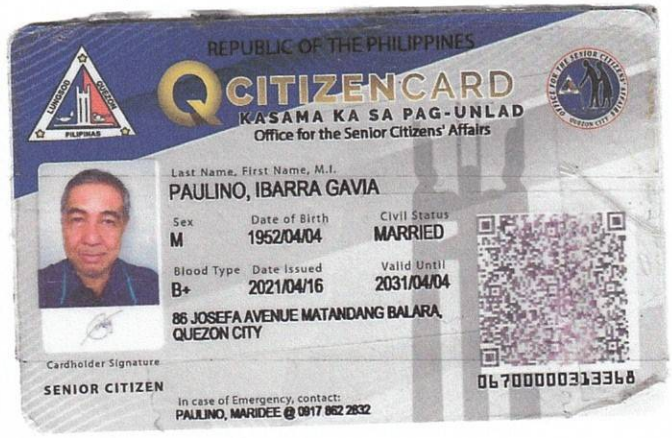
**IBARRA G. PAULINO**

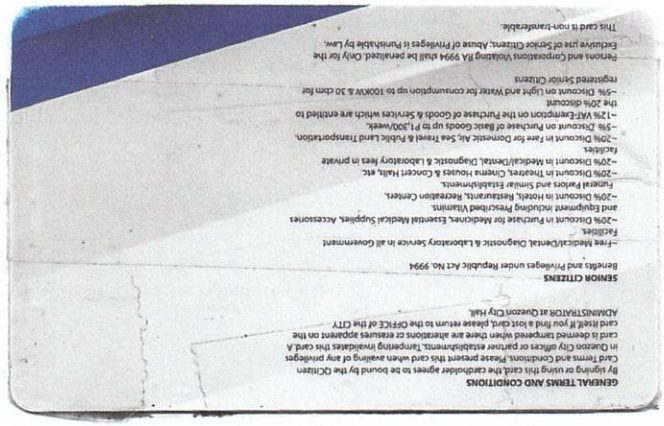
He held the position Chief of Staff of International Federation of Asian And Western Pacific Contractors' Associations Inc. and formerly the Executive Director of the Philippine Constructors Association from 2015 – April 2025

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.

Also been 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.



**GENERAL TERMS AND CONDITIONS**

By signing or using this card, the cardholder agrees to be bound by the QCitizen Card Terms and Conditions. Please present this card when availing of any privileges in Quezon City offices or partner establishments. Tampering invalidates this card. A card is deemed tampered when there are alterations or erasures apparent on the card itself. If you find a lost card, please return to the OFFICE of the CITY ADMINISTRATOR at Quezon City Hall.

**SENIOR CITIZENS**

Benefits and Privileges under Republic Act No. 9994

- Free Medical/Dental Diagnostic & Laboratory Service in all Government Facilities.
- 20% Discount in Purchase for Medicines, Essential Medical Supplies, Accessories and Equipment including Prescribed Vitamins.
- 20% Discount in Hotels, Restaurants, Recreation Centers, Funeral Parlors and Similar Establishments.
- 20% Discount in Theaters, Cinema Houses & Concert Halls, etc.
- 20% Discount in Medical/Dental Diagnostic & Laboratory fees in private facilities.
- 20% Discount in Fare for Domestic Air, Sea Travel & Public Land Transportation.
- 5% Discount on Purchase of Basic Goods up to P1,500/week.
- 12% VAT-Exemption on the Purchase of Goods & Services which are entitled to the 20% discount
- 5% Discount on Light and Water for consumption up to 100KW & 30 cbm for registered Senior Citizens

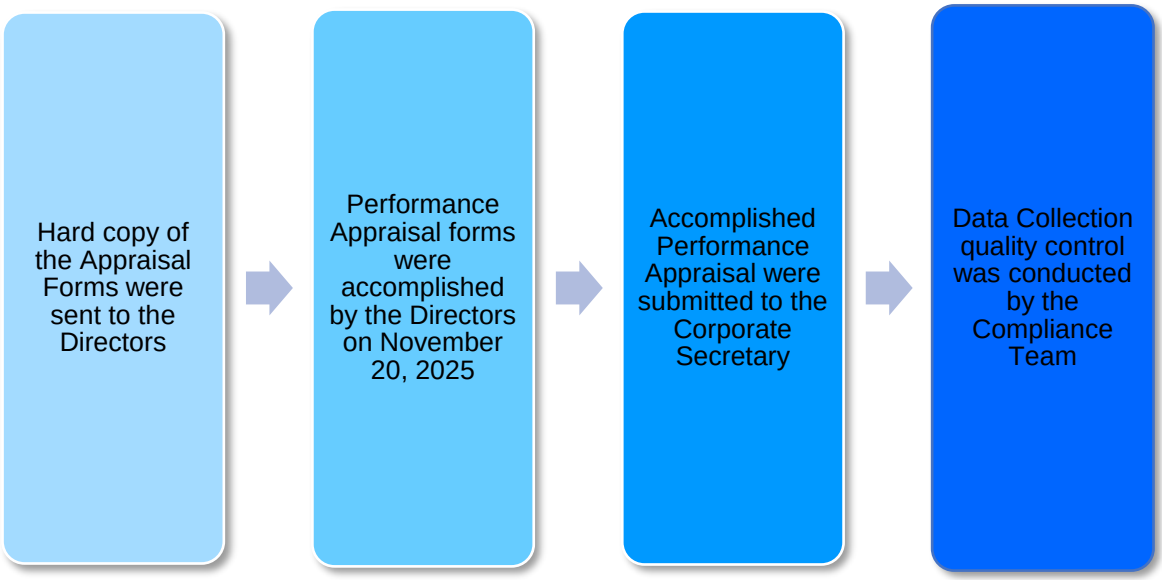
Persons and Corporations Violating RA 9994 shall be penalized. Only for the Exclusive use of Senior Citizens. Abuse of Privileges is Punishable by Law.

This card is non-transferable.

**PNCC GOVERNING BOARD PERFORMANCE APPRAISAL FOR 2025**

***DATA GATHERING METHODOLOGY***

The data collection activities were as follows:




**Data Collection Instrument**

- The Board Performance Appraisal made use of a structured questionnaire patterned from the GCG's Performance Evaluation for Directors.
- There are 4 types of appraisal questionnaire used to determine the performance of the incumbent directors, to wit:
  1. Board Member Appraisal Form – to be accomplished by directors to appraise their co-members (peer to peer)
  2. Chairperson Appraisal Form – to be accomplished by directors to appraise the Chairperson
  3. President/CEO Appraisal Form – to accomplished by directors to appraise the President/CEO
  4. Committee Appraisal Form – to be accomplished by members of the committee

| CRITERIA | | | |
|---|---|---|---|
| **Board Member Appraisal** | **Chairperson Appraisal** | **President/CEO Appraisal** | **Committee Appraisal** |
| 1. Knowledge and Personal Development<br>2.Preparedness and Participation<br>3.Teamwork and Communication<br>4.Conduct/Behavior<br>5.Board Management | 1. Leadership Competency<br>2. Managerial Competency<br>3. Board Relationship<br>4. Financial Management<br>5. Human Resource Management / Relations<br>6. Products Service Competency<br>7. External Relations<br>8. Conduct/Behavior | 1.Leadership Competency<br>2.Managerial Competency<br>3.Board Relationship<br>4.Financial Management<br>5.Human Resource Management / Relations<br>6.Products Service Competency<br>7. External Relations<br>8. Conduct/Behavior | 1. Composition<br>2. Committee Management<br>3. Committee Effectiveness<br>4. Chair Effectiveness<br>5. Overall Committee Performance |

## Data Collection Instrument & Execution

- A 5-point Likert scale was used for the overall performance ration questions that determine the level of performance of the directors, Chairperson, President/CEO and committee
- Explanation of the scale was included in the appraisal form and explained to the evaluator

| | Explanation of Each Point of the Scale |
|---|---|
| (5) Outstanding | Approaches the best possible performance |
| (4) Above Average | Exceeds normal performance requirements |
| (3) Average | Meets normal performance requirements |
| (2) Below Average | Falls short or normal performance requirements |
| (1) Poor | Inadequate to fulfill present position |

***REPORT FINDINGS***

| BOARD MEMBER APPRAISAL (Peer to Peer) | | | |
|---|---|---|---|
| **Name of Director** | **Average Overall Rating** | **Interpretation of Overall Rating** | **Comments from Peers** |
| **Avancena, Jonathan S.** | 4.78 | Outstanding | |
| **Averia, Mariano Jesus S.** | 4.88 | Outstanding | |
| **Constantino, Danilo S.** | 4.84 | Outstanding | |
| **Escudero, Evelina G.** | 4.83 | Outstanding | |
| **Luga, Alan R.** | 4.82 | Outstanding | |
| **Mercado, Lamberto Jr. B.** | 4.89 | Outstanding | |
| **Sembrano, Alex L.** | 4.82 | Outstanding | |
| **Torno, Beatriz G.** | 4.81 | Outstanding | |
| **Torres, Ruben D.** | 4.90 | Outstanding | |
| **Zaldivar, Oscar T.** | 4.88 | Outstanding | |

| CHAIRPERSON APPRAISAL | | | |
|---|---|---|---|
| **Name of Director** | **Average Overall Rating** | **Interpretation of Overall Rating** | **Comments from Peers** |
| **Co, Herculano Jr. C.** | 4.97 | Outstanding | |

| PRESIDENT/CEO APPRAISAL | | | |
|---|---|---|---|
| **Name of Director** | **Average Overall Rating** | **Interpretation of Overall Rating** | **Comments from Peers** |
| **Umali, Miguel E.** | 4.99 | Outstanding | |

| BOARD COMMITTEE APPRAISAL REPORT | | | |
|---|---|---|---|
| **Name of Committee** | **Average Overall Rating** | **Interpretation of Overall Rating** | **Comments from Peers** |
| **Audit** | 4.83 | Outstanding | |
| **Business Development** | 4.76 | Outstanding | |
| **Corporate Governance** | 4.86 | Outstanding | |
| **Finance** | 4.85 | Outstanding | |
| **Legal and Compliance** | 4.84 | Outstanding | |
| **Performance Agreement Negotiation (PAN)** | 4.84 | Outstanding | |

**ANNEX "D"**

## 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) | | |
|---|---|---|---|---|---|---|
| | **2026** | 2025 | % Change | **2026** | 2025 | % Change |
| **Statement of Comprehensive Income** | | | | | | |
| ***Income*** | | | | | | |
| Service and Business Income | **269.194** | 229.632 | 17.228% | **522.032** | 463.350 | 12.665% |
| Gains | **0.000** | 0.000 | 0.000% | **0.000** | 0.000 | 0.000% |
| Other non-operating income | **0.023** | 0.017 | 32.340% | **0.024** | 0.019 | 26.998% |
| | **269.217** | 229.650 | 17.229% | **522.056** | 463.369 | 12.665% |
| ***Expenses*** | | | | | | |
| Personnel Services | **21.765** | 20.317 | 7.127% | **55.349** | 40.343 | 37.197% |
| Maintenance and other operating expenses | **25.725** | 12.716 | 102.307% | **43.676** | 26.316 | 65.968% |
| Financial Expenses | | | | | | |
| Penalty charges on unpaid concession fee | **64.324** | 64.324 | 0.000% | **127.941** | 127.941 | 0.000% |
| Bank charges | **0.000** | 0.000 | 0.000% | **0.002** | 0.010 | -83.168% |
| Direct Costs | **0.000** | 0.000 | 0.000% | **0.000** | 0.000 | 0.000% |
| Non-Cash Expenses | **1.912** | 1.442 | 32.609% | **3.659** | 2.861 | 27.913% |
| | **113.727** | 98.799 | 15.109% | **230.627** | 197.470 | 16.791% |
| | | | | | | |
| ***Income BeforeTax*** | **155.490** | 130.851 | 18.830% | **291.429** | 265.898 | 9.602% |
| ***Income Tax expense*** | **28.475** | 21.826 | 30.463% | **54.313** | 43.531 | 24.770% |
| **Net Income (Loss)** | **127.015** | 109.025 | 16.501% | **237.115** | 222.368 | 6.632% |
| ***Other Comprehensive income*** | **0.000** | 0.000 | 0.000% | **0.000** | 0.000 | 0.000% |
| **Total Comprehensive Income** | **127.015** | 109.025 | 16.501% | **237.115** | 222.368 | 6.632% |
| **Cash Flow** | | | | | | |
| Net Cash Provided by Operating Activities | **78.674** | 60.406 | 30.243% | **177.774** | 168.670 | 5.397% |
| Net Cash Used in Investing Activities | **-650.898** | -98.101 | 563.500% | **-227.661** | -182.688 | 24.617% |
| **Net Increase (Decrease) in Cash** | **-572.224** | -37.695 | 1418.035% | **-49.887** | -14.017 | 255.895% |
| **Cash at the Beginning of the Year** | **830.866** | 152.572 | 444.572% | **108.529** | 128.894 | -15.800% |
| **Cash at End of Year** | **258.642** | 114.877 | 125.146% | **58.642** | 114.877 | -48.952% |
| **Balance Sheet** | | | | | | |
| Total Assets | **181.877** | 154.707 | 17.562% | **76015.028** | 62679.261 | 21.276% |
| Total Liabilities | **49.361** | 46.445 | 6.278% | **29057.401** | 25636.332 | 13.345% |
| Stockholders' Equity | **132.516** | 108.262 | 22.403% | **46957.627** | 37042.929 | 26.765% |

**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 2025 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 2026 and Second Quarter of 2025

### Results of Operations

**Revenue**. Revenue for the quarter ended June 30, 2026 stood at ₱412.648 million, higher by 11.05% or ₱41.074 million compared to ₱371.574 million for the quarter ended June 30, 2025. The increase was attributable to the increase in JV Revenue Shares and Rental Income.

**General and Administrative Overhead**. Overhead account increased by 48.54% or ₱32.358 million from ₱66.669 million for the quarter ended June 30, 2025 to ₱99.027 million for the quarter ended June 30, 2026 due to the increases in employees cost due to CPCS II adjustment that took effect only on January 2026 and increase in Maintenance and other operating expense i.e Fuel & Lubricant, etc.

**Income from Operation**. Income from operation for the quarter ended June 30, 2026 increased by 2.86% or ₱8.716 million from ₱304.905 million for the quarter ended June 30, 2025 to ₱313.621 million for the quarter ended June 30, 2026. Said favorable variance was the resulting effect of the reasons discussed above.

**Other Income (Charges)**. This account posted a balance of ₱105.748 million for the quarter ended June 30, 2026 compared to ₱88.934 million for the quarter ended June 30, 2025. The 18.91% increase was due to the increases in Interest Income and Depreciation Expense vis-à-vis the decrease in Dividends.

**Comprehensive Income (Loss)**. Net Comprehensive Income for the quarter ended June 30, 2026 amounted to ₱237.115 million compared to the net income of ₱222.368 million for the quarter ended June 30, 2025. The variance was due to the reasons discussed above.

### Financial Position

**Current Assets**. Current assets increased by 19.47% or ₱798.062 million from ₱4.099 billion as of June 30, 2025 to ₱4.897 billion as of June 30, 2026 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 2.53% or ₱289.446 million from ₱11.454 billion as of June 30, 2025 to ₱11.744 billion as of June 30, 2026 due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB), Income Tax Payable and Other deferred credits.

**Stockholder's Equity**. Stockholder's Equity as of June 30, 2026 totalled ₱46.958 billion vis-à-vis the stockholders' equity as of June 30, 2025 in the amount of ₱25.636 billion. The increase in the account is attributable to the effect of appraisal of properties in the later part of 2025 and comprehensive income in 2026.

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

**ANNEX "D"**

| Performance Indicators | As of 06/30/2026 (Unaudited) | 06/30/2025 (Unaudited) | Explanation |
|---|---|---|---|
| **Current/Liquidity Ratios** | | | |
| ***Current Ratio*** **(Current Assets Divided by Current Liabilities)** | 0.42 | 0.36 | This ratio evaluates the ability of the company to pay its current debt promptly.<br><br>Current ratio of 0.36 as of June 30, 2025 slightly increased to 0.42 as of June 30, 2026 due to cash inflows provided by operating activities and Receivables. |
| **Solvency Ratios** | | | |
| ***Debt to Assets*** **(Total Liabilities Divided by Total Assets)** | 38.23% | 40.90% | Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts.<br><br>The ratio decreased from 40.90% as of June 30, 2025 to 38.23% as of June 30, 2026 brought mainly by the accrual of the 2% penalty charges on unpaid concession fees and deemed tax on the increase in value of Investment Property. |
| ***Debt to Equity*** **(Total Liabilities Divided by Total Equity)** | 61.88% | 69.21% | 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.<br><br>The ratio decreased from 69.21% as of June 30, 2025 to 61.88% as of June 30, 2026 was brought by the the accrual of the 2% penalty charges on unpaid concession fee to the Toll Regulatory Board (TRB) and deemed tax on the increase in value of Investment Property. |
| **Asset to Equity Ratio (Total Assets Divided by Total Equity)** | 1.62 | 1.69 | Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts.<br><br>The slight improvement of the ratio from 1.69 as of June 30, 2025 to 1.62 as of June 30, 2026 is due to the comprehensive income in 2026. |
| **Interest Rate Coverage Ratio (Income Before Interest/Penalty/Penalty and Taxes Divided by Interest/Penalty)** | 2.85 | 2.74 | Determines how easily a company can pay interest on outstanding debt.<br><br>The ratio increased from 2.74 as of June 30, 2025 to 2.85 as of June 30, 2026 due to recognition of higher income in June 30, 2026 as compared to same period in 2025. |
| **Profitability Ratios**<br>***Return on Assets (*****Net Income (Loss) Divided by Total Assets)** | 0.31% | 0.35% | Measures the Company's earnings in relation to all the resources it had at its disposal.<br><br>The ratio of 0.35% as of June 30, 2025 vis-à-vis the ratio of 0.31% as of June 30, 2026 was the outcome of the income recognition of ₱222.368 million for June 30, 2025 as compared with the |

| | | | |
|---|---|---|---|
| | | | recognized comprehensive income of ₱237.115 million for the quarter ended June 30, 2026. |
| ***Return on Equity*** **(Net Income (Loss) Divided by Total Equity)** | | 0.60% | Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital. |
| | 0.50% | | The decrease in the ratio from 0.60% to 0.50% was the result of higher stockholder's equity in 2026 vis-à-vis the slight increase in comprehensive income in June 30, 2025 as against June 30, 2026. |

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

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

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

i.c Pending lawsuits/litigations which consists of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various regional Trial Courts (RTC). Discussion is contained under Note 36 of the 2025 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 2025 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, 2026 compared to June 30, 2025 (increased/decrease of 5% or more)**

*Cash in*creased by ₱643.765 million or 560.39% from ₱114.877 million as of June 30, 2025 to ₱758.642 million as of June 30, 2026 due to the cash flows used in Company's operating activities and investing activities.

*Receivables increased by* ₱243.617 million or 33.33% from ₱730.884 million as of June 30, 2025 to ₱974.501 million as of June 30, 2026 due to the booking of PCPI rental and JV revenue shares.

*Inventories - increased by* ₱0.587 million or 22.68% from ₱2.587 million as of June 30, 2025 to ₱3.174 million as of June 30, 2026 due the increases in office supplies, fuel and oil and other materials vis-à-vis the decrease in medical supplies.

*Investment Property - increased by* ₱11.482 billion or 21.06% from ₱54.517 billion as of June 30, 2025 to ₱65.999 billion as of June 30, 2026 due to gain in fair value of investment property.

*Property and Equipment - increased by* ₱1.053 billion or 45.69% from ₱2.305 billion as of June 30, 2025 to ₱3.358 billion as of June 30, 2026 due to the acquisition of one (1) service vehicle.

*Inter-agency Payables - increased by* ₱6.121 million or 11.78% from ₱51.957 million as of June 30, 2025 to ₱58.077 million as of June 30, 2026 due maily to increase in income tax payable.

*Deferred credits/Unearned Revenue/Income - increased by* ₱23.653 million or 42.72% from ₱55.370 million as of June 30, 2025 to ₱79.022 million as of June 30, 2026 mainly due to the increase in other deferred credits.

*Stockholder's equity - increased by* ₱9.944 billion or 26.87% from ₱37.013 billion as of June 30, 2025 to ₱46.958 billion as of June 30, 2026 due to the reasons stated above.

**Material changes to the Company's Statement of Income for the quarter ended June 30, 2026 compared to the quarter ended June 30, 2025 (increase/decrease of 5% or more)**

*Service and Business Income in*creased by 12.66% or ₱58.682 million from ₱463.350 million *as of* June 30, 2025 *to* ₱522.032 million as of June 30, 2026 due to higher JV shares and Rental Income.

*Other Non-operating Income in*creased by 27.00% or ₱5,111 from ₱18,931 *as of* June 30, 2025 *to* ₱24,042 as of June 30, 2026 due to reversal of impairment loss brought about by collection of rental of Tabang property.

*General and Administrative Expenses* increased by 48.54% or ₱32.358 million from ₱66.669 million for the quarter ended June 30, 2025 to ₱99.027 million for the quarter ended June 30, 2026 due to the increases in Personnel Cost brought about by the implementation of CPCS II and higher MOOE due to increases in Travelling, Training, Supplies, Utility, Communication, Professional Services, Security Services , Repairs and Maintenance, Taxes and Other MOOE.

*Income Tax in*creased by 24.77% or ₱10.782 million from ₱43.531 million *as of* June 30, 2025 *to* ₱54.313 million as of June 30, 2026 mainly due to the increase in Revenue in 2026.

*Comprehensive Income* - increased by 6.63% or ₱14.748 million from ₱222.368 million for the quarter ended June 30, 2025 to ₱237.115 million for the quarter ended June 30, 2026 due to the reasons discussed above.

## Financial Condition and Results of Operation in the Second Quarter of 2026 and Full Year End 2025

### Results of Operations

| **Balance Sheet Highlights** (Amount in Pesos) | As of June 30, 2026 | % Change (from 12/31/2025) |
|---|---|---|
| **Total Assets** | **76,015,028,071** | **0.553** |
| Current Assets | 4,896,745,413 | 9.271 |
| Non-current Assets | 71,118,282,658 | 0.004 |
| **Total Liabilities** | **29,057,400,988** | **0.504** |
| Current Liabilities | 11,743,936,642 | 1.256 |
| Non-current Liabilities | 17,313,464,346 | 0.000 |
| **Stockholders' Equity** | 46,957,627,083 | 0.584 |
| **Book Value per share** | ₱ 26.40 | |

### Financial Position

**Current Assets**. Current assets increased by 9.271 percent or ₱415.447 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 inventories.

**Non-Current Assets.** Non-current assets increased by 0.004 percent or ₱2.800 million from ₱71.115 billion as of December 31, 2025 to ₱71.118 billion as of June 30, 2026 due to acquisition of new vehicles.

**Current Liabilities**. Current liabilities increased by 1.256 percent or ₱145.621 million from ₱11.598 billion as of December 31, 2025 to ₱11.744 billion as of June 30, 2026 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/services and inter-agency payables.

**Stockholder's Equity**. Stockholder's Equity at the end of the first half of the year stood at ₱46.958 billion vis-à-vis the stockholders' equity as of December 31, 2025 in the amount of ₱46.685 billion. The increase in the account is attributable to the comprehensive income in the first half of 2026.

(ix) 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.

(x) 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.

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

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

(xiii) 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).

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

(xv) 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 in the First Quarter of 2026 and Full Year End 2025**

**Results of Operations**

**Revenue**. Revenue for the quarter ended March 31, 2026 stood at ₱212.359 million, higher by 14.80% or ₱27.382 million compared to ₱184.978 million for the quarter ended March 31, 2025. The increase was attributable to the increase in JV Revenue Shares and Rental Income.

**General and Administrative Overhead**. Overhead account increased by 53.22% or ₱17.902 million from ₱33.634 million for the quarter ended March 31, 2025 to ₱51.536 million for the quarter ended March 31, 2026 due to the increases in employees cost due to CPCS II adjustment that took effect only on January 2026 and increase in Maintenance and other operating expense i.e Fuel & Lubricant, etc.

**Income from Operation**. Income from operation for the quarter ended March 31, 2026 increased by 6.26% or ₱9.480 million from ₱151.343 million for the quarter

ended March 31, 2025 to ₱160.823 million for the quarter ended March 31, 2026. Said favorable variance was the resulting effect of the reasons discussed above.

**Other Income (Charges)**. This account posted a balance of ₱38.733 million for the quarter ended March 31, 2026 compared to ₱47.323 million for the quarter ended March 31, 2025. The 18.15% decrease was due to the decreases in Interest Income, Dividends and Miscellaneous Income Income vis-à-vis the increase in Depreciation Expense.

**Comprehensive Income (Loss)**. Net Comprehensive Income for the quarter ended March 31, 2026 amounted to ₱110.101 million compared to the net income of ₱113.344 million for the quarter ended March 31, 2025. The variance was due to the reasons discussed above.

**Financial Position**

**Current Assets**. Current assets increased by 19.48% or ₱768.972 million from ₱3.948 billion as of March 31, 2025 to ₱4.717 billion as of March 31, 2026 due to the cash flows provided by the Company's operating and investing activities, receivables and other non-current assets against the decreases in Inventories and Other Investments.

**Current Liabilities**. Current liabilities increased by 2.51% or ₱286.530 million from ₱11.408 billion as of March 31, 2025 to ₱11.695 billion as of March 31, 2026 due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB) and Other deferred credits.

**Stockholder's Equity**. Stockholder's Equity as of March 31, 2026 totalled ₱46.825 billion vis-à-vis the stockholders' equity as of March 31, 2025 in the amount of ₱36.935 billion. The increase in the account is attributable to the effect of appraisal of properties in the later part of 2025 and comprehensive income in 2026.

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

| Performance Indicators | As of 03/31/2026 (Unaudited) | As of 03/31/2025 (Unaudited) | Explanation |
|---|---|---|---|
| **Current/Liquidity Ratios** | | | |
| ***Current Ratio*** **(Current Assets Divided by Current Liabilities)** | 0.40 | 0.35 | This ratio evaluates the ability of the company to pay its current debt promptly.<br><br>Current ratio of 0.35 as of March 31, 2025 slightly increased to 0.40 as of March 31, 2026 due to cash inflows provided by operating activities and Receivables vis-à-vis the decreases in Inventories. |
| **Solvency Ratios** | | | |
| ***Debt to Assets*** **(Total Liabilities Divided by Total Assets)** | 38.25% | 40.93% | Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts.<br><br>The ratio decreased from 40.93% as of March 31, 2025 to 38.25% as of March 31, 2026 brought mainly by the accrual of the 2% penalty charges on unpaid concession fees. |
| ***Debt to Equity*** **(Total Liabilities Divided by Total Equity)** | 61.95% | 69.28% | 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.<br><br>The ratio decreased from 69.28% as of March 31, 2025 to 61.95% as of March 31, 2026 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)** | 1.62 | 1.69 | Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts.<br><br>The slight improvement of the ratio from 1.69 as of March 31, 2025 to 1.62 as of March 31, 2026 is due to the comprehensive income in 2026. |
| **Interest Rate Coverage Ratio (Income Before Interest/Penalty/Penalty and Taxes Divided by Interest/Penalty)** | 2.73 | 2.78 | Determines how easily a company can pay interest on outstanding debt.<br><br>The ratio decreased from 2.78 as of March 31, 2025 to 2.73 as of March 31, 2026 due to recognition of lower income in March 31, 2026 as compared to same period in 2025. |

| | | | |
|---|---|---|---|
| **Profitability Ratios**<br>***Return on Assets* (Net Income (Loss) Divided by Total Assets)** | 0.15% | 0.18% | Measures the Company's earnings in relation to all the resources it had at its disposal.<br><br>The ratio of 0.18% as of March 31, 2025 vis-à-vis the ratio of 0.15% as of March 31, 2026 was the outcome of the income recognition of ₱113.344 million for March 31, 2025 as compared with the recognized comprehensive income of ₱110.101 million for the quarter ended March 31, 2026. |
| ***Return on Equity* (Net Income (Loss) Divided by Total Equity)** | 0.24% | 0.31% | Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital.<br><br>The decrease in the ratio from 0.31% to 0.24% is attributable to the decrease in stockholder's equity as a result of lower comprehensive income in March 31, 2026 vis-à-vis March 31, 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 36 of the 2025 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 2025 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, 2026 compared to March 31, 2025 (increased/decrease of 5% or more)**

*Cash in*creased by ₱676.294 million or 437.53% from ₱154.572 million as of March 31, 2025 to ₱830.866 million as of March 31, 2026 due to the cash flows used in Company's operating activities and investing activities.

*Receivables increased by* ₱224.823 million or 32.56% from ₱690.497 million as of March 31, 2025 to ₱915.320 million as of March 31, 2026 due to the booking of PCPI rental and JV revenue shares.

*Inventories - decreased by* ₱0.585 million or 21.02% from ₱2.782 million as of March 31, 2025 to ₱2.197 million as of March 31, 2026 due mainly to the decrease in fuel and oil, materials and medical supplies.

*Other Current Assets - increased by* ₱6.875 million or 11.20% from ₱61.389 million as of March 31, 2025 to ₱68.264 million as of March 31, 2026 due to the increases in Prepaid Registration, Prepaid Insurance and Withholding Tax at source.

*Investment Property - increased by* ₱11.482 billion or 21.06% from ₱54.517 billion as of March 31, 2025 to ₱65.999 billion as of March 31, 2026 due to gain in fair value of investment property.

*Property and Equipment - increased by* ₱1.056 billion or 45.88% from ₱2.301 billion as of March 31, 2025 to ₱3.356 million as of March 31, 2026 due to the acquisition of one (1) service vehicle.

*Intangible Asset - increased by* ₱0.089 million or 25.00% from ₱0.357 million as of March 31, 2025 to ₱0.446 million as of March 31, 2026 representing 10% retention of the Accounting Software.

*Financial Liabilities – Accounts Payable in*creased by ₱4.600 million or 22.67% from ₱20.286 million as of March 31, 2025 to ₱24.886 million as of March 31, 2026 due to increase on unpaid accounts to suppliers of goods and services that are normally settled within twelve (12) months from the reporting period.

*Deferred credits/Unearned Revenue/Income - increased by* ₱20.424 million or 38.88% from ₱52.527 million as of March 31, 2025 to ₱72.951 million as of March 31, 2026 mainly due to the increase in other deferred credits.

**Material changes to the Company's Statement of Income for the quarter ended March 31, 2026 compared to the quarter ended March 31, 2025 (increase/decrease of 5% or more)**

*Service and Business Income in*creased by 8.18% or ₱19.121 million from ₱233.717 million *as of* March 31, 2025 *to* ₱252.838 million as of March 31, 2026 due to higher JV shares and Rental Income.

*Other Non-operating Income de*creased by 34.19% or ₱520 from ₱1,520 *as of* March 31, 2025 *to* ₱1,000 as of March 31, 2026 due to higher bid deposit in 2025.

*General and Administrative Expenses* increased by 18.48% or ₱18.230 million from ₱98.670 million for the quarter ended March 31, 2025 to ₱116.900 million for the quarter ended March 31, 2026 due to the increases in Personnel Cost brought about by the implementation of CPCS II and higher MOOE due to increases in Travelling, Training, Supplies, Utility, Communication, Professional Services, Security Services , Repairs and Maintenance, Taxes and Other MOOE.

*Income Tax in*creased by 19.04% or ₱4.134 million from ₱21.705 million *as of* March 31, 2025 *to* ₱25.838 million as of March 31, 2026 mainly due to the increase in Revenue in 2026.

*Comprehensive Income* - decreased by 2.86% or ₱3.243 million from ₱113.344 million for the quarter ended March 31, 2025 to ₱110.101 million for the quarter ended March 31, 2026 due to the reasons discussed above.

**Financial Condition and Results of Operation For the Year Ended December 31, 2025 compared with Year Ended December 31, 2024**

The Company generated a net income of ₱9.074B for the year 2025. This represents a increase on net income of 1993.585% mainly attributable to gain from changes in the fair value of Investment Property in 2025.

The Business Income account is consist of 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, 2025 | | |
|---|---|---|---|
| | **2025** | 2024 | % Change |
| Rental/Lease Income | **316.680** | 290.515 | 9.006 |
| Share in Profit/Revenue of Joint Venture | **454.827** | 384.590 | 18.263 |
| Dividend Income | **18.762** | 69.688 | 73.077 |
| Interest Income | **174.725** | 143.753 | 21.545 |
| | **964.994** | 888.546 | 8.604 |

Notes:

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

| Amount in Million Pesos | **2025** | 2024 | % Change |
|---|---|---|---|
| Pasay City | **316.680** | 290.515 | 9.006 |

| | | | |
|---|---|---|---|
| Porac, Pampanga | **0.000** | 0.000 | 0.000 |
| Sta. Rita, Bulacan | **0** | 0.000 | 0.000 |
| | **316.680** | 290.515 | 9.006 |

PNCC is the lessor under an operating lease agreement with Pacific Concrete Products, Inc. (PCPI) and Dampa Seaside Market in the FCA, Pasay City. 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.

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

| Amount in Million Pesos | **2025** | 2024 | % Change |
|---|---|---|---|
| CCEC *(now SMC Skyway Stage 3 Corporation)* | **266.555** | 220.600 | 20.832 |
| MNTC (*now NLEX Corporation)* | **119.107** | 105.015 | 13.419 |
| CMMTC *(now SMC Skyway Corporation)* | **42.591** | 34.748 | 22.571 |
| SLTC *(now SMC SLEX, Inc.)* | **26.574** | 24.227 | 9.688 |
| | **454.827** | 384.590 | 18.263 |

3. Dividend Income is consists of the following:

| Amount in Million Pesos | **2025** | 2024 | % Change |
|---|---|---|---|
| Citra Metro Manila Tollways Corporation | **17.660** | 68.984 | 74.400 |
| Alabang Sto. Tomas Development, Inc. | **1.102** | .704 | 56.534 |
| | **18.762** | 69.688 | 73.077 |

4. Interest Income consists of interest earned on investments amounting th ₱155.891 Million and ₱133.202 Million in 2025 and 2024 respectively.

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

| Performance Indicators | As of 12/31/2025 | As of 12/31/2024 | Explanation |
|---|---|---|---|
| **Current/Liquidity Ratios**<br>***Current Ratio*** **(Current Assets Divided by Current Liabilities)** | 0.39 | 0.33 | This ratio evaluates the ability of the company to pay its current debt promptly.<br><br>Current ratio of 0.39 as of December 31, 2025 is an improvement from 2024 of 0.33 due to cash inflows provided by operating activities. |
| **Solvency Ratios**<br>***Debt to Assets*** **(Total Liabilities Divided by Total Assets)** | 38.24% | 40.92% | Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts.<br><br>The ratio has improved from 40.92% as of December 31, 2024 to 38.24% as of December 31, 2025. This improvement was caused by additional short-term investment that offset the yearly 2% penalty charges on unpaid concession fees. |
| ***Debt to Equity*** **(Total Liabilities Divided by Total Equity)** | 61.93% | 69.26% | 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.<br><br>The ratio decreased to 61.93% as of December 31, 2025 from 69.26% as of December 31, 2024. The 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 2025. |
| **Asset to Equity Ratio (Total Assets Divided by Total Equity)** | 161.93% | 169.26% | Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts.<br><br>The ratio decreased to 161.93% as of December 31, 2025 from 169.26% as of December 31, 2024 due to higher income in 2025 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)** | 47.67 | 2.99 | Determines how easily a company can pay interest on outstanding debt.<br><br>The ratio decreased to 36.17 as of December 31, 2025 from 2.68 as of December 31, 2024 due to higher income in 2025 brought about by the recognition of the gain from Changes in Fair Value of Investment Property. |
| **Profitability Ratios**<br>***Return on Assets (*****Net Income (Loss) Divided by Total Assets)** | 12.00% | 0.70% | Measures the Company's earnings in relation to all the resources it had at its disposal.<br><br>The ratio of 12.00% as of December 31, 2025 vis-à-vis the ratio of 0.70% as of December 31, 2024 was the outcome of the income recognition of ₱433.411 million for 2024 as compared with the recognized |

| | | | |
|---|---|---|---|
| | | | comprehensive income of ₱9.074 billion for the year ended 2025 brought by the recognition of the gain from Changes in Fair Value of Investment Property in 2025 in the amount of ₱11.475 billion. |
| ***Return on Equity*** **(Net Income (Loss) Divided by Total Equity)** | 19.44% | 1.18% | Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital.<br><br>The increase in the ratio from 1.18% to 19.44% is attributable higher comprehensive income in 2025 brought by the gain from Changes in Fair Value of Investment Property. |

(ix) 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 2025 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 2025 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 2025 Audited Financial Statements.

(x) 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.

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

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

(xiii) 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).

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

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

(xvi) **Material changes to the Company's Statement of Financial Position as of December 31, 2025 compared to December 31, 2024 (increased/decrease of 5% or more)**

***Cash and Cash Equivalents*** - decreased by ₱20.366 million or 15.80% from ₱128.894 million as of December 31, 2024 to ₱108.529 million as of December 31, 2025 due to the cash flows used in Company's operating activities and investing activities.

***Short term investment*** - increased by ₱535.371 million or 18.37% from ₱2.914 billion as of December 31, 2024 to ₱3.449 billion as of December 31, 2025 due to the cash inflows from operating activities.

***Accounts Receivable*** - increased by ₱215.657 million or 33.75% from ₱638.890 million as of December 31, 2024 to ₱854.547 million as of December 31, 2025 due to the rental deferment of PCPI.

***Other Assets – Prepayments*** - increased by ₱8.042 million or 13.73% from ₱58.556 million as of December 31, 2024 to ₱66.598 million as of December 31, 2025 due to the increases in Prepaid Registration, Prepaid Insurance and Withholding Tax at source.

***Other Investments*** - decreased by ₱0.729 million or 32.04% from ₱2.276 million as of December 31, 2024 to ₱1.547 million as of December 31, 2025 due to the decrease in Other Investment account – CDCP Employees Savings and Loan Association (CESLA).

***Investment Property*** - increased by ₱11.482 billion or 21.06% from ₱54.517 billion as of December 31, 2024 to ₱65.999 billion as of December 31, 2025 due to the appraisal of Investment Property in 2025 and the renovation of FCA office.

***Property, Plant and Equipment*** - increased by ₱1.054 billion or 45.82% from ₱2.301 billion as of December 31, 2024 to ₱3.356 billion as of December 31, 2025 due to the appraisal of Property in 2025.

***Intangible Assets*** - increased by ₱0.089 million or 25.00% from ₱0.357 million as of December 31, 2024 to ₱0.446 million as of December 31, 2025 due to the full payment of Accounting software.

***Inter-Agency Payable*** - decreased by ₱2.947 million or 5.20% from ₱56.631 million as of December 31, 2024 to ₱53.684 million as of December 31, 2025 due to decrease in Pag-ibig, SSS, Philhealth and withholding tax payable.

***Deferred Credits/Unearned Revenue*** – increased by ₱21.646 million or 47.16% from ₱45.904 million as of December 31, 2024 to ₱67.551 million as of December 31, 2025 due to Security deposit and Advance rental of Savvice Corp.

***Deferred Tax Liabilities*** – increased by ₱3.132 billion or 22.09% from ₱14.178 billion as of December 31, 2024 to ₱17.310 billion as of December 31, 2025 due to Gain from Changes in fair value of Investment Property in 2025.

**Material changes to the Company's Statement of Income for the year ended December 31, 2025 compared to the year ended December 31, 2024 (increase/decrease of 5% or more)**

***Rent Income*** - increased by ₱26.165 million or 9.01% from ₱290.515 million as of December 31, 2024 to ₱316.680 million as of December 31, 2025 due to Rental from Hobbies of Asia beginning October 2024.

***Dividend Income*** - decreased by ₱50.926 million or 73.08% from ₱69.688 million as of December 31, 2024 to ₱18.762 million as of December 31, 2025 due to timing difference in the receipt and its application of CMMTC dividends.

***Interest Income*** - increased by 21.55% or ₱30.972 million from ₱143.753 million as of December 31, 2024 to ₱174.726 million as of December 31, 2025 due to increase in Investment by 18.37%.

***Revenue share in Joint Venture*** - increased by 18.26% or ₱70.238 million from ₱384.590 million as of December 31, 2024 to ₱454.827 million as of December 31, 2025 due to increases in Toll revenue from NLEX Corporation, SMC Skyway Corporation, SLEX Corporation and SMC Skyway Stage 3 Corporation.

***Gains*** - increased by ₱11.474 billion or 937187.95% from ₱1.224 million as of December 31, 2024 to ₱11.475 billion as of December 31, 2025 mainly due to Gain from Changes in Fair Value of Investment Property in 2025.

***Other Non-operating Income*** - decreased by 98.81% or ₱16.452 million from ₱16.651 million as of December 31, 2024 to ₱0.199 million as of December 31, 2025 due to reversal of security deposits of FCA lessees due to violation of Contract of Lease and sale of bid documents in 2024.

***Maintenance and Other Operating Expenses*** - increased by 9.90% or ₱5.265 million from ₱53.175 million for the year ended December 31, 2024 to ₱58.440

million for the year ended December 31, 2025 due to the increase in Travelling expenses, Utility expenses, Communication, Professional Services, General Services, Repairs and Maintenance, and Security Services vis-à-vis the decreases in Insurance, Legal services, Training Expenses, Supplies and Other MOOE.

***Income Tax Expenses*** - increased by 3641.05% or ₱2.887 billion from ₱79.293 million as of December 31, 2024 to ₱2.966 billion as of December 31, 2025 due to increase in provision of deferred income tax due to Gain from Changes in Fair Value of Investment Property in 2025.

***Comprehensive Income*** - increased by 1993.58% or ₱8.640 billion from ₱433.411 million for the year ended December 31, 2024 to ₱9.074 billion for the year ended December 31, 2025 due to the recognition of Gain from Changes in Fair Value of Investment Property in 2025.

**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** | 349.617 | 11.939 |
| Dividend Income | **63.066** | 50.246 | 25.514 |
| Interest Income | **144.369** | 87.910 | 64.224 |
| | **889.307** | 776.526 | 14.524 |

Notes:

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

6. 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. 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.

7. 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 | 19.863 |
| 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 |

8. Dividend Income is consists of the following:

| Amount in Million Pesos | **2024** | 2023 | % Change |
|---|---|---|---|
| Citra Metro Manila Tollways Corporation | **62.361** | 49.669 | 25.553 |
| Alabang Sto. Tomas Development, Inc. | **.705** | .577 | 22.184 |
| | **63.066** | 50.246 | 25.5154 |

9. 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 |
|---|---|---|---|
| | 12/31/2024 | 12/31/2023 | |
| **Current/Liquidity Ratios**<br>***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.<br><br>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**<br>***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.<br><br>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.<br><br>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.<br><br>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.<br><br>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**<br>***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.<br><br>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.<br><br>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**<br>***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.<br><br>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**<br>***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.<br><br>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.<br><br>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.<br><br>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.<br><br>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**<br>***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.<br><br>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.<br><br>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. |

(xvii) 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.

(xviii) 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.

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

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

(xxi) 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).

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

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

(xxiv) **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**<br>***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.<br><br>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**<br>***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.<br><br>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.<br><br>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.<br><br>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.<br><br>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**<br>***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.<br><br>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.<br><br>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 39 of the December 31, 2025 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.

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

**CORPORATE GOVERNMENT AUDIT SECTOR**
**CLUSTER 4 – INDUSTRIAL AND AREA DEVELOPMENT**

June 2, 2026

**THE BOARD OF DIRECTORS**
Philippine National Construction Corporation
Bicutan, Parañaque City

JANNA CASTILLO
JUN 0 2 2026 4 PM

**Gentlemen**:

Pursuant to Section 2, Article IX-D of the 1987 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, 2025 and 2024.

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 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 related thereto resulting in the understatement of total liabilities and overstatement of total equity both by P84.664 billion and by P82.086 billion as at December 31, 2025 and 2024, respectively. There should have been deficits of P42.634 billion and P49.131 billion, instead of retained earnings of P36.478 billion and P27.403 billion, as at December 31, 2025 and 2024, respectively.

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 record the unrecorded principal liabilities as confirmed by the Privatization Management Office and Bureau of Treasury; and

c) Provide provision for interests, penalties, and other charges in compliance with PAS 37.

The other observations that need immediate action are as follows:

1. A provision for judgment award arising from 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 P56.916 million, excluding applicable interest and legal costs.

   We reiterated our previous year's recommendations that Management:

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

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

   Further, we recommended that Management update the Notes to the FS with disclosures on provisions and possible impacts, even if legal issues are pending, in accordance with PAS 37.

2. The service concession assets and related liabilities pertaining to the Metro Manila Skyway Projects were not recognized in the books of accounts of PNCC, resulting in the understatement of assets and liabilities, contrary to PAS 1 on the fair presentation of financial statements.

   We reiterated our previous years' recommendations that Management:

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

   b) Recognize in the books of accounts the service concession assets and the related liabilities pertaining to Metro Manila Skyway projects.

3. The non-payment of concession fees to the National Government (NG) totaling P7.850 billion (comprised of the principal amount of P1.060 billion and penalty charges of P6.790 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.

   We reiterated our previous year's recommendations that Management:

   a) Initiate the planned meeting with the Bureau of the Treasury and other concerned agencies to discuss the proposed offsetting arrangement;

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

   c) 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 the National Government.

4. The absence of an updated definitive development plan by Management and the Board of Directors (BOD) for the lease and development of the 9.9-hectare portion of the Financial Center Area (FCA) property resulted in its continued underutilization and foregone income, contrary to Section 2 of PD No. 1445.

   We reiterated our previous years' recommendations that Management:

   a) Review, finalize, and approve the revised Terms of Reference or alternative development strategy/plan that reflects current property conditions;

   b) Establish a definite timeline and immediately implement the approved development plan; and

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

5. The non-collection of rental income totaling P379.185 million from Pacific Concrete Products Inc. (PCPI) for the period January 2024 to December 2025 is not in accordance with the Amended Contract of Lease (COL), exposing PNCC to credit losses contrary to Section 19 of Republic Act No. 10149 dated June 06, 2011.

   We reiterated our previous year's recommendations that Management:

   a) Demand the full settlement of the unpaid rentals amounting to P379.185 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 COL to prevent further financial exposure and credit risk.

   d) Prepare contingency measures in case of termination of the PCPI lease; and

   e) Establish stricter monitoring and enforcement of long-term lease contracts, including periodic assessment of lessees' financial capacity, timely enforcement of escalation clauses, and prompt action on defaulting accounts to protect PNCC's interests and minimize credit and collection risks.

The audit observations, together with the recommended courses of action, were discussed with the concerned Management officials and staff during the exit conference conducted on May 14, 2026, and 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 to inform this Office of the actions taken thereon within 60 days of receipt.

We acknowledge the support and cooperation extended by the Management to the Audit Team, thereby 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 President of the Senate
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

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

**CORPORATE GOVERNMENT AUDIT SECTOR**
**CLUSTER 4 – INDUSTRIAL AND AREA DEVELOPMENT**

June 2, 2026

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
Office of the President
Received by: Janna Castillo
Control No.
Date: JUN 02 2026 Time: 6 PM

**Atty. MIGUEL E. UMALI**
President and CEO
Philippine National Construction Corporation
Bicutan, Parañaque City

**Dear President Umali**:

Pursuant to Section 2, Article IX-D of the 1987 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, 2025 and 2024.

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 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 related thereto resulting in the understatement of total liabilities and overstatement of total equity both by P84.664 billion and by P82.086 billion as at December 31, 2025 and 2024, respectively. There should have been deficits of P42.634 billion and P49.131 billion, instead of retained earnings of P36.478 billion and P27.403 billion, as at December 31, 2025 and 2024, respectively.

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 record the unrecorded principal liabilities as confirmed by the Privatization Management Office and Bureau of Treasury; and

c) Provide provision for interests, penalties, and other charges in compliance with PAS 37.

The other observations that need immediate action are as follows:

1. A provision for judgment award arising from 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 P56.916 million, excluding applicable interest and legal costs.

   We reiterated our previous year's recommendations that Management:

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

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

   Further, we recommended that Management update the Notes to the FS with disclosures on provisions and possible impacts, even if legal issues are pending, in accordance with PAS 37.

2. The service concession assets and related liabilities pertaining to the Metro Manila Skyway Projects were not recognized in the books of accounts of PNCC, resulting in the understatement of assets and liabilities, contrary to PAS 1 on the fair presentation of financial statements.

   We reiterated our previous years' recommendations that Management:

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

   b) Recognize in the books of accounts the service concession assets and the related liabilities pertaining to Metro Manila Skyway projects.

3. The non-payment of concession fees to the National Government (NG) totaling P7.850 billion (comprised of the principal amount of P1.060 billion and penalty charges of P6.790 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.

   We reiterated our previous year's recommendations that Management:

   a) Initiate the planned meeting with the Bureau of the Treasury and other concerned agencies to discuss the proposed offsetting arrangement;

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

   c) 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 the National Government.

4. The absence of an updated definitive development plan by Management and the Board of Directors (BOD) for the lease and development of the 9.9-hectare portion of the Financial Center Area (FCA) property resulted in its continued underutilization and foregone income, contrary to Section 2 of PD No. 1445.

   We reiterated our previous years' recommendations that Management:

   a) Review, finalize, and approve the revised Terms of Reference or alternative development strategy/plan that reflects current property conditions;

   b) Establish a definite timeline and immediately implement the approved development plan; and

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

5. The non-collection of rental income totaling P379.185 million from Pacific Concrete Products Inc. (PCPI) for the period January 2024 to December 2025 is not in accordance with the Amended Contract of Lease (COL), exposing PNCC to credit losses contrary to Section 19 of Republic Act No. 10149 dated June 06, 2011.

   We reiterated our previous year's recommendations that Management:

   a) Demand the full settlement of the unpaid rentals amounting to P379.185 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 COL to prevent further financial exposure and credit risk.

   d) Prepare contingency measures in case of termination of the PCPI lease; and

   e) Establish stricter monitoring and enforcement of long-term lease contracts, including periodic assessment of lessees' financial capacity, timely enforcement of escalation clauses, and prompt action on defaulting accounts to protect PNCC's interests and minimize credit and collection risks.

The audit observations, together with the recommended courses of action, were discussed with the concerned Management officials and staff during the exit conference conducted on May 14, 2026, and are presented in detail in Part II of the report.

We respectfully request that the recommendations contained in Part II of the report be implemented, and that this Commission be informed of the actions taken thereon by

submitting the duly accomplished Agency Action Plan and Status of Implementation form (copy attached) within 60 days of receipt.

We acknowledge the support and cooperation extended by the Management to the Audit Team, thereby 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 President of the Senate
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
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The National Library

ANNEX "E"

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, 2025 and 2024**

# 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: NLEX, SLEX, and South Metro Manila Skyway (SMMS).

On February 10, 2005, PNCC transferred 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 transferred 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, in the interim, for the collection of toll fees 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 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.

## FINANCIAL HIGHLIGHTS

### I. Comparative Financial Position

(In thousand pesos)

| | 2025 | 2024 (As restated) | Increase/ (Decrease) |
|---|---|---|---|
| Assets | 75,596,781 | 62,322,381 | 13,274,400 |
| Liabilities | 28,911,779 | 25,501,820 | 3,409,959 |
| Equity | 46,685,002 | 36,820,561 | 9,864,441 |

**II. Comparative Results of Operations**
(In thousand pesos)

| | 2025 | 2024 (As restated) | Increase/ (Decrease) |
|---|---|---|---|
| Income | 12,439,969 | 906,421 | 11,533,548 |
| Personnel services | 76,886 | 76,319 | 567 |
| Operating expenses | 322,868 | 317,423 | 5,445 |
| Income before tax | 12,040,215 | 512,679 | 11,527,536 |
| Income tax expense | 2,966,391 | 79,293 | 2,887,098 |
| Net income | 9,073,824 | 433,386 | 8,640,438 |

## 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, 2025, 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, 2025, and 2024. Also, we conducted our audits to assess compliance with pertinent laws, rules, and regulations, as well as adherence to prescribed policies and procedures.

## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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 related thereto resulting in the understatement of total liabilities and overstatement of total equity both by P84.664 billion and by P82.086 billion as at December 31, 2025 and 2024, respectively. There should have been deficits of P42.634 billion and P49.131 billion, instead of retained earnings of P36.478 billion and P27.403 billion, as at December 31, 2025 and 2024, respectively.

For the above observation, which caused the issuance of an adverse opinion, 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 record the unrecorded principal liabilities as confirmed by the Privatization Management Office and Bureau of Treasury; and

c) Provide provision for interests, penalties, and other charges in compliance with PAS 37.

## OTHER SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. A provision for judgment award arising from 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 P56.916 million, excluding applicable interest and legal costs.

   We reiterated our previous year's recommendations that Management:

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

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

   Further, we recommended that Management update the Notes to the FS with disclosures on provisions and possible impacts, even if legal issues are pending, in accordance with PAS 37.

2. The service concession assets and related liabilities pertaining to the Metro Manila Skyway Projects were not recognized in the books of accounts of PNCC, resulting in the understatement of assets and liabilities, contrary to PAS 1 on the fair presentation of financial statements.

   We reiterated our previous years' recommendations that Management:

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

   b) Recognize in the books of accounts the service concession assets and the related liabilities pertaining to Metro Manila Skyway projects.

3. The non-payment of concession fees to the National Government (NG) totaling P7.850 billion (comprised of the principal amount of P1.060 billion and penalty charges of P6.790 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.

   We reiterated our previous year's recommendations that Management:

   a) Initiate the planned meeting with the Bureau of the Treasury and other concerned agencies to discuss the proposed offsetting arrangement;

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

   c) 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 the National Government.

4. The absence of an updated definitive development plan by Management and the Board of Directors (BOD) for the lease and development of the 9.9-hectare portion of the Financial Center Area (FCA) property resulted in its continued underutilization and foregone income, contrary to Section 2 of PD No. 1445.

   We reiterated our previous years' recommendations that Management:

   a) Review, finalize, and approve the revised Terms of Reference or alternative development strategy/plan that reflects current property conditions;

   b) Establish a definite timeline and immediately implement the approved development plan; and

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

5. The non-collection of rental income totaling P379.185 million from Pacific Concrete Products Inc. (PCPI) for the period January 2024 to December 2025 is not in accordance with the Amended Contract of Lease (COL), exposing PNCC to credit losses contrary to Section 19 of Republic Act No. 10149 dated June 06, 2011.

   We reiterated our previous year's recommendations that Management:

   a) Demand the full settlement of the unpaid rentals amounting to P379.185 million, including interest charges, in accordance with the terms of the Amended Contract of Lease. 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 COL to prevent further financial exposure and credit risk.

Further, we recommended that Management:

   a) Prepare contingency measures in case of termination of the PCPI lease; and

   b) Establish stricter monitoring and enforcement of long-term lease contracts, including periodic assessment of lessees' financial capacity, timely enforcement of escalation clauses, and prompt action on defaulting accounts to protect PNCC's interests and minimize credit and collection risks.

## STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES, AND CHARGES

As of December 31, 2025, the unsettled Notices of Disallowance (ND) amounted to P468.320 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 | 17 | 131.687 |
| NDs with Notice of Finality of Decision and COA Order of Execution | 16 | 164.165 |
| **Total** | **37** | **468.320** |

## STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the 59 prior year's recommendations, 29 were implemented/reconsidered, and the remaining 30 were not implemented but reiterated in Part II of this Report. Details are presented in Part III of this Report.

**ANNEX "E"**

# TABLE OF CONTENTS


| | | Page |
|---|---|---|
| **PART I** | **AUDITED FINANCIAL STATEMENTS** | |
| | Independent Auditor's Report…….…… | 1 |
| | Statement of Management's Responsibility for Financial Statements……..…..…… | 5 |
| | Statements of Financial Position…….…… | 6 |
| | Statements of Comprehensive Income.....……..… | 7 |
| | Statements of Changes in Equity……..…….…… | 8 |
| | Statements of Cash Flows…….…… | 9 |
| | Notes to Financial Statements……. | 10 |
| **PART II** | **OBSERVATIONS AND RECOMMENDATIONS** | 89 |
| **PART III** | **STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS** | 183 |

# PART I

# AUDITED FINANCIAL STATEMENTS

# PART II

# OBSERVATIONS AND RECOMMENDATIONS

# PART III

# STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

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

***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, 2025, and 2024, 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, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

**Basis for Adverse Opinion**

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 related thereto resulting in the understatement of total liabilities and overstatement of total equity both by P84.664 billion and by P82.086 billion as at December 31, 2025 and 2024, respectively. There should have been a deficit of P42.634 billion and P49.131 billion, instead of retained earnings of P36.478 billion and P27.403 billion, as at December 31, 2025 and 2024, respectively.

We conducted our audits in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of PNCC in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees, together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe the audit evidence we have obtained is sufficient and appropriate to support an adverse opinion.

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MARILOU S. VALLES
Chief, LIDPQAD

CERTIFICATION P100.00
DOC. ST[illegible] P30.00
REFI[illegible] 26773250?
DATE June 24, 2026

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**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were most significant in our audit of the financial statements for 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; 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 the Notes to the financial statements, PNCC continues to classify P5.552 billion in advances from the national government as equity, despite the absence of a 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 relevant government issuances and 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, 2025, but does not include the financial statements and our auditor's report thereon. The SEC Form No. 20-IS, SEC Form 17-A, and Annual Report for the year ended December 31, 2025, 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.

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MARILOU S. WILES
Chief, LTDPQAD

**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.

- 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.

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MARILOU S. VALLES
Chief, LTDPQAD

- 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 the matters that were most significant in the audit of the financial statements for 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 to form an opinion on the basic financial statements as a whole. The supplementary information required under Revenue Regulation No. 15-2010 in Note 40 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to auditing procedures applied in our audits of the basic financial statements. Because of the significance of the matter described in the *Basis for Adverse Opinion* section, it is inappropriate to and we do not express an opinion on the information referred to above.

**COMMISSION ON AUDIT**

**Atty. DENNIS CRC DE LEON**
OIC - Supervising Auditor

June 01, 2026

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MARILOU S. VALLES
Chief, LIDPQAD

ANNEX "E"

# 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, 2025 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 JUN 01 2026 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. 1
Page No 2
Book No IV
Series of 2025

MARY GRECELLE G. ADARME-ROVERO
Notary Public for the City of Taguig
Comm. No. 100(2025-2026); Valid until 12-31-2026
[illegible] Sapphire St., Maybapang Area, Ususan, Taguig City
Roll No. 72093 BP Receipt No. 0[illegible]; Makati Chapter
PTR No. A-6805923, 01-06-2026, Taguig City
MCLE Compliance No. VIII-0029845, Valid until 14 April 2028

# PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
## STATEMENTS OF FINANCIAL POSITION
### December 31, 2025 and 2024
(In Philippine Peso)

| | Note | 2025 | 2024 (As restated) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash | 6 | **108,528,921** | 128,894,489 |
| Other investments | 7 | **3,449,270,686** | 2,913,899,616 |
| Receivables, net | 8 | **854,547,055** | 638,890,082 |
| Inventories | 9 | **2,353,699** | 2,443,852 |
| Other current assets | 10 | **66,598,227** | 58,555,950 |
| | | **4,481,298,588** | 3,742,683,989 |
| **Non-Current Assets** | | | |
| Financial Assets | 11 | **796,970** | 796,970 |
| Investments in Subsidiaries | 12 | **61,200,000** | 61,200,000 |
| Investments in Joint Venture | 13 | **1,485,816,700** | 1,485,816,700 |
| Other Investments | 14 | **1,546,610** | 2,275,883 |
| Receivables | 8 | **98,491,690** | 98,491,690 |
| Investment property | 15 | **65,998,745,755** | 54,516,776,758 |
| Property and equipment, net | 16 | **3,355,610,689** | 2,301,164,981 |
| Intangible asset | 17 | **446,429** | 357,143 |
| Deferred tax assets | 33 | **24,542,414** | 24,542,414 |
| Other non-current assets, net | 18 | **88,285,328** | 88,274,371 |
| | | **71,115,482,585** | 58,579,696,910 |
| **TOTAL ASSETS** | | **75,596,781,173** | 62,322,380,899 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Financial liabilities | 19 | **23,434,648** | 23,199,373 |
| Other financial liabilities | 20 | **11,354,022,616** | 11,096,020,416 |
| Inter-agency payables | 21 | **53,684,033** | 56,630,922 |
| Trust liabilities | 22 | **99,623,157** | 98,223,157 |
| Deferred credits | 23 | **67,550,719** | 45,904,235 |
| | | **11,598,315,173** | 11,319,978,103 |
| **Non-Current Liabilities** | | | |
| Deferred tax liabilities | 33 | **17,309,674,717** | 14,178,051,928 |
| Trust liabilities | 22 | **3,789,629** | 3,789,629 |
| | | **17,313,464,346** | 14,181,841,557 |
| **TOTAL LIABILITIES** | | **28,911,779,519** | 25,501,819,660 |
| **EQUITY** | | **46,685,001,654** | 36,820,561,239 |
| **TOTAL LIABILITIES AND EQUITY** | | **75,596,781,173** | 62,322,380,899 |

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

CERTIFIED TRUE COPY
MARILOU S. VALLES
Chief, LTDPOAD

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
**STATEMENTS OF COMPREHENSIVE INCOME**
**December 31, 2025 and 2024**
(In Philippine Peso)

| | Note | 2025 | 2024 (As restated) |
|---|---|---|---|
| **Income** | | | |
| Service and business income | 27 | **964,994,441** | 888,546,072 |
| Gains | 28 | **11,474,775,235** | 1,224,253 |
| Other non-operating income | 29 | **198,909** | 16,651,267 |
| | | **12,439,968,585** | 906,421,592 |
| **Expenses** | | | |
| Personnel services | 30 | **76,885,528** | 76,319,373 |
| Maintenance and other operating expenses | 31 | **58,440,019** | 53,174,743 |
| Financial expenses | | | |
| Penalty charges on unpaid concession fee | 20 | **258,002,200** | 258,002,400 |
| Bank charges | | **18,700** | 15,520 |
| Non-Cash Expenses | 32 | **6,407,490** | 6,230,611 |
| | | **399,753,937** | 393,742,647 |
| **Income Before Tax** | | **12,040,214,648** | 512,678,945 |
| **Income Tax Expense** | 33 | **2,966,390,593** | 79,293,027 |
| **Net Income** | | **9,073,824,055** | 433,385,918 |
| **Other Comprehensive Income** | 34 | **0** | 25,000 |
| **Total Comprehensive Income** | | **9,073,824,055** | 433,410,918 |

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

CERTIFIED TRUE COPY
MARILOU S VALDEZ
Chief, LTDPD

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
**STATEMENTS OF CHANGES IN EQUITY**
**For the Years Ended December 31, 2025 and 2024**
(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 |
|---|---|---|---|---|---|---|---|---|---|---|
| As of 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 | 433,385,918 | 0 | 433,385,918 |
| 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, as restated | | 2,283,758,120 | 46,137,443 | 5,551,726,307 | (56,158,831) | (16,699,918) | 1,609,762,872 | 27,402,059,246 | (24,000) | 36,820,561,239 |
| Changes in equity for 2025 | | | | | | | | | | |
| Add (Deduct) | | | | | | | | | | |
| Comprehensive income for the year | | 0 | 0 | 0 | 0 | 0 | 0 | 9,073,824,055 | 0 | 9,073,824,055 |
| Correction of prior year's errors | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other comprehensive income for the year | | | | | | | | | | |
| Unrealized loss on financial asset at FVOCI | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Movement in revaluation increment, net of tax | | 0 | 0 | 0 | 0 | 0 | 790,159,005 | 0 | 0 | 790,159,005 |
| 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 | 457,355 | 0 | 0 | 457,355 |
| Balance at December 31, 2025 | | 2,283,758,120 | 46,137,443 | 5,551,726,307 | (56,158,831) | (16,699,918) | 2,398,549,812 | 36,477,712,721 | (24,000) | 46,685,001,654 |

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

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MARILOU S. VALLES
Chief, LTDPQAD

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
**STATEMENTS OF CASH FLOWS**
**December 31, 2025 and 2024**
(In Philippine Peso)

| | Note | 2025 | 2024 |
|---|---|---|---|
| **CASH INFLOWS FROM OPERATING ACTIVITIES** | | | |
| **Cash Inflows** | | | |
| Collection of income/revenue | | **643,013,428** | 576,705,667 |
| Collection of receivable | | **26,312,023** | 77,404,691 |
| Trust receipts | | **1,400,000** | 0 |
| Other receipts | | **418,625** | 4,122,124 |
| **Total Cash Inflows** | | **671,144,076** | 658,232,482 |
| **Cash Outflows** | | | |
| Payment of expenses | | **113,929,626** | 139,010,745 |
| Release of inter-agency fund transfers | | **166,879,737** | 120,316,281 |
| Remittance of personnel contribution and mandatory deductions | | **16,294,467** | 17,040,772 |
| Purchase of inventories | | **3,459,858** | 3,436,389 |
| Grant of cash advances | | **6,428,185** | 4,241,265 |
| Prepayments | | **2,000,000** | 0 |
| Other disbursements | | **231,616** | 4,369,198 |
| **Total Cash Outflows** | | **309,223,489** | 288,414,650 |
| **Net Cash Provided by Operating Activities** | | **361,920,587** | 369,817,832 |
| **CASH INFLOWS FROM INVESTING ACTIVITIES** | | | |
| **Cash Inflows** | | | |
| Proceeds from redemption of Investment | | **1,820,674,352** | 0 |
| Receipt of cash dividends | | **18,761,685** | 63,065,654 |
| Proceeds from sale of other assets | | **0** | 1,741,170 |
| Receipt of interest earned | | **44,708** | 27,234 |
| **Total Cash Inflows** | | **1,839,480,745** | 64,834,058 |
| Purchase of investments | | **2,207,099,901** | 395,000,000 |
| Purchase of property and equipment | | **14,666,999** | 16,042,747 |
| **Total Cash Outflows** | | **2,221,766,900** | 411,042,747 |
| **Net Cash Used in Investing Activities** | | **(382,286,155)** | (346,208,689) |
| **NET INCREASE IN CASH** | | **(20,365,568)** | 23,609,143 |
| **CASH AT BEGINNING OF THE YEAR** | | **128,894,489** | 105,285,346 |
| **CASH AT END OF YEAR** | 6 | **108,528,921** | 128,894,489 |

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

CERTIFIED TRUE COPY

MARILOU S. VALLES
Chief, LTDPQAD

**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 operations began on April 16, 1967. The primary purpose of CDCP is to undertake general contracting business with private parties, government agencies, and instrumentalities for 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 became 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 a capital infusion 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 appointed to 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 continued to engage in the construction business, but it incurred 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 full operation of Skyway Stage 1.

In 1997, the PNCC entered into a Joint Venture Agreement with the First Philippine Infrastructure Development Corporation (FPIDC) to rehabilitate 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 NLEX is handled by 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, pursuant to 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 construction period, 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 collect toll fees in the interim after the expiration of its franchise on April 30, 2007. The effective date of the TOC commenced on May 1, 2007, but in no case shall it 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 ASDI's capital increase, and in the same year, the PNCC subscribed to 51 percent of ASDI's shares, thereby 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 implementing the design and construction of the Road Project, which consists of a toll road facility connecting Daang Hari Road in Cavite to the SLEX near the 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 for its cost plus a premium. The bidding for the road project was conducted by DPWH in December 2011 and was subsequently awarded to Ayala Corporation (AC) that 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. 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 from the toll road projects to the PNCC, alleging that the 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 aims to ease and decongest traffic through its strategically located access ramps and interchanges, 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 sets forth the terms and conditions for implementing 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 parties' entire agreement 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, except for section 2A – Tomas Claudio to Old Sta. Mesa. The project was inaugurated on January 14, 2021.

The Quirino southbound on and off ramp is still ongoing. The remaining work pertains to at-grade drainage and restoration, and miscellaneous works such as electrical, signage, and markings. However, the construction of ramps and toll plazas is almost complete.

***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- to 3-lane toll road project approximately 32.67 km long, intended to run from Skyway/FTI in Taguig City to the 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 at C-5, with a total length of 2.39 km; 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) was redesigned 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 City. 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 the 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, connecting Tumana Bridge to the Batasan Complex with a total length of 3.055 km, including a 1.511 km viaduct.

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

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

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

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

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

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

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

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

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

Project Status as of December 2025:

- Pre-construction Activities in Section 2A as of December 2024:
  - Completed tree cutting and earth balling along C5.
  - Completed geotechnical works from Section 2A P01 to P10.
  - Planted trees along Libingan ng mga Bayani.
- On-going Detailed Engineering Design (DED):
  - Section 1A Re-alignment: Approved by TRB
  - Section 2A, 2B, 2D:
    - Highway and drainage design, submitted to TRB
    - Structural design, partially submitted to TRB
    - Other drawings, on-going IC evaluation
  - Section 2C: Highway, drainage and structural design, submitted to TRB
- Construction Works
  - Overall percentage completion for (Section 1: Skyway FTI to C/5 Diego Silang): 3.28%
  - Workable area along C5 (Pier 61 to 66): 99% complete
  - On-going geotechnical investigation works for Ramps 1-4, Taguig Integrated Terminal Exchange (TITX), Ayala and BFP Areas.
- On-going Right of Way (ROW) acquisition by DPWH.
- Continuous alignment of the design of the Southeast Metro Manila Expressway (SEMME) with adjacent infrastructure developments (Metro Manila Subway project, North-South Commuter Railway project, and TITX).
  The approved Independent Consultant (IC) by TRB is Pertconsult International, and the Detailed Engineering Design (DED) Contractor for Section 1 is J.F. Cancio, and for Sections 2 to 6 is Katahira & Engineers International (KEI).

<u>Revenue Shares from MMS Stage 3 and MME Stage 4 Projects</u>

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, the project's groundbreaking was held.

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

Project Status as of December 2025:

- Notice of Award (NOA) issued to Pertconsult International as an IC
- Approved DED Contractor is KEI.
- Ongoing Environment Compliance Certificate (ECC) application
- Ongoing review for harmonization with the Pasig River Esplanade Project and other various DPWH Projects
- Ongoing DED Services:
  - Segment 1: R10 to Metro Manila Skyway Stage 3 (MMSS3):
    Highway design, Parcellary plan and Cost report, ongoing IC evaluation
    Other drawings ongoing revision
  - Segment 2: Metro Manila Skyway Stage 3 (MMSS3) to C5:
    Ongoing studies and surveys
    Topographic survey, IC certified

- Segment 3: C5 to C6:
  Highway design, IC certified
  Other drawings ongoing IC 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 as of December 2025:

- Approved IC: Pertconsult- J.F. Cancio & Associates Joint Venture, and the DED Contractor is KEI.
- Ongoing DED Services for Segment 1 (Lucena to Gumaca) at 99.10% accomplishment
  - IC Certified drawings, submitted to TRB
  - Structural drawings are partially approved by the IC; other drawings are under ongoing IC evaluation, and for resubmission
- Proposed Padre Burgos Interchange: Ongoing DED and awaiting approval from TRB
- Ongoing Right of Way (ROW) acquisition.
- Ongoing Environmental Compliance Certificate (ECC) application.

***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, 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 entire stretch of EDSA, beginning at a connection with Radial Road 10 (R10) at the mouth of the Tullahan River in Navotas City, and will terminate near SM Mall of Asia in Pasay City.

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

On August 14, 2020, the assignment of PNCC's usufructuary rights over its franchise in favor of the joint venture company formed by 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 2025:

Northern Access Link Expressway:

- Approved IC: TRB is Renardet S.A. – Urban Integrated Consultants, Inc. Joint Venture
- Ongoing Detailed Engineering Design (DED):
- 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)
  - Remaining works: drainage at bridge deck, expansion joints, at-grade drainage and plant box construction.
- Ongoing Right of Way (ROW) acquisition.

Southern Access Link Expressway:

- Approved Independent Consultant by TRB: TCGI Engineers
- Approved DED Contractor is KEI.
- Ongoing DED:

  **Section 1:**
  - IC certified drawings, updated in compliance with DPWH evaluation
  - Other drawings - on-going IC evaluation.
  - Parcellary Plan (C3-R10) has been approved by TRB

  **Section 2:**
  - On-going revision of IC-certified drawings based on DPWH evaluation
  - Other drawings - on-going IC evaluation
    - 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
  - Column construction ongoing
  - Ongoing restoration of median island
- Ongoing ROW acquisition

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

On March 22, 2012, the TRB issued interim rules and guidelines covering the amount of money the 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 P454.827 million and P384.590 million in 2025 and 2024, respectively (Note 27.1), while it earned dividends from CMMTC amounting to P17.660 million and P68.984 million in 2025 and 2024, respectively (Note 27.4).

Lease Income

Lease income is derived from renting out investment properties, including the Financial Center Area (FCA) in Pasay City and a property in Sta. Rita, Bulacan.

On October 15, 2019, the PNCC entered into a Contract of Lease 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 P171.781 million and P168.150 million in 2025 and 2024, respectively (Note 27.2).

On August 1, 2023, the PNCC took over the lease and maintenance of the FCA Seaside Dampa Market and Restaurant at rates ranging from P200 to P3,220 per day. On September 10, 2024, PNCC took over the Hobbies of Asia portion of the FCA, covering 2.4 hectares. Total rent income derived from the aforementioned portion of FCA property amounted to P142.399 and P122.365 million in 2025 and 2024, respectively.

On September 1, 2025, the Company entered into a lease agreement with Savvice Corporation covering approximately 20,000 square meters of its investment property located in Sta. Rita, Bulacan. The lease is for a period of ten (10) years, renewable for another ten (10) years upon mutual agreement, at a monthly rental of P700,000.

Equity Participation in CMMTC

It is the position of the PNCC that it has an equity participation in CMMTC pursuant to P.D. No. 1894 and 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 securing the opinions of both the OGCC and the DOJ regarding the validity of P.D. No. 1894, the PNCC requested that CMMTC refrain from transferring the shares of the Corporation to the NG and from remitting the dividends and share in the gross revenues of CMMTC to the NG. The matter is still awaiting action from CMMTC, which has referred the matter to its 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 holds 551.87 million shares in CMMTC, equivalent to 8.11 percent of CMMTC's total outstanding shares. The dividends and revenue shares from 2008 to 2025 amount to P9.445 billion, of which the PNCC received 10 per cent or P944.988 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 penalty charges, be deducted from the gross revenue under the Joint Venture Agreements 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 2025, amounting to P6.790 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 P79.112 and P76.534 billion as of December 31, 2025 and 2024, were not recorded in PNCC's books.

The assertion that the P5.552 billion should be treated as equity is supported by a Supreme Court ruling recognizing the validity of Letter of Instruction No. 1295, which confirms 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, and the DOJ denied it on January 22, 2015. Thereafter, the PNCC filed a Supplement to the MR on May 28, 2015, which the DOJ likewise denied 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, on July 27, 2015, the corresponding Appeal Memorandum.

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 the 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 pronouncements issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy.

The financial statements for the years ended December 31, 2025, and 2024 were approved and authorized for issuance pursuant to a resolution of the Board of Directors (BOD) on February 11, 2026.

### 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 purchase or sale of financial assets, recognition is done using settlement date accounting.

All financial instruments are initially recognized at the 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 contract inception; recognition of a credit loss should no longer wait for objective evidence of impairment.

*Financial Liabilities*

PNCC classifies its financial liabilities at initial recognition into 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 integral to the effective interest rate.

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

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 under the contract and all cash flows 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 based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

For debt instruments measured at amortized cost and at FVOCI, the ECL is based on the 12-month ECL, which represents the portion of lifetime ECLs arising 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 all the risks and rewards of the asset, or (b) substantially has neither transferred nor retained all the risks and rewards of the asset substantially, 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 substantially 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 is 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 comprise insurance premiums, other prepaid items, and creditable withholding taxes. Prepayments expected to be realized within 12 months after the reporting date are classified as current assets; otherwise, they are classified as other non-current assets.

3.10 Investments

PNCC accounts for its investments in wholly owned or controlled subsidiaries at cost, while other investments classified as financial assets are measured at fair value. An allowance for impairment loss is provided for investments in subsidiaries, while market adjustments are accounted for in financial assets measured at fair value and recognized in 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 and have accumulated deficits. 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 the Corporation's operations, PNCC assumed 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 Supreme Court's ruling to transfer and turn over to the National Government the shares of stock in tollway Joint Venture Companies that PNCC holds 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 measured at fair value, 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 the property for subsequent accounting is its carrying amount as of the date of the 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 carrying amount of property and equipment resulting from revaluation is credited to equity under the heading “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. The revaluation increment is realized piecemeal 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 amortized on a straight-line basis 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 the 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 certain financial and non-financial assets and liabilities at fair value as of 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 liability is measured using the assumptions market participants would use when pricing the asset or liability, assuming they act in their own economic best interests.

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 appropriate to 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 recognized in the financial statements on a recurring basis, PNCC determines whether transfers have occurred between levels of the hierarchy by reassessing their 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 under 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 that are not used in business and are 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 outstanding principal amount and the effective interest rate.

*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 in assets, or the 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. After the commencement date, the Corporation remeasures the lease liability to reflect changes in lease payments arising from any of the following:

(a) a change in the lease term;

(b) a change in the assessment of an option to purchase the underlying asset;

(c) a change in the amounts expected to be payable under a residual value guarantee; or

(d) a change in future lease payments resulting from a change in an index or rate used to determine those payments.

The lease liability is remeasured using a revised discount rate when there is:

(a) a change in the lease term; or

(b) a change in the assessment of an option to purchase the underlying asset.

For changes in lease payments resulting from changes in an index or rate, the Corporation an unchanged discount rate unless the change results from fluctuations in floating interest rates, in which case a revised discount rate is applied.

The remeasurement of the lease liability is recognized as a corresponding adjustment to the related right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the lease liability, the remaining amount is recognized in profit or loss, in accordance with PFRS 16.

*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 in which the Corporation does not transfer all the risks and rewards of ownership of the assets are substantially 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 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 carry forward 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 considers 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 is 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, 2025 and 2024, 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 2025, those that are not 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, 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 apply when one currency cannot be exchanged into another. This may occur, for example, because of government-imposed controls on capital imports and exports, or because of a limitation on the volume of foreign currency transactions that can be undertaken at the official exchange rate. The amendments clarify when a currency is considered exchangeable for another currency and how an entity estimates a spot rate for currencies that are not exchangeable. The amendments introduce new disclosures to help financial statement users assess the impact of using an estimated exchange rate.

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

The new and amended PFRS that are not yet effective for the year ended December 31, 2025, and have not been applied in preparing the financial statements are summarized below.

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 for assessing the 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 PNCC's financial statements.

## 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 underlying 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 reasonable expectations of future events 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 P316.680 million and P290.515 million in 2025 and 2024, respectively (Note 27.2).

Rent expenses recognized in profit or loss amounted to nil in both 2025 and 2024.

*Contingencies*. PNCC is currently involved in various pending claims and lawsuits that could be decided in its favor or against it. PNCC's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house counsel and the Office of the Government Corporate Counsel (OGCC), which handles the prosecution and defense of these matters, and is based on an analysis of potential outcomes. 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 changes to estimates or by the effectiveness of strategies related 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 affecting the collectability of 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 require allowances on an ongoing 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:

| | **2025** | 2024 |
|---|---|---|
| Cash in bank – local currency | **108,213,921** | 128,579,489 |
| Cash with collecting/disbursing officer | **315,000** | 315,000 |
| | **108,528,921** | 128,894,489 |

*Cash in bank – local currency* represents deposits maintained with local banks, which earn interest at prevailing bank deposit rates. Interest income is recognized as earned.

Interest earned on cash in banks amounted to P59,718 and P34,043 in 2025 and 2024, respectively.

## 7. OTHER INVESTMENTS-CURRENT

This account consists of money placements in the Land Bank of the Philippines and Development Bank of the Philippines in the amount of P3.449 billion and P2.914 billion in 2025 and 2024, respectively, with varying periods of 141 days or more depending on the immediate cash requirements of the PNCC and earn interest at the prevailing short-term investment rates ranging from 5.00 per cent to 5.60 per cent.

Interest earned on these investments amounted to P155.891 million and P133.202 million in 2025 and 2024, respectively (Note 27.3).

## 8. RECEIVABLES

This account consists of the following:

| | **2025** | 2024 (As restated) |
|---|---|---|
| Current: | | |
| Loans and receivables | **181,945,230** | 256,657,659 |
| Lease receivables | **432,385,061** | 257,385,891 |
| Inter-agency receivables | **150,920,851** | 150,700,082 |
| Other receivables | **146,705,496** | 168,860,287 |
| | **911,956,638** | 833,603,919 |
| Allowance for impairment losses | **(57,409,583)** | (194,713,837) |
| | **854,547,055** | 638,890,082 |
| 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:

| | **2025** | 2024 |
|---|---|---|
| Loans and other receivables | **163,499** | 117,472,088 |
| Lease receivables | **54,828,519** | 54,828,519 |
| Other receivables | **2,417,565** | 22,413,230 |
| | **57,409,583** | 194,713,837 |

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

| | **2025** | 2024 (As restated) |
|---|---|---|
| Accounts receivable | **78,371,871** | 195,857,933 |
| Interest receivable | **50,051,023** | 31,854,203 |
| Receivables from Joint Ventures | **53,522,336** | 28,875,523 |
| Contributions and premiums receivable | **0** | 70,000 |
| | **181,945,230** | 256,657,659 |

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.

- Billed Contract receivable from the Philphos project for the assumed unfinished contract of DCBGSI amounting to P0.193 million.

8.2 Lease receivables consist of receivables from:

| | **2025** | 2024 |
|---|---|---|
| Current and former lessees in FCA | **377,556,542** | 202,557,372 |
| Equipment rental, former construction business | **54,828,519** | 54,828,519 |
| | **432,385,061** | 257,385,891 |

Lease receivable from *Current and former lessees in FCA* consists mainly of amounts due from the rental of Pacific Concrete Products, Inc., amounting to P376.768 million in 2025 and P199.824 million in 2024, respectively.

Lease receivable from *Equipment rental, a former construction business,* is fully provided with allowance for impairment losses.

8.3 Breakdown of the Inter-agency receivables account:

| | **2025** | 2024 |
|---|---|---|
| Due from National Government Agencies (NGAs) | **150,000,000** | 150,000,000 |
| Due from subsidiaries/associates/affiliates | **920,851** | 700,082 |
| | **150,920,851** | 150,700,082 |

*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 P0.920 million and P0.700 million for December 31, 2025, and 2024, respectively, represent various accommodations to the PNCC's subsidiaries.

8.4 Breakdown of the Other receivables account:

| | **2025** | 2024 (As restated) |
|---|---|---|
| Due from officers and employees | **385,985** | 161,669 |
| Other receivables | **146,319,511** | 168,698,618 |
| | **146,705,496** | 168,860,287 |

*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; globe billing for employees amounting to P1,133; under-withholding of taxes from compensation of officers and employees amounting to P235,365; receivable from retired or separated employees amounting to P30,324; other receivables from officers amounting to P9,779 and unliquidated cash advances of officers and employees amounting to P46,556.

*Other receivables account* consists of the following:

- Receivable from persons liable per various Notice of Finality of Decisions and COA Order of Execution totaling P143.433 million.

- Advances to contractors and subcontractors amount to P252,769.

- Advances to Government agencies amount to P795,828.

- Supersedeas/cash bonds re: various National Labor Relations Commission cases filed by present and former employees of the PNCC totaling P1.838 million, which consist mostly of claims for non-payment of benefits, such as mid-year bonus, exit bonus, and other benefits.

8.5 Non-Current accounts receivable

This account pertains to operating access fees due from oil companies, totaling P50.879 million. Of this, 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 due to a Writ of Garnishment issued in 2005, which prohibits 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.

8.6 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 PNCC officer guilty of the offense charged. The former officer filed an MR, which the Sandiganbayan denied. 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:

| | **2025** | 2024 |
|---|---|---|
| Office Supplies | **635,733** | 713,014 |
| Fuel, oil, and lubricants | **354,890** | 555,776 |
| Medical, dental, and laboratory supplies | **65,492** | 429,138 |
| Other materials and supplies | **4,812,546** | 4,745,886 |
| | **5,868,661** | 6,443,814 |
| Allow. for impairment losses-Other materials & supplies | **(3,514,962)** | (3,999,962) |
| | **2,353,699** | 2,443,852 |

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

Inventories recognized as expenses amounted to P4.754 million and P5.053 million in 2025 and 2024, respectively.

## 10. OTHER CURRENT ASSETS

This account consists of the following:

| | **2025** | 2024 |
|---|---|---|
| Withholding tax at source | **60,927,932** | 57,074,801 |
| Prepaid registration | **2,951,503** | 823,209 |
| Prepaid insurance | **2,608,314** | 547,462 |
| Creditable input tax | **74,572** | 74,572 |
| Other prepayments | **35,906** | 35,906 |
| | **66,598,227** | 58,555,950 |

## 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:

| | **2025** | 2024 |
|---|---|---|
| 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** | 216,500 |
| | **796,970** | 796,970 |

## 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 | **2025** | 2024 |
|---|---|---|---|
| Under dissolution | | | |
| DISC Contractors, Builders & Gen. 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 PNCC BOD as members of the DCBGSI Board to perform activities necessary to carry out the winding down of operations, the disposition of assets, the settlement of liabilities, and the closing of the books of account 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 before calling a Board Meeting to 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 of designating 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) following a successful and seamless turnover of the O&M responsibilities for the SMMS from PSC to a new corporation, 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, until the official closure, upon the Securities and Exchange Commission's approval of its request to shorten 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:

| | **2025** | 2024 |
|---|---|---|
| Skyway Stage 3 Corporation (*formerly CCEC)* | **1,240,000,000** | 1,240,000,000 |
| Skyway Stage 4 Corporation (*formerly CITI)* | **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:

| | **2025** | 2024 |
|---|---|---|
| **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 | **1,365,452** | 2,094,725 |
| Others | **286,600** | 286,600 |
| | **1,652,052** | 2,381,325 |
| Allowance for impairment losses | **(286,600)** | (286,600) |
| | **1,365,452** | 2,094,725 |
| | **1,546,610** | 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 fair values based on appraisals conducted by independent appraisers every other year, the most recent is 2025.

The fair values of the investment properties for CY 2025 were determined based on valuations performed by independent external appraisers, namely Cal-Fil Appraisal and Management Inc. and Vitale Valuation Services Inc., with an effective valuation date of December 2025.

The valuations were determined using the market approach, which considers recent market transactions for comparable properties and adjusts for relevant factors specific to the subject properties such as location, size, accessibility, physical characteristics, and prevailing market conditions.

Details of the account are as follows:

| | Land | Buildings and Improvements | Construction in Progress | Total |
|---|---|---|---|---|
| **At December 31, 2024** | | | | |
| Cost | 77,400,201 | 5,321,007 | 0 | 82,721,208 |
| Accumulated Depreciation | 0 | (4,017,629) | 0 | (4,017,629) |
| | 77,400,201 | 1,303,378 | 0 | 78,703,579 |
| Appraisal increase | 54,117,727,799 | 320,345,380 | 0 | 54,438,073,179 |
| | **54,195,128,000** | **321,648,758** | **0** | **54,516,776,758** |
| **At December 31, 2025** | | | | |
| Cost | 77,400,201 | 1,303,378 | 7,355,005 | 86,058,584 |
| Depreciation this year | 0 | (161,243) | 0 | (161,243) |
| Closing Net Book Value | 77,400,201 | 1,142,135 | 7,355,005 | 85,897,341 |
| Fair Value Adjustment, at the end of the year | 64,875,911,299 | 1,036,937,115 | 0 | 65,912,848,414 |
| **Balance at year end** | **64,953,311,500** | **1,038,079,250** | **7,355,005** | **65,998,745,755** |
| **At December 31, 2025** | | | | |
| Cost | 77,400,201 | 5,321,007 | 7,355,005 | 90,076,213 |
| Accumulated Depreciation | 0 | (4,178,872) | 0 | (4,178,872) |
| Closing Net Book Value | 77,400,201 | 1,142,135 | 7,355,005 | 85,897,341 |
| Appraisal Increase | 64,875,911,299 | 1,036,937,115 | 0 | 65,912,848,414 |
| **Balance at year end** | **64,953,311,500** | **1,038,079,250** | **7,355,005** | **65,998,745,755** |

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 129,548 sq. m. of land, known as Lot 6, from the National Government for P64.600 million, covered by Certificates of Pledge Nos. 2 (P38.5 million) and 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, P51.804 billion in 2023 and P62.196 billion in 2025.

The subject property has been leased out and has been generating lease revenue since 2005. Lease income earned, net of VAT, amounted to P314.180 and P290.515 million in 2025 and 2024, 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 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.

On September 10, 2024, PNCC took over the Hobbies of Asia portion of the FCA, covering 2.4 hectares.

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 | Fair Value |
|---|---|---|---|---|
| Dasmariñas, Cavite | 75,000 | 625,800 | 1,141,442,200 | 1,142,068,000 |
| Santa Ines, Pampanga | 110,465 | 6,627,900 | 613,242,600 | 619,870,500 |
| Casinglot, Misamis Oriental | 60,620 | 1,077,484 | 177,961,516 | 179,039,000 |
| Rizal, Tagaytay | 98,207 | 1,367,339 | 236,902,661 | 238,270,000 |
| Sta. Rita, Bulacan | 20,000 | 1,579,950 | 211,753,550 | 213,333,500 |
| Antipolo, Rizal | 14,770 | 1,185,531 | 150,830,469 | 152,016,000 |
| Porac, Pampanga | 116,591 | 145,737 | 79,808,763 | 79,954,500 |
| Bocaue, Bulacan | 9,926 | 162,678 | 69,815,822 | 69,978,500 |
| Sapang Maisac, Pampanga | 27,905 | 32,027 | 62,754,473 | 62,786,500 |
| | **533,484** | **12,804,446** | **2,744,512,054** | **2,757,316,500** |

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 of at least P150/sq.m. The Asset Privatization Trust, however, suggested that the price should be P180/sq.m. instead. The sale was not consummated due to the disagreement over 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 canceled after the April 1983 sale. 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 DOJ's decision 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. Rental income derived from investment property amounted to P316.680 million and P290.515 million for CYs 2025 and 2024, respectively. Gain from changes in fair value of investment property recognized in profit or loss amounted to P11.475 billion and nil for CYs 2025 and 2024, respectively, as no revaluation adjustment was recognized in 2024.

15.4 The direct operating expenses incurred by the PNCC from rental income-generating and non-rental income-generating investment property amounted to P22.712 million and P20.87 million, for 2025 and 2024, respectively. These direct operating expenses consist of real property taxes, security services, caretaker salaries, and business permits.

15.5 Details of Construction in Progress account are as follows:

| Project | **2025** | 2024 |
|---|---|---|
| Design, Construction, Installation, Testing and Commissioning of Sewage Plant at Financial Center Area, Pasay City | | |
| General Requirements | **387,598** | 0 |
| Planning & Engineering Design Phase | **555,325** | 0 |
| Construction Phase | **6,412,082** | 0 |
| | **7,355,005** | 0 |

## 16. PROPERTY AND EQUIPMENT

This account includes the following:

| | Land & Land Improvements | Buildings & Improvements | Construction Equipment | Transportation Equipment | Others | Total |
|---|---|---|---|---|---|---|
| **At December 31, 2024** | | | | | | |
| Cost | 10,115,936 | 36,800,884 | 9,563,566 | 47,053,440 | 9,802,780 | 113,336,606 |
| Accumulated Depreciation | (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 Depreciation | (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** |
| **At December 31, 2025** | | | | | | |
| **Cost** | | | | | | |
| Opening Net Book Value | 7,765,061 | 95 | 979,268 | 18,013,461 | 272,562 | 27,030,447 |
| Additions | 0 | 0 | 0 | 7,146,616 | 0 | 7,146,616 |
| Disposal/write-off | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation for the Year | 0 | 0 | 0 | (4,293,463) | (123,365) | (4,416,828) |
| **Closing Net Book Value** | **7,765,061** | **95** | **979,268** | **20,866,614** | **149,197** | **29,760,235** |
| **Revaluation Increment** | | | | | | |
| Opening Net Book Value | 2,261,147,468 | 12,987,062 | 1 | 0 | 3 | 2,274,134,534 |
| Appraisal Adjustment | 1,051,535,000 | 2,010,340 | 0 | 0 | 0 | 1,053,545,340 |
| Disposal/write-off | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation for the Year | 0 | (1,829,420) | 0 | 0 | 0 | (1,829,420) |
| **Closing Net Book Value** | **3,312,682,468** | **13,167,982** | **1** | **0** | **3** | **3,325,850,454** |
| **At December 31, 2025** | | | | | | |
| Cost | 10,115,936 | 36,800,884 | 9,563,566 | 54,200,056 | 9,802,780 | 120,483,222 |
| Accumulated Depreciation | (2,350,875) | (36,800,789) | (8,584,298) | (33,333,442) | (9,653,583) | (90,722,987) |
| Net Book Value | 7,765,061 | 95 | 979,268 | 20,866,614 | 149,197 | 29,760,235 |
| Revaluation Increment | 3,333,954,058 | 92,581,562 | 330,000 | 0 | 209,000 | 3,427,074,620 |
| Accumulated Depreciation | (21,271,590) | (79,413,580) | (329,999) | 0 | (208,997) | (101,224,166) |
| Net Book Value | 3,312,682,468 | 13,167,982 | 1 | 0 | 3 | 3,325,850,454 |
| | **3,320,447,529** | **13,168,077** | **979,269** | **20,866,614** | **149,200** | **3,355,610,689** |

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 |
| 2025 | 1,053.000 | CAL-FIL Appraisal & Management, Inc. and Vitale Valuation, Inc. |

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:

| | **2025** | 2024 |
|---|---|---|
| Balance at the beginning of the year | **357,143** | 0 |
| Additions | **89,286** | 357,143 |
| Balance at the end of the year | **446,429** | 357,143 |

## 18. OTHER NON-CURRENT ASSETS

This account consists of the following:

| | **2025** | 2024 |
|---|---|---|
| Guaranty deposits | **71,072,000** | 71,072,000 |
| Restricted cash | **14,273,193** | 16,262,236 |
| Other deposits | **2,828,226** | 828,226 |
| Other assets, net of allowance for impairment losses | **111,909** | 111,909 |
| | **88,285,328** | 88,274,371 |
| Assets for write-off | **10,268,557,322** | 10,276,180,544 |
| Allowance for losses | **(10,268,557,322)** | (10,276,180,544) |
| | **0** | 0 |
| | **88,285,328** | 88,274,371 |

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, with the help of the National Bureau

of Investigation (NBI), to investigate 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 that NBI conduct a thorough investigation into the alleged release by IAC 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 from the Court of Appeals granting its Petition for Certiorari, and the case was remanded to the NLRC 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, it remains 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 the resolution of issues among all concerned parties.

As of December 31, 2025, the balance of this account includes interest aggregating P14.27 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 |
| Accounts receivable- subsidiaries and affiliates | 202,677 |
| Investment in stocks | 179,798 |
| Other accounts receivable | 177,104 |
| Pre-operating expenses | 137,323 |
| Billed contract receivables | 90,523 |
| Advances to joint venture, net | 74,022 |
| Accounts receivable-trade | 54,829 |
| Claims receivable | 24,406 |
| Advances to subcontractors | 17,169 |
| Accounts receivable-long term | 12,000 |
| Deferred charges | 6,803 |
| Investment in joint ventures | 4,563 |
| Contract retention receivable | 2,380 |
| Advances to suppliers | 2,190 |
| Guarantee deposits | 812 |
| Advances to contract owners | 636 |
| Unbilled contract receivable | 234 |
| Accounts receivable-officers & employees | 162 |
| Other deposits | 1,897 |
| | **10,268,557** |

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 submission of additional documents to facilitate processing.

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:

| | **2025** | 2024 |
|---|---|---|
| Accrued expenses | **16,527,554** | 16,909,425 |
| Accounts payable | **6,598,364** | 5,817,027 |
| Other accounts payable | **308,730** | 472,921 |
| | **23,434,648** | 23,199,373 |

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, regarding mandatory deductions from 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:

| | **2025** | 2024 |
|---|---|---|
| **Due to National Government** | | |
| Concession fees (Toll Regulatory Board) | **7,850,454,000** | 7,592,451,800 |
| Joint venture companies' revenue/dividends | **1,329,017,649** | 1,329,017,649 |
| Toll revenue (SLEX operation under TOC) | **971,550,967** | 971,550,967 |
| | **10,151,022,616** | 9,893,020,416 |
| **Due to GOCC** | | |
| Various advances (NDC) | **1,203,000,000** | 1,203,000,000 |
| | **11,354,022,616** | 11,096,020,416 |

20.1 Concession fees

The concession fees of P7.850 billion (principal amount of P1.06 billion plus penalty charges of P2.58 billion from 2016 to 2025, 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, as well as PNCC's percentage share of 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 Supreme Court's (SC) decision in the *Francisco Case* (Note 1).

The SC directed the TRB, with the assistance of the COA, to prepare and finalize the IRG to determine the amounts to which the PNCC is entitled for its administrative expenses.

20.3 Toll revenue (SLEX operation under TOC)

Pursuant to the SC En Banc Decision discussed in Note 1, the 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 and 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 the DOJ also denied 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, on July 27, 2015, the corresponding Appeal Memorandum.

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 for 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:

| | **2025** | 2024 |
|---|---|---|
| Income tax payable | **52,724,850** | 54,932,120 |
| Due to BIR | **801,304** | 1,033,042 |
| Due to SSS | **133,582** | 354,710 |
| Due to Pag-IBIG | **24,297** | 198,763 |
| Due to PhilHealth | **0** | 112,287 |
| | **53,684,033** | 56,630,922 |

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:

| | **2025** | 2024 |
|---|---|---|
| Current | **99,623,157** | 98,223,157 |
| Non-Current | **3,789,629** | 3,789,629 |
| | **103,412,786** | 102,012,786 |

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 and Savvice Corporation over 10 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 balances of P67.551 million in 2025 and P45.904 million in 2024, respectively, were the amounts remaining after offsetting 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 2025) are as follows:

| Name of Stockholders (a) | Class of Stock (b) | Shareholdings (c) | Undeclared Dividend (b x c x 19 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 | 228,000,000 |
| Marubeni | Preferred "B" (8 per cent-17 per cent, cumulative, non-participating, non-voting) | 36,895,000 | 56,080,400 |
| Republic of the Phil. Through the PMO (previously under NDC) | Preferred "C" (14 per cent, cumulative, non-participating, non-voting) | 64,851,210 | 172,504,219 |
| Republic of the Phil. Through the PMO (previously under PNB) | Preferred "D" (8 per cent, cumulative, non-participating, non-voting) | 255,000,000 | 387,600,000 |
| | | **506,746,210** | **844,184,619** |

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

There were no movements in Share Capital as there were no additional issuances, subscriptions, or capital restructuring during the year. Accordingly, the balance of Share Capital remained unchanged despite the recognition of significant profit for the period, which is reflected in Retained Earnings.

## 25. SUBSCRIPTION 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** |

Subscriptions Receivable remained unchanged as no call on subscriptions was made by the BOD for the unpaid subscriptions during the year. Accordingly, no collection, settlement, or conversion of equity occurred despite the recognition of profit for the period.

## 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, reporting total amounts of P80.913 billion as of December 31, 2025, and P78.657 billion as of December 31, 2024, inclusive of accumulated interest charges and penalties amounting to P75.401 billion and P73.145 billion, respectively. These amounts have not been recognized in the PNCC's books. 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 20.1, 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 is 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 the DOJ also denied 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, on July 27, 2015, the corresponding appeal memorandum.

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 awaiting the OP of the Republic of the Philippines' decision regarding the MR.

Equity Adjustments – Loans Transferred to NG remained unchanged as there were no conversions, settlements, reclassifications, or approved adjustments of government-related balances during the year.

## 27. SERVICE AND BUSINESS INCOME

This account consists of the following:

| | **2025** | 2024 (As restated) |
|---|---|---|
| Share in profit/revenue of joint venture | **454,827,334** | 384,589,556 |
| Rental/lease income | **316,679,826** | 290,515,219 |
| Interest income | **174,725,596** | 143,753,205 |
| Dividend income | **18,761,685** | 69,688,092 |
| | **964,994,441** | 888,546,072 |

27.1 Share in Profit/Revenue of Joint Venture

This account consists of the following:

| | **2025** | 2024 (As restated) |
|---|---|---|
| Revenue Share | | |
| SMC Skyway Stage 3 Corporation (*formerly CCEC)* | **266,555,465** | 220,600,356 |
| NLEX Corporation (*formerly MNTC*) | **119,107,508** | 105,014,403 |
| SMC Skyway Corporation (*formerly CMMTC)* | **42,590,640** | 34,747,627 |
| SMC SLEX, Inc. *(formerly SLTC)* | **26,573,721** | 24,227,170 |
| | **454,827,334** | 384,589,556 |

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. Upon its expiration, PNCC's toll assets and facilities 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, the RTC of Makati, Branch 132, issued a Writ of Preliminary Injunction 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 to the Corporation the full amounts to be remitted under their respective Supplemental Toll Operations Agreement (STOA).

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's 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 P316.680 million and P290.515 million in 2025 and 2024, 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:

| | **2025** | 2024 |
|---|---|---|
| Within one year | **174,280,549** | 166,724,266 |
| After one year but less than five years | **771,916,690** | 666,897,064 |
| | **946,197,239** | 833,621,330 |

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 rent, and PNCC treated their payments 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 PNCC rental payments. 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 because 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 (OGCC) as PNCC's statutory counsel, are still ongoing as of December 31, 2025.

**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 executed, and PNCC took 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 on February 11, 2025, denied PNCC's Motion for Reconsideration.

PNCC, through OGCC, filed a Petition for Certiorari before the Court of Appeals on April 2025. The CA then issued a Decision dated May 05, 2025 wherein it dismissed PNCC's Petition. On June 04, 2025, the OGCC filed a Motion for Reconsideration of the said May 5, 2025 Decision. On October 1, 2025, the CA rendered a Resolution denying PNCC's Motion for Reconsideration.

Accordingly, the OGCC filed a Motion for Extension of Time to File Petition for Review before the Supreme Court last October 30, 2025. On December 1, 2025, the OGCC filed a Petition for Review before the Supreme Court. As of this date, the Supreme Court has yet to issue its Decision.

**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, challenging the amount of the monetary judgment, as the rental compensation awarded is below the amount provided in the expired 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 assistance from the Court Sheriff, the Company took possession of the subject property on August 9, 2023.

The Court of Appeals rendered a Decision dated April 30, 2025, partially granting Sps. Sedano's appeal and denying PNCC's appeal. The Court of Appeals affirmed with modification the award of reasonable compensation to PNCC in the amount of P2.305 million per month from September 1, 2017, until possession is returned to PNCC. The OGCC filed a Motion for Reconsideration; however, the Court of Appeals issued a Resolution dated October 07, 2025, denying the same.

On October 30, 2025, the OGCC filed a Motion for Extension of Time to File Petition for Review before the Supreme Court. On December 1, 2025, the OGCC filed a Petition for Review before the Supreme Court. As of this date, the Supreme Court has yet to issue its Decision.

***For FCA New Seaside Dampa and FCA New Hobbies of Asia Property:***

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 from:

| | **2025** | 2024 (As restated) |
|---|---|---|
| High-yield savings account | **155,890,592** | 133,201,945 |
| Others | **18,835,004** | 10,551,260 |
| | **174,725,596** | 143,753,205 |

27.4 Dividend Income

This account consists of the following:

| | **2025** | 2024 (As restated) |
|---|---|---|
| Citra Metro Manila Tollways Corporation | **17,659,834** | 68,983,726 |
| Alabang - Sto. Tomas Development, Inc. | **1,101,851** | 704,366 |
| | **18,761,685** | 69,688,092 |

## 28. GAINS

This account consists of the following:

| | **2025** | 2024 (As restated) |
|---|---|---|
| Gain on sale of unserviceable property | **0** | 1,224,253 |
| Gain from changes in FV of investment property | **11,474,775,235** | 0 |
| | **11,474,775,235** | 1,224,253 |

The gain from changes in the fair value of investment property in 2025, amounting to P11.475 billion, was based on the average fair value of land and buildings, determined using the average valuations performed by two independent appraisers every two years.

## 29. OTHER NON-OPERATING INCOME

This account consists of the following:

| | **2025** | 2024 |
|---|---|---|
| Reversal of impairment loss on receivables | **174,620** | 83,668 |
| Other income, net | **24,289** | 16,567,599 |
| | **198,909** | 16,651,267 |

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 2025, consists of the sale of bid deposits and overages in collection at FCA Seaside Dampa Market. While 2024 consists of the sale of the bid deposit, the reversal of the security deposit for Lola Taba and Lolo Pato, and LCDC and overages in collection at FCA Seaside Dampa Market.

## 30. PERSONNEL SERVICES

This account consists of the following:

| | **2025** | 2024 |
|---|---|---|
| Salaries and wages | **42,606,979** | 41,356,938 |
| Other compensation | **22,397,315** | 24,280,038 |
| Personnel benefit contribution | **3,096,854** | 2,575,875 |
| Other personnel benefits | **8,784,380** | 8,106,522 |
| | **76,885,528** | 76,319,373 |

## 31. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

| | **2025** | 2024 |
|---|---|---|
| General services | **24,323,733** | 17,005,787 |
| Taxes, insurance, and other fees | **9,702,188** | 11,509,441 |
| Professional services | **5,844,446** | 5,265,746 |
| Supplies and materials | **4,753,682** | 5,053,057 |
| Utility | **2,390,139** | 2,154,582 |
| Representation expenses | **1,960,398** | 1,127,786 |
| Transportation and traveling | **1,947,519** | 1,347,525 |
| Litigation expense | **1,243,139** | 1,445,369 |
| Communication | **1,240,382** | 1,209,512 |
| Repairs and maintenance | **1,203,224** | 803,300 |
| Training and scholarship | **315,743** | 381,213 |
| Other maintenance and operating expenses | **3,515,426** | 5,871,425 |
| | **58,440,019** | 53,174,743 |

## 32. NON-CASH EXPENSES

This account consists of the following:

| | **2025** | 2024 |
|---|---|---|
| Depreciation | **6,407,490** | 4,026,482 |
| Impairment Loss-Other assets | **0** | 2,204,129 |
| | **6,407,490** | 6,230,611 |

## 33. INCOME TAXES

The PNCC's provision for income tax for the year 2025, amounting to P2.966 billion, pertains to the current tax expense computed under the Regular Corporate Income Tax. Components of income tax expense are as follows:

| | **2025** | 2024 |
|---|---|---|
| Current income tax | **97,696,784** | 79,293,027 |
| Deferred income tax | **2,868,693,809** | 0 |
| Total income tax | **2,966,390,593** | 79,293,027 |

As of December 31, 2025, and 2024, 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:

| | **2025** | 2024 |
|---|---|---|
| Allowance for losses on assets for write-off | **10,268,557,322** | 9,615,422,219 |
| Allowance for impairment losses | **636,088** | 651,927,115 |
| Allowance for losses on investments | **177,467,411** | 177,467,411 |
| Allowance for impairment- other materials and supplies | **3,514,962** | 3,999,962 |
| | **10,450,175,783** | 10,448,816,707 |

As of December 31, 2025, and 2024, the recognized deferred tax assets pertain to the following:

| | **2025** | 2024 |
|---|---|---|
| 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, 2025, and 2024, deferred tax liabilities pertain to the following:

| | **2025** | 2024 |
|---|---|---|
| Fair value adjustment of investment property | **16,738,854,308** | 13,609,060,939 |
| Revaluation increment in property | **570,820,409** | 568,990,989 |
| | **17,309,674,717** | 14,178,051,928 |

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

## 34. OTHER COMPREHENSIVE INCOME

This account pertains to unrealized gains and losses arising from changes in fair value in each reporting period for investments classified as financial assets at fair value through other comprehensive income. The PNCC recognized unrealized gains amounting to nil and P25,000 in 2025 and 2024, respectively.

## 35. TAX MATTERS

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

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

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

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

- Deficiency 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 to clarify the issue, with the reduced amount still 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 took place because the Corporation learned of the findings regarding the alleged deficiency taxes only on October 22, 2010, well beyond the three (3)-year prescription period of April 15, 2010.*

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

- 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 to corporate income tax, value-added tax, and tax incentives, in addition to 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 December 31, 2020, the end of the reporting period, 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, 2025.

## 36. CONTINGENT LIABILITIES/CONTINGENT ASSETS

### PENDING LAWSUITS/LITIGATIONS

Contingent Liabilities

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

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

  This case arose after Asiavest-CDCP Sdn. Bhd. (Asiavest-CDCP), a corporation organized by both 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, sought reimbursement of the surety bond it had 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 unable to file its Answer to the Complaint because the transactions were executed in Malaysia and the documents were not immediately available at the time. Thus, the trial court rendered a judgment by default. Efforts were made to lift the default order and to reconsider the decision, but these were denied.

PNCC appealed the case to the Court of Appeals (CA), but the appeal 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 the RTC can issue a Writ of Execution.

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 an 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 to the Supreme Court but instead incorporated its arguments and position into its money claim before the COA. PNCC, through the OGCC, filed its Answer on June 30, 2021.

The COA issued its Decision granting the Petition for Money Claim on October 26, 2023. Thus, on April 23, 2024, PNCC filed an MR with the COA, which was denied in its Resolution 2025-014 dated January 28, 2025.

On August 13, 2025, PNCC filed a Petition for Certiorari with Application for the Issuance of a Temporary Restraining Order and Writ of Preliminary Injunction and Notice of Appearance before the SC, arguing that Asiavest Equity Sdn Bhd (In Members' Voluntary Liquidation) (Asiavest [MVL]) is not the judgment creditor and is not the real party-in-interest entitled to the money claim. On December 18, 2025, Asiavest filed a Comment seeking denial of the Petition.

- *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 reversed the CA's decision and ordered 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 had 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 grounds 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.

Asiavest (MVL) filed a Petition for money Claim dated October 7,2025 with the COA. PNCC filed an Entry of Appearance with Answer dated November 12, 2025, arguing that Asiavest (MVL) is not the judgment creditor and party to file said money claim. The SC issued a Resolution dated October 28, 2025, requiring Asiavest (MVL) to comment thereon within ten (1) days from notice and denying the application for the issuance of a Temporary Restraining Order (TRO). PNCC further filed a Supplemental Answer on December 12, 2025. Asiavest (MVL) filed a Reply dated December 15, 2025.

Pending Lawsuits/Litigations

In addition, the PNCC is involved in ongoing litigation in labor and civil cases. The ultimate outcome of these litigations cannot yet be determined, 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 before the PNCC, the National Labor Relations Commission, the CA, and the SC.

The civil cases filed against the PNCC consist of cases involving damages, collection of money, and attorneys' 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, with indeterminable amounts.

## 37. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key Management includes the Board of Directors (BOD), all members of management, and other company officers. Key management compensation totaled P24.206 million and P26.478 million in 2025 and 2024, respectively.
A breakdown of these amounts is as follows:

| | **2025** | 2024 |
|---|---|---|
| Salaries and wages | **9,564,062** | 9,497,547 |
| Per diem | **9,072,800** | 10,564,000 |
| Other benefits | **5,568,699** | 6,416,799 |
| | **24,205,561** | 26,478,346 |

## 38. RESTATEMENT OF ACCOUNTS

The 2025 and 2024 financial statements were restated to reflect the following transactions/adjustments:

| | **December 31, 2024 (As previously reported)** | **Restatements/ Adjustments** | **December 31, 2024 (As restated)** |
|---|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | | | |
| **Receivables, net** | **640,462,927** | **(1,572,845)** | **638,890,082** |
| *Recognition of under-accrual in 2024 CMMTC Dividend Shares* | | *6,622,438* | |
| *Recognition of over-accrual of Interest on unpaid PCPI rental* | | *(615,832)* | |
| *Recognition of over-accrual of CMMTC revenue shares* | | *(7,141,290)* | |
| *Recognition of over-accrual of SLEX revenue shares* | | *(438,161)* | |
| **Restatement in total Assets–net decrease** | | **(1,572,845)** | |
| **STATEMENT OF CHANGES IN EQUITY** | | | |
| **Retained Earnings** | **36,821,322,000** | **(760,761)** | **36,820,561,239** |
| **Recognition of prior period adjustment** | | | |
| *Recognition of under-accrual in 2024 CMMTC Dividend Shares* | | *6,622,438* | |
| *Recognition of over-accrual of Interest on unpaid PCPI rental* | | *(615,832)* | |
| *Recognition of over-accrual of CMMTC revenue shares* | | *(6,376,152)* | |
| *Recognition of over-accrual of SLEX revenue shares* | | *(391,215)* | |
| **Restatement on Equity–net decrease** | | **(760,761)** | |

| | December 31, 2024 (As previously reported) | Restatements/ Adjustments | December 31, 2024 (As restated) |
|---|---|---|---|
| **STATEMENT OF COMPREHENSIVE INCOME** | | | |
| **Service and Business Income** | **889,306,833** | **(760,761)** | **888,546,072** |
| *Recognition of under-accrual in 2024 CMMTC Dividend Shares* | | *6,622,438* | |
| *Recognition of over-accrual of Interest on unpaid PCPI rental* | | *(615,832)* | |
| *Recognition of over-accrual of CMMTC revenue shares* | | *(6,376,152)* | |
| *Recognition of over-accrual of SLEX revenue shares* | | *(391,215)* | |
| **Restatement on Net Income–net decrease** | | **(760,761)** | |

The PNCC presented the 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.

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

*Financial risk*

The PNCC's principal financial instruments comprise 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, vouchers payable, and accrued expenses (excluding statutory payables), which arise directly from its operations. The main risks associated with the PNCC's financial instruments are credit and liquidity risk. The PNCC's BOD and Management review and approve the policies for managing each risk.

The PNCC monitors market price risk arising from all financial instruments and regularly reports financial management activities and their results 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 have difficulty meeting its 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, how they arise, and the PNCC's objectives, policies, and processes for managing the risk, as well as the methods used to measure it, are the same for 2025 and 2024.

The following table summarizes the maturity profile of the PNCC's financial assets and financial liabilities as of December 31, 2025, and 2024, based on contractual undiscounted cash flows:

| | 2025 | | | |
|---|---|---|---|---|
| | **<1 year** | **>1 to <5 years** | **>5 years** | **Total** |
| **Financial Assets** | | | | |
| Cash | 108,528,921 | 0 | 0 | 108,528,921 |
| Other investments | 3,449,270,686 | 0 | 0 | 3,449,270,686 |
| Receivables | 296,159,799 | 325,425,924 | 232,961,332 | 854,547,055 |
| | **3,853,959,406** | **325,425,924** | **232,961,332** | **4,412,346,662** |
| **Financial Liabilities** | | | | |
| Accounts payable | 5,650,970 | 947,394 | 0 | 6,598,364 |
| Accrued expenses | 2,557,293 | 13,970,261 | 0 | 16,527,554 |
| Other accounts payable | 79,332 | 229,398 | 0 | 308,730 |
| Inter-agency payables | 53,571,048 | 112,985 | 0 | 53,684,033 |
| Customers' deposit | 99,623,157 | 0 | 0 | 99,623,157 |
| Deferred credits | 67,550,719 | 0 | 0 | 67,550,719 |
| Other financial liabilities | 258,002,200 | 516,004,600 | 10,580,015,816 | 11,354,022,616 |
| | **487,034,719** | **531,264,638** | **10,580,015,816** | **11,598,315,173** |
| Liquidity gap | **3,366,924,687** | **(205,838,714)** | **(10,347,054,484)** | **(7,185,968,511)** |

| | 2024 (As restated) | | | |
|---|---|---|---|---|
| | **<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 | 400,103,719 | 2,525,031 | 236,261,332 | 638,890,082 |
| | **3,442,897,824** | **2,525,031** | **236,261,332** | **3,681,684,187** |
| **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 | 45,904,235 | 0 | 0 | 45,904,235 |
| Other financial liabilities | 258,002,200 | 516,004,600 | 10,322,013,616 | 11,096,020,416 |
| | **466,119,326** | **531,845,161** | **10,322,013,616** | **11,319,978,103** |
| Liquidity gap | **2,976,778,498** | **(529,320,130)** | **(10,085,752,284)** | **(7,638,293,916)** |

*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, 2025 and 2024:

| | **2025** | 2024 (As restated) |
|---|---|---|
| Cash | **108,528,921** | 128,894,489 |
| Receivables | **854,547,055** | 638,890,082 |
| | **963,075,976** | 767,784,571 |

As of December 31, 2025 and 2024, the aging analysis per class of receivables is as follows:

**2025**

| | 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 | 0 | 78,371,871 | 78,371,871 |
| Interests Receivable | 49,887,524 | 0 | 0 | 0 | 0 | 0 | 49,887,524 |
| Contrib. and Premiums Receivable | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receivables from JVs | 53,522,336 | 0 | 0 | 0 | 0 | 0 | 53,522,336 |
| Lease receivables | 16,390,905 | 16,390,905 | 16,390,905 | 15,913,500 | 311,731,782 | 738,545 | 377,556,542 |
| Due from Nat'l Govt | 0 | 0 | 0 | 0 | 0 | 150,000,000 | 150,000,000 |
| Due from subs/assoc/ affiliates | 5,938 | 9,864 | 0 | 0 | 905,049 | 0 | 920,851 |
| Other receivables | 0 | 0 | 0 | 0 | 140,083,079 | 3,850,916 | 143,933,995 |
| | 119,806,703 | 16,400,769 | 16,390,905 | 15,913,500 | 452,719,910 | 232,961,332 | 854,193,119 |
| Due from officers and employees | 257,821 | 0 | 0 | 30,000 | 66,115 | 0 | 353,936 |
| | **120,064,524** | **16,400,769** | **16,390,905** | **15,943,500** | **452,786,025** | **232,961,332** | **854,547,055** |

**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 | 31,690,704 | 0 | 0 | 0 | 0 | 0 | 31,690,704 |
| Contrib. and Premiums Receivable | 0 | 0 | 0 | 70,000 | 0 | 0 | 70,000 |
| Receivables from JVs | 27,918,510 | 0 | 0 | 0 | 0 | 0 | 27,918,510 |
| 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 |
| | 76,995,292 | 16,483,080 | 151,415,209 | 15,520,000 | 142,091,448 | 236,261,333 | 638,766,362 |
| Due from officers and employees | 58,537 | 0 | 0 | 7 | 65,176 | 0 | 123,720 |
| | **77,053,829** | **16,483,080** | **151,415,209** | **15,520,007** | **142,156,624** | **236,261,333** | **638,890,082** |

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, 2025, and 2024.

| | Carrying Amount | | Fair Value | |
|---|---|---|---|---|
| | **2025** | 2024 | **2025** | 2024 |
| **Financial assets** | | | | |
| Cash | **108,528,921** | 128,894,489 | **108,528,921** | 128,894,489 |
| Other investments | **3,449,270,686** | 2,913,899,616 | **3,449,270,686** | 2,913,899,616 |
| Receivables | **854,547,055** | 638,890,082 | **854,547,055** | 638,890,082 |
| | **4,412,346,662** | 3,681,684,187 | **4,212,346,761** | 3,681,684,187 |
| **Financial liabilities** | | | | |
| Accounts payable | **6,598,364** | 5,817,027 | **6,598,364** | 5,817,027 |
| Accrued expenses | **16,527,554** | 16,909,425 | **16,527,554** | 16,909,425 |
| Other accounts payable | **308,730** | 472,921 | **308,730** | 472,921 |
| Inter-agency payable | **53,684,033** | 56,630,922 | **53,684,033** | 56,630,922 |
| Customers' deposit | **99,623,157** | 98,223,157 | **99,623,157** | 98,223,157 |
| Deferred credits/ Unearned income | **67,550,719** | 45,905,235 | **67,550,719** | 45,905,235 |
| Other financial liabilities | **11,354,022,616** | 11,096,020,416 | **11,354,022,616** | 11,096,020,416 |
| | **11,598,315,173** | 11,319,979,103 | **11,598,315,173** | 11,319,979,103 |

*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.

## 40. 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 2025 and 2024:

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

| | **2025** | 2024 |
|---|---|---|
| Vatable Sales | **821,208,485** | 738,777,944 |
| Output VAT | **98,545,018** | 88,653,353 |

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

| | **2025** | 2024 |
|---|---|---|
| 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 | **304,279** | 464,157 |
| Capital goods subject to amortization | **857,594** | 1,993,753 |
| Capital goods not subject to amortization | **104,893** | 57,514 |
| Services lodged under cost of goods sold | **0** | 0 |
| Services lodged under other accounts | **1,975,330** | 541,055 |
| Claims for tax credit/refund and other adjustments | **0** | 0 |
| Balance at the end of the year | **3,242,096** | 3,056,479 |

40.3 Other taxes and licenses:

| | **2025** | 2024 |
|---|---|---|
| Local: | | |
| Real estate tax | **1,674,348** | 954,478 |
| Mayor's permit | **6,485,056** | 6,144,145 |
| Philippine Stock Exchange | **250,000** | 250,000 |
| Community tax | **21,000** | 21,000 |
| | **8,430,404** | 7,369,623 |
| National: | | |
| BIR Annual registration | **0** | 500 |
| VAT/Percentage taxes | **1,245,451** | 1,276,805 |
| | **1,245,451** | 1,277,305 |

40.4 The amount of withholding taxes paid/accrued for the years 2025 and 2024 are as follows:

| | **2025** | 2024 |
|---|---|---|
| Tax on compensation and benefits | **7,419,299** | 7,451,017 |
| Creditable withholding taxes | **1,579,928** | 1,579,701 |
| | **8,999,227** | 9,030,718 |

## OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL AUDIT

**1. The financial statements of PNCC are materially misstated as the P5.552 billion unconverted debts remained recorded as equity, instead of liability. Moreover, other unreconciled principal liabilities as well as provisions for interest and penalties were not recorded in compliance with Philippine Accounting Standard (PAS) 37, resulting in an understatement of liabilities by P84.664 billion.**

1.1 This is a reiteration of the prior year's audit observation 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 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 of PNCC's various obligations. LOI 1295 specifically provides that "*after CDCP has made the prepayments/payments required herein, CDCP shall not be required to make further payments for interest on such obligations up to, and inclusive of, December 31, 1983*." In other words, 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 they 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 1295, was not automatically converted into equity pending the fulfillment of required payments. Nevertheless, these obligations were recorded in PNCC's books as equity under "Other Equity Instruments" instead of liabilities, as follows:

**Table 1 – Unconverted Debts Recognized as Equity**

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

1.4 As disclosed in the Notes to Financial Statements, the above-mentioned indebtedness of the Corporation remained recorded as equity, as the Corporation's position is supported by the Office of the Solicitor General (OSG) opinion dated August 23, 2007, that based on LOI 1295, which is a special law promulgated to rehabilitate the Corporation, the debts have effectively been converted into equity and, therefore, should no longer incur interest charges.

1.5 The Office of the Government Corporate Counsel (OGCC), in its Opinion No. 245 dated November 15, 2007, stated 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 that after the completion of the equity conversion,

PNCC shall no longer have any remaining obligations with the NG and PMO under LOI No. 1295, subject to the approval by higher authorities as may be required by law or regulation.

1.6 Further, the results of confirmation of the balances of the liabilities with the PMO and the Bureau of the Treasury (BTr) as of December 31, 2025, disclosed discrepancies with the balances per PNCC books. Details are shown below:

**Table 2 – Results of Confirmation of Liabilities with PMO and BTr**

| Account/GFI | Per PNCC | As confirmed by PMO/BTr | Variance |
|---|---|---|---|
| Accounts with PMO | | | |
| PNB | P2,865,445,000 | P73,121,486,133 | P70,256,041,133 |
| NDC | 1,356,693,000 | 1,807,346,124 | 450,653,124 |
| TIDCORP/PEFGC | 1,204,311,000 | 2,797,202,464 | 1,592,891,464 |
| CBP | 75,654,000 | 0 | (75,654,000) |
| DBP | 9,633,000 | 3,959,774,932 | 3,950,141,932 |
| Marina | 0 | 742,515,320 | 742,515,320 |
| Conveyance of Lot 3 | 0 | (1,515,680,000) | (1,515,680,000) |
| | P5,511,736,000 | P80,912,644,973 | P75,400,908,973 |
| Accounts with BTr | | | |
| Advances | 39,991,000 | 3,163,387,582 | 3,123,396,582 |
| Brady bonds | 0 | 587,900,000 | 587,900,000 |
| | 39,991,000 | 3,751,287,582 | 3,711,296,582 |
| **Total** | **P5,551,727,000** | **P84,663,932,555** | **P79,112,205,555** |

1.7 The Audit Team noted that the variance in the aggregate amount of P75.401 billion between PNCC and PMO records pertains substantially to interests and other charges imposed by the latter on the unconverted debts from GFIs assumed by the NG.

1.8 The Corporation did not recognize the disputed interest and other charges based on the following:

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

1.9 Also, as stated above, the position of the Corporation is supported by the OSG and the OGCC.

1.10 On the other hand, the P3.711 billion difference between the records of PNCC and BTr is due to the unreconciled principal amount of liabilities plus interest thereon. Per PNCC's books, only the principal amount of P39.991 million BTr advances is recorded, but included in the Other Equity Instruments account, which pertains to the accounts transferred by PNCC to the NG; thus, no longer recorded as liabilities. However, based on the recent confirmation reply from BTr, it claimed that NG advances to PNCC amounted to P1.409

billion, plus interest of P1.754 billion. BTr, however, confirmed $10 million Brady Bonds (P587.9 million), resulting in total liabilities of P3.751 billion as of December 31, 2025.

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

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

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

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

1.15 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 with the OP, and a supplemental MR was timely filed on February 16, 2023. As of December 31, 2025, no resolution has yet been received.

1.16 Moreover, considering that the Decisions of the DOJ and OP are averse to PNCC, it is imperative that PNCC provide a provision for the interest and penalties relative to the unconverted debts, in compliance with paragraph 14 of the PAS 37, which specifically states:

> *A provision shall be recognized when:*
>
> *(a) an entity has a present obligation (legal or constructive) as a result of a past event;*
> *(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and*
> *(c) a reliable estimate can be made of the amount of the obligation.*

1.17 In view of the above, the recognition of the P5.552 billion unconverted debts as part of equity and the non-recognition of unreconciled principal liabilities, interests, and other charges totaling P79.112 billion resulted in the understatement of total liabilities and overstatement of total equity by P84.664 billion. Further, there should have been a deficit of P42.634 billion, rather than retained earnings of P36.478 billion, as of December 31, 2025.

1.18 **We reiterated our previous years' recommendations that Management:**

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

**b) Reconcile and record the unrecorded principal liabilities as confirmed by the Privatization Management Office and Bureau of Treasury; and**

**c) Provide provision for interests, penalties, and other charges in compliance with PAS 37.**

1.19 Management contends that the classification of the P5.552 billion as either liability or equity remains unresolved, as the matter is still pending appeal before the OP. While a decision has already been issued affirming earlier rulings, PNCC has filed a Motion for Reconsideration and a Supplemental Motion for Reconsideration, both of which remain unresolved.

1.20 Management maintains that, pursuant to LOI No. 1295, the subject obligations were intended to be converted into equity. It further argues that the obligations may already have been extinguished by novation or prescription.

1.21 In view of the pending resolution of the case, Management asserts that recognizing the amount as a liability at this stage would be premature and may render its Motion for Reconsideration moot.

1.22 The Audit Team maintained its position that the recognition of the subject obligations is warranted in accordance with PAS 37.

1.23 The pendency of the Motion for Reconsideration with the OP does not prevent the recognition of a provision under PAS 37. The adverse Decisions issued by the DOJ, as affirmed by the OP, as well as the claims of the PMO and BTr, are evidence of a present obligation and a probable outflow of economic resources. Moreover, the amounts involved are determinable based on confirmations, thereby satisfying the requirement for a reliable estimate.

1.24 The arguments raised by Management, including the alleged extinguishment of obligations through novation or prescription, remain subject to final determination and do not negate the existence of the obligation for financial reporting purposes.

**2. The service concession assets and related liabilities pertaining to the Metro Manila Skyway Projects were not recognized in the books of accounts of PNCC, resulting in the understatement of assets and liabilities, contrary to PAS 1 on the fair presentation of financial statements.**

2.1 This is a reiteration of the prior year's audit observation with updated information.

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

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

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

2.5 In pursuit of the Government's infrastructure development program and to encourage private sector participation in the construction, maintenance, and operation of toll facilities, PNCC invited private sector partners to undertake the Metro Manila Skyway Projects jointly.

2.6 By virtue of the franchise granted to PNCC, the implementation of the Metro Manila Skyway Projects was facilitated; however, the service concession assets in the form of toll roads were not recognized in the books of PNCC.

2.7 PNCC adopts the Philippine Financial Reporting Standards (PFRS) as its financial reporting framework. This is generally applicable to private entities, and government-owned or controlled corporations (GOCCs) engaged in commercial operations likewise adopt it. However, accounting for service concession arrangements from the perspective of the grantor is not provided under PFRS; such accounting is addressed under the International Public Sector Accounting Standards (IPSAS), the framework applied by government entities without a primarily commercial substance.

2.8 PAS 8 provides that, in the absence of an applicable PFRS that applies to a transaction, other event, or condition, management shall use its judgment in developing and applying an accounting policy that results in financial statements that are reliable and relevant to the economic decision-making needs of users. In exercising such judgment, management may also consider pronouncements of other standard-setting bodies that use a similar conceptual framework, provided they do not conflict with PFRS. Accordingly, *IPSAS 32 – Service Concession Arrangements: Grantor* provides guidance on the accounting for service concession arrangements from the grantor's perspective.

2.9 IPSAS 32 defines service concession arrangement and service concession asset as follows:

> *A service concession arrangement is a binding arrangement between a grantor and an operator in which:*
>
> *(a) The operator uses the service concession asset to provide a public service on behalf of the grantor for a specified period of time; and*
>
> *(b) The operator is compensated for its services over the period of the service concession arrangement.*
>
> *A service concession asset is an asset used to provide public services in a service concession arrangement that:*

*(a) Is provided by the operator, which:*

*(i) **The operator constructs**, develops, or acquires from a third party; or*
*(ii) Is an existing asset of the operator; or*

*(b) Is provided by the grantor, which:*

*(i) Is an existing asset of the grantor; or*
*(ii) Is an upgrade to an existing asset of the grantor.*

2.10 For the purpose of this standard, a grantor is defined as the entity that grants the right to use the services concession asset to the operator. An operator is the entity that uses the service concession asset to provide public services, subject to the grantor's control of the asset.

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

2.12 Concerned parties communicated subsequent to the audit observation, positions regarding the appropriate accounting treatment of the service concession arrangement and the identification of the grantor under the arrangement.

2.13 Also, it was conveyed that PNCC received comments from a concerned party expressing a different view on the recognition of service concession assets under IPSAS 32.

2.14 The concerns raised are as follows: (i) that the TRB is the "Grantor" under the STOA, not PNCC; (ii) that PNCC has already assigned its rights, interests, and obligations and therefore should no longer recognize the service concession assets; and (iii) that, based on IPSAS 32 paragraph 9, the grantor is the entity that: (a) controls or regulates what services the operator must provide, to whom they must be provided, and at what price; and (b) controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement, which, according to their position, are functions exercised by the TRB through its approval of the design, construction, right-of-way acquisitions, operations and maintenance, and toll rates throughout the concession period.

2.15 After careful evaluation, the designation of the Toll Regulatory Board (TRB) as "Grantor" in the STOA is not controlling for accounting purposes. Under IPSAS 32, the identification of the grantor is based on the substance of the arrangement rather than contractual labels. The grantor is the entity that grants the right to use the service concession asset.

2.16 PNCC remains the legal franchise holder under PD No. 1113, as amended by PD No. 1894, which serves as the basis for the implementation of the projects. Without such a franchise, the concession arrangement could not have been undertaken. The assignment of its rights and obligations to private entities merely transfers implementation functions but does not, in substance, remove PNCC from the concession arrangement anchored on its franchise.

2.17 The claim that the control and regulatory functions under IPSAS 32 paragraph 9 are exercised by the TRB does not, by itself, establish that the TRB is the grantor for accounting purposes. The TRB exercises these functions in its regulatory capacity. The underlying right to grant the use of the service concession asset originates from PNCC's franchise, which remains the basis of the concession arrangement.

2.18 As provided by the standard, the grantor shall initially measure the service concession asset at its fair value. In determining the fair value of the service concession assets, the Controllership Department may refer to the financial records of the JV Companies or engage independent appraisers.

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

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

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

2.22 **We reiterated our previous years' recommendations that Management:**

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

**b) Recognize in the books of accounts the service concession assets and the related liabilities pertaining to Metro Manila Skyway projects.**

2.23 Management stated that it is currently conducting a study on the matter. While it acknowledged the Audit Team's position that PNCC should be considered the grantor under the Toll Operation Agreement, it emphasized that the contractual provisions should also be carefully reviewed.

2.24 In this regard, Management cited Section 5.20 of the Supplemental Toll Operation Agreement for the Skyway Stage 3 Project, which provides that ownership of the toll road pertains to the Philippine Government, with legal transfer of ownership occurring progressively during construction. Based on this provision, Management expressed that there may be an alternative view that the National Government, or the Toll Regulatory Board on its behalf, should recognize the service concession assets.

2.25 Management further stated that additional study is necessary due to the complexity of the matter and the significant impact of recognizing the assets in the books of the appropriate entity. It is also committed to providing updates on developments.

2.26 Management's comment that a study is being conducted on the matter is acknowledged.

2.27 The reference to Section 5.20 of the Supplemental Toll Operation Agreement, which provides that ownership of the toll road pertains to the Philippine Government, is noted. However, for accounting purposes, the recognition of service concession assets should consider the substance of the arrangement in accordance with applicable standards.

2.28 While Management emphasized the complexity and potential impact of the matter, the Audit Team encourages the timely completion of the study to facilitate proper recognition.

2.29 In view thereof, the Audit Team maintained its recommendation to recognize the service concession assets in the books of accounts in accordance with IPSAS 32. The Audit Team will continue to monitor Management's compliance with the audit recommendations.

**3. A provision for judgment award arising from 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 P56.916 million, excluding applicable interest and legal costs.**

3.1 This is a reiteration of the prior year's audit observation with updated information.

3.2 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.

3.3 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).

3.4 On August 19, 2015, the SC rendered a Decision in favor of AMB, which became final and executory on June 2, 2016.

3.5 The Decision affirmed the RTC ruling ordering PNCC to pay the following:

- 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.

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

3.7 On April 2, 2024, PNCC 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.*

3.8 During the audit of previous years' financial transactions, the Audit Team recommended that PNCC recognize a provision for the judgment award in accordance with PAS 37. The criteria for recognizing provision have already been met, as summarized below:

| PAS 37 Criteria | | Particulars in the case |
|---|---|---|
| (a) Obligating Event | : | SC Decision directing PNCC to pay |
| (b) Probable outflow of resources | : | Payment of the judgment award |
| (c) Reliable estimate | : | Details in dispositive portion of the Decision |

3.9 During the Exit Conference for the CY 2023 Financial Audit, the Head of Corporate Legal Department clarified that PNCC filed a Motion for Reconsideration (MR) before the COA Commission Proper, asserting that the claimant, Asiavest Equity SDN BHD, is a different entity from the original complainant in the SC decision.

3.10 While Management initially concurred with the recommendation to recognize the liability in the financial statements, it subsequently changed its position. It retained the disclosure in the Notes to the Financial Statements pending the resolution of the MR before the COA Commission Proper.

3.11 During the Exit Conference in the CY 2024 audit, the Management expressed concern that recording the liability may be used by the claimant against PNCC. Management explained that in the pleadings before the COA, the claimant admitted that they are different from the original complainant, thereby making them a separate entity. This is why PNCC filed a motion for reconsideration, arguing that the COA cannot order payment to someone who is not a party to the Supreme Court decision.

3.12 The Audit Team responded that while the claimant's identity is a legal issue, PNCC must still record the liability for financial reporting purposes, as the company is bound to pay.

3.13 A review of the submitted Financial Statement and the accompanying Notes revealed that PNCC did not recognize any provision for CY 2025. As a result, the reported liabilities remain understated.

3.14 On August 15, 2025, Management, through the *Agency Action Plan and Status of Implementation* for the CY 2024 audit, asserted that the recommendation was not implemented due to the pending Motion for Reconsideration. Management maintained that the claimant is a separate entity from AMB and argued that, in the absence of jurisdiction, no right or obligation could arise, and any claim arising therefrom would have no legal effect. Management further asserted that allowing the claimant to receive the judgment award would result in unjust enrichment at PNCC's expense.

3.15 However, COA Commission Proper, En Banc Notice No. 2025-014 dated January 28, 2025, denied PNCC's Motion for Reconsideration for failure to raise any new issue or substantial ground that would warrant the reversal of the assailed decision.

3.16 Aggrieved by the Decision, PNCC filed a Petition for Certiorari (with Application for Issuance of a Temporary Restraining Order (TRO) and Writ of Preliminary Injunction and

Notice of Appearance) with the Supreme Court (SC). However, on October 28, 2025, the SC sitting *En Banc* issued a Resolution denying the issuance of the TRO.

3.17 In the absence of a TRO, the COA Decision and the previous judgment award by the Judiciary remain valid and enforceable.

3.18 Despite the SC's denial of the TRO and the Motion for Reconsideration by COA, PNCC has not recognized any provision for the judgment award.

3.19 Accordingly, the non-recognition of the provision representing the judgment award per COA-CP Decision No. 2023-322 dated October 26, 2023, resulted in the understatement of liabilities by MYR 3.915 million or its equivalent in Philippine peso at the bank rate of exchange (on the date of payment) plus legal interest of six per cent to 12 per cent and attorney's fees, contrary to PAS 37.

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

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

**b) Make the necessary adjusting journal entries to recognize the unrecorded liability.**

**Further, we recommended that Management update the Notes to the FS with disclosures on provisions and possible impacts, even if legal issues are pending, in accordance with PAS 37.**

3.21 Management stated that while COA has already decided on the petition for money claim, the decision cannot be considered final as the case has been elevated to the Supreme Court, which is considered the final arbiter of all controversies. Management reiterated that there is an issue with the legal standing of Asiavest-MVL, as it appears to be different from the entity that filed the original case, which is Asiavest Merchant Bankers (M) Berhad.

3.22 Management further stated that due to the significant amount involved, prudence is required as PNCC may be paying the wrong entity, and thus opposes payment to Asiavest-MVL and recognition of the provision in the books pending resolution by the Supreme Court. Management also noted that another petition for money claim filed by Asiavest-MVL for MYR 5,735,076.36 plus interest is currently pending with COA and involves the same issue on legal standing.

3.23 The Audit Team maintained that the provision for the judgment award should be recognized in the books of accounts, as the obligation has already been established and the amount can be reliably measured. The existence of issues regarding the claimant's legal standing and the pendency of cases before the Supreme Court and COA do not preclude recognition of liability for financial reporting purposes under PAS 37.

**4. The Property and Equipment (PE) has a P24.867 million variance between the balance per books and the Report on Physical Count of Property Plant and Equipment (RPCPPE), inconsistent with Paragraph 15 of PAS 1; thus, immediate reconciliation is necessary to ensure faithful representation of the account.**

4.1 Pursuant to Paragraph 15 of PAS 1, financial statements should present fairly the financial position of an entity. This requires accurate records to support that account balances and that reported amounts faithfully reflect the values of assets held.

4.2 The summary of balances per books and the RPCPPE is shown below:

**Table 3 – Variance Between Cost and RPCPPE**

| Accounts | Cost | Per RPCPPE | Variance | Remarks |
|---|---|---|---|---|
| Motor vehicles | 49,641,770 | 41,361,701 | 8,280,069 | |
| Other machinery and eqpt. | 5,498,431 | 0 | 5,498,431 | No RPCPPE |
| ICT equipment | 5,439,924 | 1,507,926 | 3,931,998 | |
| Construction and Heavy Eqpt | 4,156,177 | 0 | 4,156,177 | No RPCPPE |
| Office Equipment | 2,056,843 | 528,359 | 1,528,484 | |
| Furniture and fixtures | 1,244,961 | 0 | 1,244,961 | No RPCPPE |
| Communications equipment | 190,000 | 145,349 | 44,651 | |
| Sports equipment | 181,802 | 0 | 181,802 | No RPCPPE |
| **Total** | **68,409,909** | **43,543,335** | **24,866,574** | |

4.3 Based on the above table, a net variance of P24.867 million was noted between the aggregate cost of the PE account and the balance reported in the RPCPPE. Verification disclosed that reconciliation between the account balance and the amounts reported in the RPCPPE was not performed.

4.4 RPCPPE is a report that summarizes the result of the physical inventory count of PE, which substantiates the existence and completeness of the recorded PE in the books of accounts. It is also used to reconcile the recorded balance of the PE account with the actual PE in existence.

4.5 Further inquiry with the concerned departments disclosed that the Controllership Department has yet to maintain a Property, Plant, and Equipment Ledger Card (PPELC). In contrast, the General Services Department (GSD) has yet to implement the utilization of Property Cards (PC).

4.6 PPELC is a form used and maintained by the accounting department to record the purchases and issuances of property and equipment. At the same time, PC is a form used and maintained by the supply/property department to record the receipts and issuances of property to end users.

4.7 Furthermore, the audit revealed that no RPCPPE was prepared for some PE accounts, and that the identified variance could have been reduced if the same had been prepared.

4.8 Moreover, had the Controllership Department and the GSD prepared and maintained the forms (PPELC and PC), ease of reconciliation of property inventory reports with the accounting records could have been achieved. Further, periodic review of these records would enable timely detection of emerging variances. The absence of this internal control practice contributes to identified discrepancies between the recorded balances and the property inventory reports.

4.9 The non-performance of reconciliation on the property reports with accounting records and the non-preparation of RPCPPE for some PE resulted in variances, inconsistent with Paragraph 15 of PAS 1, rendering the accuracy and reliability of the property and equipment account uncertain.

4.10 **We recommended that Management:**

**a) Conduct reconciliation of the balances of RPCPPE with the records of the Controllership Department;**

**b) Prepare and submit RPCPPE for Property and Equipment accounts without RPCPPE;**

**c) Require the Controllership Department to use the Property, Plant and Equipment Ledger Cards and the General Services Department to use the Property Cards to closely monitor the receipts and issuance of property and ease of reconciliation; and**

**d) Adopt internal control procedures to ensure effective monitoring and timely resolution of discrepancies.**

4.11 Management assured that reconciliation has already been conducted and the variances have been identified. A corrected RPCPPE will be prepared.

4.12 Management further committed that the Controllership Department will prepare and submit the RPCPPE for accounts without corresponding reports on April 30, 2026.

4.13 Moreover, Management noted that it will await the provision of templates for the PPELC and PC forms from COA prior to implementation.

4.14 Management likewise stated that the comments and recommendations in the Audit Observation Memorandum are duly noted.

4.15 The Audit Team acknowledged Management's efforts in reconciling and identifying the variances in the Property and Equipment account.

4.16 However, the results of the reconciliation have yet to be reflected in the RPCPPE, and reports for certain PE accounts remain unprepared as of the reporting period. As such, the variance between the balance per books and the RPCPPE persists.

4.17 In this regard, Management is reminded to strengthen the monitoring and reconciliation of PE records to ensure the accuracy and reliability of the account.

**5. The receivable arising from Notice of Finality of Decision (NFD) No. 2025-346, amounting to P20.519 million, was not recorded in CY 2025, contrary to Section 7.2.1 (d) and Section 22.6 of COA Circular No. 2009-006 dated September 15, 2009, resulting in the understatement of Other Receivables, affecting fair presentation of financial statements.**

5.1 Section 7.2.1 of COA Circular No. 2009-006 dated September 15, 2009, prescribing the Rules and Regulations on Settlements of accounts, provides that:

> *7.2 Responsibility of the Agency Accountant*
>
> *7.2.1 The Chief Accountant, Bookkeeper, or other authority official performing accounting and/or bookkeeping functions of the audited agency shall ensure that:*
>
> *d) the **disallowances and charges that have become final and executory as contained in the Notice of Finality of Decision (NFD) are recorded in the books of accounts**, and settlements thereof under the NSSDC are dropped therefrom; and*
>
> *e) the subsidiary ledgers/records are maintained properly updated for each official/employee determined to be liable /responsible for the amount disallowed/charged/suspended.*

5.2 Moreover, Section 22.6 of COA Circular No. 2009-006 dated September 15, 2009, provides that:

> *The Chief Accountant shall, on the basis of the NFD, record in the books of account the disallowance and/or charges as a receivable. xxx*

5.3 Additionally, Paragraph 15 of PAS 1 requires that financial statements present fairly the entity's financial position through the faithful representation of transactions in accordance with recognition criteria. This entails recording transactions in the proper period when they occur.

5.4 Audit of the Other Receivables account disclosed that NFD No. 2025-346 dated August 29, 2025, received by PNCC on September 23, 2025, amounting to P20.519 million, was not recorded in CY 2025. Review of journal vouchers showed that the receivable was recognized only on February 10, 2026.

5.5 Records further revealed that the recognition of the receivable was triggered by the partial settlement of Mr. Tolentino's amounting to P1.557 million, as evidenced by Collection Receipt No. 0000168 dated January 15, 2026. This indicates that the receivable was recorded only after collection, rather than upon receipt of the NFD.

5.6 The delayed recognition of the receivable is contrary to COA Circular No. 2009-006, which requires the recording in the books upon finality of the COA Decision. As a result, the Other Receivables account was understated by P20.519 million as of December 31, 2025, affecting the fair presentation of the financial statements.

5.7 **We recommended that Management:**

**a) Establish internal control requiring the Controllership Department to record the receivable upon receipt of the Notice of Finality of Decision (NFD) in accordance with COA Circular No. 2009-006;**

**b) Maintain subsidiary ledgers for each person liable under the NFD, indicating individual accountability, collections made, and outstanding balances; and**

**c) Instruct the Controllership Department to review prior period NFDs to ensure completeness of recording and recognize appropriate adjusting entries, if necessary.**

5.8 Management stated that while internal controls are in place within the Controllership Department, the subject NFD was not immediately recorded due to a qualifying provision indicating that receivables shall be recognized under the names of persons liable, except those with pending appeal, petition for review, motion for reconsideration, or petition for certiorari. In this regard, the matter was referred to the COA for clarification and guidance.

5.9 Management further explained that subsidiary ledgers are maintained to monitor individual accounts. It also informed that the receivable was subsequently recorded on February 10, 2026, under Reference No. 01-21-06-26, and that a copy of the journal entry will be furnished to the Audit Team.

5.10 Finally, Management committed to review prior period NFDs to ensure completeness of recording and to recognize necessary adjustments, as appropriate.

5.11 The Audit Team acknowledges Management's explanation that recognition of the receivable was deferred due to the qualifying provision in the NFD concerning persons with pending appeals or similar remedies. However, an NFD is, by its nature, final and executory and is issued only after the liability of the persons concerned has been finally determined. Hence, the corresponding receivable should be recognized upon receipt of the NFD.

5.12 The Audit Team will continue to monitor Management's compliance with the recommendations.

**6. The non-accrual of income from the DAMPA and Hobbies of Asia portions of the Financial Center Area (FCA) property resulted in the understatement of income and receivables by at least P14.598 million as of year-end, contrary to the accrual basis of accounting under PAS 1 and the Conceptual Framework for Financial Reporting.**

6.1 Paragraphs 27 and 28 of PAS 1 provide that:

> *An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.*
>
> *When the accrual basis of accounting is used, an entity recognizes items as assets, liabilities, equity, income, and expenses when they satisfy the definitions and recognition criteria.*

6.2 Further, Paragraph 4.47 of the Conceptual Framework for Financial Reporting of income provides that:

> *Income is recognized in the income statement when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably.*

6.3 PAS 1 requires that financial statements be prepared using the accrual basis of accounting, under which transactions and events are recognized when they occur and are reported in the financial statements on the periods to which they relate, and not when cash is received or paid.

6.4 Accordingly, income shall be recognized in the period in which it is earned, when it meets the definition of income and can be measured reliably, regardless of the timing of cash collection. Thus, income earned but not yet recorded is unaccrued income that should be recognized in the books.

6.5 On August 1, 2023, PNCC regained control over the Seaside Dampa Market and restaurants located within its FCA property in Pasay City, pursuant to a court order, and has since allowed various occupants to use the area under rental arrangements, with market occupants paying daily rates and restaurant operators paying monthly. Subsequently, on September 10, 2024, PNCC likewise regained control of the Hobbies of Asia portion of the FCA property, covering approximately 2.4 hectares, which is occupied by various tenants who pay rent.

6.6 Audit of receivables disclosed that income from the DAMPA and Hobbies of Asia portions of the FCA property was not accrued. Inquiry with the Controllership Department revealed that such income was recognized only upon collection due to the absence of formal lease contracts with the occupants.

6.7 Further verification with the Corporate Legal Department disclosed that Certificates of Use and Occupancy were issued to occupants, which established month-to-month use and occupancy arrangements, without provisions on deposits and advance payments. This arrangement was adopted to maximize the property's utilization pending approval of the Terms of Reference (TOR) for the FCA property by the Office of the President of the Philippines.

6.8 Audit disclosed outstanding receivables amounting to P11.929 million from occupants in the DAMPA portion as of December 31, 2025. Moreover, collections from the Hobbies of Asia portion totaled P3.343 million for the period January 1 to March 31, 2026, pertaining to CY 2025 unpaid rentals. Despite the existence of these rental obligations and subsequent collections, the Controllership Department recognized transactions only upon actual collection and did not record accruals of income and receivables.

6.9 Further, review of the existing policies on lease management revealed that the Realty Management is responsible for the preparation of billing invoices to lessees based on the Lease Administration Procedure. These billings serve as the basis for recording income and receivables upon due service to lessees and for subsequent collection. However, no billing invoices were prepared or served in instances where there is no formal contract of lease.

6.10 Nevertheless, the absence of formal lease contracts does not preclude recognition of income and receivables where there exists a valid arrangement establishing PNCC’s right to collect rentals and where the amounts can be reasonably measured. The issuance of Certificates of Use and Occupancy, together with the billing and collection of rentals, sufficiently establishes the existence of economic benefits accruing to PNCC.

6.11 Accordingly, the continued recognition of income on a cash basis due to reliance on the absence of formal lease contracts and the lack of harmonized procedures on billing is inconsistent with the accrual basis of accounting under PAS 1 and the Conceptual Framework for Financial Reporting. As a result, income and receivables were understated as of year-end, indicating deficiencies in income recognition.

6.12 **We recommended that Management:**

**a) Formalize the use and occupancy agreements covering rental rates, payment terms, deposits, penalties, and other essential provisions to provide a basis for proper recording and monitoring of transactions;**

**b) Require the Controllership Department to accrue income and corresponding receivables on a monthly basis in accordance with the accrual principle, based on existing arrangements where the right to collect is established and amounts can be reliably measured; and**

**c) Establish and implement harmonized policies and procedures on lease management, including billing and accrual of rental income, covering both lessees with and without formal lease contracts**

6.13 Management stated that it will study and identify the appropriate document to be executed to serve as the basis for the recording and monitoring of transactions, taking into consideration its tax implications. The comments and recommendations of COA in the subject AOM are duly noted.

6.14 Management's comments are noted. However, the Audit Team maintained that income and receivables should be recognized once the right to collect is established and amounts can be reliably measured, in accordance with the accrual basis of accounting under PAS 1. The absence of formal lease contracts does not prevent the recognition of income.

**7. Accounts Receivable had an unreconciled variance of P11.841 million between the balances per books and the confirmed balances, contrary to Paragraph 15 of PAS 1, which requires the faithful representation of the account.**

7.1 This is a reiteration of the prior year's audit observation with updated information.

7.2 Paragraph 15 of PAS 1, Presentation of Financial Statements, states 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.*

7.3 Confirmation requests were sent to various debtors of PNCC with recorded receivables totaling P510.307 million as of December 31, 2025, to validate the accuracy of the reported balances. The confirmation results disclosed an initial variance of P91.569 million between the balance per books and the amounts confirmed by the debtors. Details are as follows:

**Table 4 – Variance of Receivables per Confirmation**

| | Debtors | Per Books | Per Confirmation | Variance |
|---|---|---|---|---|
| 1 | Philippine Merchant Marine Academy (PMMA) | 78,178,474 | 0 | 78,178,474 |
| 2 | SMC Skyway Corporation (Skyway) | 12,037,612 | 6,622,437 | 5,415,175 |
| 3 | NLEX Corporation (NLEX) | 9,696,616 | 12,491,372 | 2,794,756 |
| 4 | National Labor Relations Commission (NLRC) | 1,838,369 | 4,275,662 | 2,437,293 |
| 5 | Pacific Concrete Products, Inc. (PCPI) | 376,767,997 | 379,184,715 | 2,416,718 |
| 6 | SMC SLEX, Inc. | 2,303,033 | 2,629,499 | 326,466 |
| 7 | SMC Skyway Stage 3 Corporation | 29,485,075 | 29,485,075 | 0 |
| | **Total** | **510,307,176** | **434,688,760** | **91,568,882** |

7.4 Audit and reconciliation of pertinent records disclosed that:

1. **PMMA** - The P78.178 million variance refers to the money claim of PNCC against PMMA, and it is not recorded in the books of accounts of the latter, pending the final outcome of the proceedings.

2. **Skyway** - The variance is primarily due to the non-accrual of dividends receivable in the books of accounts of PNCC.

3. **NLEX** - The variance is due to the under-accrual of receivables from revenue share for the month of December 2025, amounting to P2.795 million.

4. **NLRC** - The variance of P888,369 pertains to three (3) appeal bonds that are not included in the confirmation of NLRC. Although PNCC already provided an allowance for impairment losses on these bonds, Management should still coordinate with NLRC to verify the status of the cases and obtain supporting documents to derecognize them, if warranted. Details are as follows:

**Table 5 – Variance of Receivables per Confirmation of NLRC**

| Bonds and Case Nos. | Amount | Remarks |
|---|---|---|
| 1. Appeal bond - Romeo Mengote vs PNCC (NLRC Case No. 01-201278-05) | 500,000 | Verify status with NLRC and secure supporting documents if released. |
| 2. Appeal bond - Choleta Razel vs PNCC (NLRC NCR Case No. 02-01241-07) | 248,294 | Verify status with NLRC and secure supporting documents if released. |
| 3. Appeal bond - Jovito Vibas vs PNCC (NLRC NCR Case No. 00-03-8546-05) | 140,075 | Verify status with NLRC and secure supporting documents if released. |
| **Total** | **888,369** | |

5. **PCPI** - The variance arose from the net effect of several entries recorded by PNCC in the account of PCPI. Details are as follows:

**Table 6 – Causes of variance in the account of PCPI**

| Particulars | Amount |
|---|---|
| Various erroneous adjusting entries | 3,289,305 |
| Application of collections, net of taxes | 2,903,300 |
| Under-accrual | (1,109,323) |
| Application of advance rental to receivable | (7,500,000) |
| **Total** | **(2,416,718)** |

6. **SLEX** - The variance is due to the under-accrual of receivables from revenue share for the month of December 2025, amounting to P326,466.

7.5 Notwithstanding the reconciliations above, a variance of P11.842 million remains unresolved, as summarized below:

**Table 7 – Remaining Variance of Receivables per Confirmation**

| Debtors | Variance |
|---|---|
| 1. PMMA | 0 |
| 2. SMC Skyway Corporation | 5,415,175 |
| 3. NLEX Corporation | 2,794,756 |
| 4. NLRC | 888,369 |
| 5. PCPI | 2,416,718 |
| 6. SLEX | 326,466 |
| 7. SMC Skyway Stage 3 | 0 |
| **Total** | **11,841,484** |

7.6 The remaining unreconciled variances raise concerns about the faithful representation of accounts receivable, contrary to Paragraph 15 of PAS 1.

7.7 **We reiterated our previous year's recommendation that Management direct the Controllership Department to reconcile the remaining variances.**

**Further, we recommended that Management:**

**a) Record the necessary adjusting journal entries to reflect accurate account balances;**

**b) Direct the Corporate Legal Department to coordinate with the National Labor Relations Commission to verify the status of the cases and related appeal bonds, and to secure the necessary supporting documents as a basis for derecognition, if warranted; and**

**c) Ensure timely and regular reconciliation of receivables to prevent recurrence of discrepancies.**

7.8 Management provided explanations and actions taken to address the variances in Accounts Receivable per debtor. For PMMA, it stated that PNCC filed a Comment/Opposition to PMMA's Motion for Reconsideration dated May 13, 2024, and that COA has yet to resolve PMMA's MR of COA Resolution No. 2023-259 dated July 27, 2023.

7.9 For Skyway Corporation, Management stated that an adjusting entry for the correction of dividend income amounting to P6.622 million was already recorded on March 30, 2026, under AOM No. 26-005.

7.10 For NLEX Corporation, the variance was due to under-accrual, which was corrected in the following month upon receipt of the invoice.

7.11 For NLRC, Management reported that coordination with the Legal Department has been undertaken and that supporting documents will be provided once secured.

7.12 For PCPI, Management stated that an ongoing reconciliation is being conducted to determine the discrepancy, after which the necessary adjusting entries will be made.

7.13 For SMC SLEX, Inc., the variance was likewise due to under-accrual and was corrected in the following month upon receipt of the invoice.

7.14 Management further reiterated that Controllership is observing timely and regular reconciliation of receivables to prevent recurrence of discrepancies and that the COA recommendations are duly noted.

7.15 The Audit Team took note of Management's explanations and corrective actions for individual debtor accounts, including adjusting entries made and ongoing reconciliation efforts. The Audit Team will continue to monitor Management's compliance with the recommendations.

**8. Non-recognition of provision for retirement pay of employees qualified for voluntary retirement under Section 1 of Republic Act (RA) No. 7641, contrary to PAS 37, resulting in the understatement of liabilities and expenses amounting to P7.917 million.**

8.1 Paragraph 14 of the PAS 37 states that:

> *A provision shall be recognized when:*
>
> *(a) an entity has a present obligation (legal or constructive) as a result of a past event;*
> *(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and*
> *(c) a reliable estimate can be made of the amount of the obligation.*
>
> *If these conditions are not met, no provision shall be recognized.*

8.2 Further, paragraph 10 of the same standard defined the obligating event as:

> *An obligating event is an event that creates a legal or constructive obligation that results in an entity having no realistic alternative settling that obligation.*

8.3 Moreover, Section 1 of the RA 7641 dated December 9, 1992, to wit:

> *Art. 287. Retirement. – Any employee may be retired upon reaching the retirement age established in the collective bargaining agreement or other applicable employment contract.*
>
> *In the absence of a retirement plan or agreement providing for retirement benefits of employees in the establishment, an employee upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years which is hereby declared the compulsory retirement age, who has served at least five (5) years in the said*

*establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.*

8.4 Review of records from the Human Resources Department disclosed that, as of December 31, 2025, the following employees have already reached the optional retirement age of sixty (60) years, thereby creating a legal obligation on the part of PNCC to pay retirement benefits once the employees exercise their option to retire:

**Table 8 – Employees who reached Retirement Age**

| Employee Number | Tenure | Birthdate (MM/YYYY) | Current Age (in years) |
|---|---|---|---|
| 2015068 | 10.25 | 05/1965 | 60.63 |
| 2015071 | 14.17 | 05/1962 | 63.65 |
| 2011124 | 14.17 | 06/1962 | 63.53 |
| 2011181 | 14.17 | 11/1960 | 65.08* |
| 2011094 | 14.17 | 10/1964 | 61.23 |
| 2018104 | 7.63 | 12/1961 | 64.00 |
| 2019057 | 6.83 | 12/1964 | 61.02 |
| 2011160 | 14.17 | 01/1964 | 61.92 |
| 2019060 | 6.83 | 03/1962 | 63.77 |
| 2015101 | 10.25 | 06/1965 | 60.58 |

*Exceeded compulsory retirement age

8.5 Pursuant to RA 7641, employees covered by the Labor Code who reach the age of sixty (60) years and have rendered at least five (5) years of service are legally entitled to retirement benefits. Accordingly, PNCC has a present obligation to pay retirement benefits upon these employees' retirement. The attainment of retirement eligibility constitutes the obligating event under PAS 37 and, based on RA 7641, can be measured reliably. Hence, recognition of a provision is required.

8.6 However, the audit of PNCC's financial records disclosed that no provision for retirement pay was recognized, nor was any disclosure made in the Notes to Financial Statements. Based on the minimum benefit under RA 7641, the estimated retirement liability amounted to P7.917 million, computed as follows:

**Table 9 – Details of Retirement Payable**

| Employee Number | Hiring Date | Tenure | Basic Rate | Retirement Pay Payable |
|---|---|---|---|---|
| 2015068 | 10/2015 | 10.25 | 67,010 | 343,426 |
| 2015071 | 11/2011 | 14.17 | 108,386 | 767,734 |
| 2011124 | 11/2011 | 14.17 | 52,842 | 374,298 |
| 2011181 | 11/2011 | 14.17 | 246,434 | 1,745,574 |
| 2011094 | 11/2011 | 14.17 | 246,434 | 1,745,574 |
| 2018104 | 05/2018 | 7.63 | 66,305 | 252,788 |
| 2019057 | 03/2019 | 6.83 | 238,600 | 814,223 |
| 2011160 | 11/2011 | 14.17 | 93,547 | 791,555 |
| 2019060 | 03/2019 | 6.83 | 238,600 | 814,223 |
| 2015101 | 10/2015 | 10.25 | 52,265 | 267,858 |
| **Total** | | | | **7,917,253** |

8.7 The non-recognition of retirement obligation resulted in the understatement of liabilities and expenses for the year, which is not in accordance with PAS 37 and casts doubts on the faithful representation, completeness, and reliability of recorded liabilities and expenses.

8.8 **We recommended that Management:**

**a) Make the necessary journal entries to recognize the provision for retirement pay in accordance with PAS 37; and**

**b) Henceforth, establish a monitoring mechanism and periodically recognize provisions for retirement benefits and other employee obligations as required under PAS 37 and existing laws.**

8.9 Management explained that while Government-Owned and Controlled Corporations (GOCCs) organized under special charters are generally not covered by Republic Act (RA) No. 7641, PNCC is incorporated under the Corporation Code and is treated as a private corporation. As such, its employees may be subject to the provisions of the Labor Code, including RA Nos. 7641 and 4917.

8.10 Management further stated that PNCC previously maintained a retirement benefit plan, which was certified by the Bureau of Internal Revenue (BIR) on January 4, 1999; however, the corresponding trust account was closed in September 2011. It was also noted that a Retirement Board was created on February 3, 2020, with its initial meeting held on February 27, 2020.

8.11 In view of the foregoing, Management expressed that further study is necessary due to the complexity of the matter, particularly on the treatment of retirement benefits for financial reporting purposes vis-à-vis tax implications.

8.12 Management nevertheless acknowledged the observations and recommendations of the Audit Team.

8.13 The Audit Team acknowledged Management's clarification that PNCC is treated as a private corporation, rendering its employees subject to the Labor Code and the provisions of RA 7641. This supports the applicability of the minimum retirement benefits prescribed under the law.

8.14 While Management cited a previously BIR-certified retirement benefit plan, it was also disclosed that the trust fund was closed in 2011. In the absence of an existing, funded retirement plan, the minimum retirement benefits under RA 7641 remain applicable, thereby giving rise to an obligation on the part of PNCC.

8.15 The creation of a Retirement Board in 2020 is noted; however, this does not invalidate the existence of a present obligation for employees who have already met the age and service requirements.

8.16 Further, the Audit Team emphasizes that the recognition of a provision for retirement benefits is governed by PAS 37, which is based on the existence of a present obligation, the probability of outflow of resources, and the ability to estimate the amount reliably. These

criteria are independent of tax considerations. Hence, due to tax implications, the study does not preclude the recognition of the liability for financial reporting purposes.

8.17 In view thereof, the Audit Team reiterated its recommendation to recognize the minimum provision for retirement pay and to ensure appropriate disclosure in the financial statements in accordance with PAS 37.

## B. OTHER OBSERVATIONS

**9. The non-payment of concession fees to the National Government (NG) totaling P7.850 billion (comprised of the principal amount of P1.060 billion and penalty charges of P6.790 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.**

9.1 This is a reiteration of the prior year's audit observation with updated information.

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

9.3 Moreover, Clause 2.1.3 thereof provides that *"if PNCC fails to pay any amount of concession fee when it falls due and the amount remains unpaid for a period of 30 days, a penalty of two (2) per cent per month of the amount due shall be charged until the amount of concession fee is fully paid."* In December 1978, the parties executed a Supplemental TOA, amending the 30-day time frame to 365 days for the computation of penalty charges.

9.4 Our audit disclosed that as of December 31, 2025, PNCC has an outstanding unpaid concession fee to the NG amounting to P7.850 billion, inclusive of P6.790 billion penalty charges. The non-payment and non-compliance with the TOA resulted in the incurrence of a penalty of two per cent (2%) per annum, equivalent to P258 million annually. This recurring penalty continues to increase PNCC's total liabilities and significantly impacts its financial performance. PNCC has remitted only P487.627 million to the NG since 1985, and the TRB confirmed this balance.

9.5 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 one hundred percent (100%) of the toll revenue share for Skyway Stage 1 and 2, as these were undertaken pursuant to Presidential Decree (P.D.) No. 1894 and not under P.D. No. 1113, which expired in 2007. Subsequently, on July 9, 2025, PNCC wrote to TRB, reiterating its position that it is entitled to receive the full toll revenue share not only for Skyway Stages 1 and 2 but also for the Subic Expressway and the Northern Luzon Expressway projects.

9.6 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%.

9.7 Moreover, based on previous discussions with Management, PNCC is proposing to settle the unpaid concession fees through an offsetting arrangement using ninety percent (90%) of its revenue share from the Skyway projects that have been remitted to the NG through the TRB. Management maintains that such remittances represent amounts to which PNCC is entitled.

9.8 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 would be applied to settle the liabilities.

9.9 To pursue this, PNCC manifested its intention to schedule a meeting with the Bureau of the Treasury (BTr) to discuss the planned offsetting. However, as of December 31, 2025, no formal meeting has been conducted; consequently, the proposal remains uninitiated and uncertain, as no concrete steps have been undertaken to realize the proposed arrangement.

9.10 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. Urgent action is required to resolve the concession fee liabilities, as PNCC remains burdened with recurring penalties that adversely affect its financial performance. It is noteworthy that this matter has been raised in prior audit reports; however, the issue remains unresolved, resulting in the continued accumulation of outstanding obligations.

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

**a) Initiate the planned meeting with the Bureau of the Treasury and other concerned agencies to discuss the proposed offsetting arrangement;**

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

**c) 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 the National Government.**

9.12 Management stated that PNCC has already raised and consistently reiterated its position regarding the unpaid concession fees and the proposed offsetting arrangement with concerned agencies.

9.13 Management cited a meeting on July 1, 2025, with the TRB and COA, where PNCC presented its claim of entitlement to 100% of the toll revenue share for Skyway Stage 1 and 2 and its intention to offset the unpaid concession fee obligations with such revenue share. This was further discussed in a workshop held on July 14, 2025, with the TRB, DOF, PNCC, and COA, during which the settlement of the concession fee obligation was also raised.

9.14 Management also noted that it has previously communicated its position through several letters to the TRB dated February 6, 2017, June 24, 2022, January 2, 2024, January 31, 2024, July 9, 2025, and August 28, 2025.

9.15 Further, Management committed to maintain coordination with the TRB, DOF, and BTr to facilitate discussions on the settlement of the unpaid concession fees, including the proposed offsetting arrangement using PNCC's remittances to the NG. Management also stated that it is currently gathering and reviewing relevant documents to support future discussions with concerned agencies.

9.16 The Audit Team acknowledged Management's effort and commitment to maintain coordination with concerned agencies on the matter. However, the meetings and continuing communications with the TRB, DOF, and BTr, as well as prior correspondence, remained in the nature of discussions and have yet to result in a definitive settlement arrangement for the unpaid concession fees.

9.17 As of December 31, 2025, there is no definitive agreement, approved payment plan, or executed offsetting arrangement with the NG or its authorized agencies. In this regard, the obligation remained outstanding, and the non-payment resulted in the continued accrual of penalty charges under the TOA.

**10. Eight (8) real properties classified as investment property with a carrying amount of P1.408 billion remained idle and/or unutilized, depriving PNCC of potential income while continuously incurring maintenance expenses totaling P1.734 million for CY 2025, contrary to Section 2 of Presidential Decree (PD) No. 1445, thus, disadvantageous to the government.**

10.1 This is a reiteration of the prior year's audit observation with updated information.

10.2 Section 2 of PD No. 1445 provides that:

> *It is the declared policy of the State that all resources of the government shall be managed, expended, or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy, and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.*

10.3 Audit showed that eight (8) real properties of PNCC are idle or unutilized while continuously incurring maintenance expenses, as follows:

**Table 10 – Idle Investment Properties**

| Property | Location | Lot Area (Sq. m.) | Carrying amount | Maintenance expense |
|---|---|---|---|---|
| 1. Antipolo Property | Sta. Cruz & Dela Paz, Antipolo, Rizal | 14,770 | 152,016,000 | 106,257 |
| 2. Bocaue Property | Bolakan, Bocaue, Bulacan | 9,926 | 69,978,500 | 9,425 |
| 3. Tagoloan Property | Tagoloan, Misamis Occidental | 60,620 | 179,039,000 | 48,491 |
| 4. Porac Property | Manibaug Pasig, Porac, Pampanga | 116,591 | 79,954,500 | 1,226,914 |
| 5. Sapang Maisac. | Sapang Maisac, Mabalacat | 27,905 | 62,786,500 | 1,111 |
| 6. Sta. Ines Property | Sta. Ines, Mabalacat, Pampanga | 114,965 | 619,870,500 | 257,974 |
| 7. Tagaytay Property | Tolentino East, Tagaytay, Cavite | 98,207 | 238,270,000 | 83,333 |
| 8. Morong Property | Barrio Lagundi, Morong, Rizal | 2,542 | 6,392,500 | 0 |
| **Total** | | **445,526** | **1,408,307,500** | **1,733,505** |

10.4 Antipolo Property
The property comprises two separate parcels of land located in Antipolo City. One parcel is situated in the Town and Country Subdivision in Barangay Santa Cruz, while the other is located in Victoria Valley Subdivision in Barangay Dela Paz.

10.5 Per inspection conducted on November 04, 2025, disclosed that both lands are located in residential subdivisions. Based on the ocular inspection, the properties are suitable for sale, considering the conducive environment and the orderly condition of the areas.

10.6 Also, per Management inquiry, the subject properties are being considered for sale through public bidding. However, they remain unused and continue to incur expenses, such as association dues of P46,901 and real property taxes of P59,356.

10.7 Bocaue Property
The property is located along the southbound side of the North Luzon Expressway (NLEX) 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.

10.8 Per inspection conducted on December 9, 2024, the property is unused and unutilized, and access to the site is constrained by the enclosure bounded by the NLEX; thus, it lacks an entry point or right-of-way. The condition remains the same per subsequent inspection on November 13, 2025. Notably, a new hospital was constructed a few meters from the property, indicating development in the area.

10.9 According to the Head of the Realty Management Department (RMD), Management is planning to lease out the property on an "as is, where is" basis due to its location and constraints by way of the absence of a right-of-way. In CY 2025, PNCC incurred P9,425 in real property tax for the said property.

10.10 Tagoloan Property
The property located in Barangay Casinglot, Municipality of Tagoloan, Province of Misamis Oriental has a total area of 60,620 square meters. The Audit Team observed that informal settlers have long occupied a large portion of the property. Further, there are various structures within the property, including residential houses, a basketball court, and a chapel, built from a range of materials, from light to heavy.

10.11 Records show that in CY 2011, the Mayor of Tagoloan expressed interest in acquiring the property; however, the PNCC Board of Directors resolved to dispose of the property through public bidding in CY 2012. Despite this resolution, no concrete action has been taken, and the property remains undisposed and unutilized.

10.12 Per inspection conducted on December 12, 2024, the Audit Team noted the presence of an established community of informal settlers. Further, it is observed that some houses were constructed over a reclaimed area that was previously a mangrove swamp. While the property is accessible, parts of its internal roads are narrow and unpaved.

10.13 According to the President of the Homeowner's Association (HOA), there are plans to coordinate with the Home Development Mutual Fund (HDMF) to facilitate the acquisition of the land by the occupants, to which the Head of RMD confirmed. In fact, on November 11, 2024, a meeting with HDMF representatives was held to discuss the acquisition of

the property by the Local Government Unit (LGU) of Tagoloan for housing purposes. However, the HOA President added that the application is encountering constraints due to compliance requirements, particularly regarding the property's narrow, uneven road alignment.

10.14 On December 2 to 4, 2025, the Audit Team, together with Management, and accompanied by the Barangay Captain and the HOA President, inspected the property's conditions, which apparently remain the same. Also, a recently vacated lot was found to be unsecured, making it prone to illegal settlement.

10.15 In view of the above, the property remains unproductive and continues to incur expenses, including real property tax payment of P48,491 in CY 2025. Thus, there is an urgent need to dispose of the property to relieve PNCC of its burden and prevent unnecessary expenses.

10.16 Porac Property

The property, covering an area of 116,591 square meters, is located along the dried-up riverbed of the Manibaug Pasig River in Barangay Manibaug Pasig, Porac, Pampanga. PNCC previously used the site for sand quarrying activities due to the area's abundant sand deposits.

10.17 It was previously leased to Tokagawa Global Corporation (TGC) for P677,777 per month for quarry operations; however, the lease was pre-terminated effective July 6, 2022. Following the pre-termination, PNCC engaged a security agency to safeguard the property.

10.18 On December 11, 2024, the heavy equipment previously used by TGC was reported to be removed from the property; however, per inspection conducted on November 18, 2025, the equipment is still on the property. Indicating that no action has been taken to clear the site despite prior recommendations.

10.19 The continued presence of the heavy equipment on the property provides no benefit to PNCC. Management should require TGC to either remove the equipment or be billed for appropriate rent, storage, and security fees.

10.20 Further, it was observed that the volume of sand deposits within the property is relatively greater compared to neighboring areas. Since the property remains unused, adjacent areas may benefit from these deposits, as the sand naturally moves to nearby properties. Consequently, the benefit of these deposits will not be realized by PNCC.

10.21 Per inquiry with the RMD Head, TGC is still considering the possibility of re-leasing the property; however, no timeline has been set, and the property remains idle and unutilized. Based on previous lease rates, PNCC's annual foregone income is estimated to be at least P8.130 million. Thus, PNCC continues to incur P1.226 million in security expenses in CY 2025, without any income from the property.

10.22 Sapang Maisac Property

The property is located in Barangay Sapang Maisac, Mabalacat City, Pampanga, and was previously used by PNCC as a quarry site.

10.23 Per inspection last December 11, 2024, the property is divided by a roadway with a nearby creek. A portion of the property is gated and contains several structures, including a shanty near the entrance used as sleeping quarters by the caretaker's helper. Also within this section is a house with a non-functional swimming pool. Various animals, such as fighting cocks, ducks, and a pig, are being tended by the caretaker's helper.

10.24 On November 18, 2025, subsequent inspection revealed that similar conditions persist, including the continued presence of animals. The fighting cocks are predominant in the area, while the number of pigs has noticeably increased. Children, relatives of the caretaker's helper, were also observed in the area. In addition, a portion of the property continues to be utilized for agricultural activities, with rice crops noted during both inspections.

10.25 According to Management, the property is an NPA-infested area, where various groups attempt to claim and cultivate portions of the land. Apparently, the caretaker helper's agricultural activities are intended to assert control over the land and to prevent its occupation by outsiders. Nonetheless, these activities do not benefit the Corporation, and the property remains idle and unused. It continues to incur maintenance costs, including an annual real property tax of P1,111 and the caretaker's compensation.

10.26 Sta. Ines Property

The property is located in Barangay Sta. Ines, Mabalacat City, Pampanga, consists of five (5) adjoining lots with a total area of 114,965 sq. m. The majority of the 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 the other to private individuals, as shown below:

**Table 11 – TCTs of Sta. Ines Property**

| 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** | | |

10.27 According to the RMD Head, the property was acquired as part of the planned right-of-way of NLEX; however, due to the realignment of the Sta. Ines exit, only a portion was utilized. PNCC retained the rest following the turnover of NLEX to the National Government.

10.28 Per appraisal report dated January 18, 2022, only 15,640 sq. m. of the property covered under TCT No. 326191-R (51188-M) were used for the right-of-way. In addition, 1,715 sq. m. was an existing unpaved public road. This leaves approximately 97,610 sq. m. of idle and unutilized land.

10.29 During the inspection on December 11, 2024, the majority of the property is covered with grass and scattered trees. Further, a new barangay road has been partially constructed within the property to provide access to NLEX and nearby residents. However, the road remains incomplete as a fence blocks access to the expressway.

10.30 On November 18, 2025, a subsequent inspection was made, and the same condition was observed as that of the prior year. The access road intended to connect the property to NLEX remains obstructed by the same fence, rendering it incomplete and non-operational and limiting any potential utilization or development.

10.31 At present, the property remains idle and unutilized, and without any revenue, while incurring an annual cost of P257,973 for the caretaker's compensation.

10.32 Tagaytay Property

This property consists of two (2) adjoining lots with an aggregate area of 98,207 sq. m. It is a mountainous, forested area whose boundaries cannot be verified on the ground, as the property is not accessible via public roads and lacks a dedicated access road. It can only be viewed from an elevated portion of Tagaytay-Talisay Road. The nearest developed road is generally presumed to be located across the area.

10.33 Per inspection conducted on November 11, 2025, the same conditions exist; the exact boundaries could still not be established due to their inaccessibility. Moreover, an inquiry with the Management revealed that they plan to resurvey the area to establish the property's boundaries. However, the property remains unutilized and undeveloped, incurring real property tax expenses of P83,333 for CY 2025.

10.34 Morong Property

The property is located in Brgy. Lagundi, Municipality of Morong, Province of Rizal, comprised of ten (10) separate lots with a total land area of 2,542 square meters, details are as follows:

**Table 12 – TCTs of Morong Property**

| TCT No. | Lot/Block No. | Area (sq. m) |
|---|---|---|
| M-18602 | Lot 4, Block 10 | 240 |
| M-18603 | Lot 2, Block 10 | 240 |
| M-18604 | Lot 3, Block 10 | 240 |
| M-18605 | Lot 5, Block 10 | 240 |
| M-18606 | Lot 10, Block 5 | 240 |
| M-18607 | Lot 20, Block 4 | 240 |
| M-18608 | Lot 20, Block 9 | 240 |
| M-18609 | Lot 21, Block 9 | 240 |
| M-18610 | Lot 22, Block 9 | 240 |
| M-18611 | Lot 1, Block 10 | 382 |
| | | **2,542** |

10.35 According to the appraisal report, the Assessor's Office of Morong had no record of the property despite the submission of Certificates of Title and a Subdivision Plan clearly identifying the lots. Further, the area where the property is presumed to be located is part of a subdivision identified as Lagundi Heights. The latter was developed to accommodate relocatees from Intramuros, Manila. This raises concerns about the exact location and the property's verifiability.

10.36 Inquiry with the RMD Head confirms that, despite efforts to coordinate with the Assessor's Office, no tax map for the property can be obtained. The tax map is a crucial document

for identifying the exact location and property boundaries, and for verifying property ownership.

10.37 Per inspection conducted on November 4, 2025, the Audit Team observed numerous completed residential structures, with ongoing development activities undertaken by Baque Corporation. Per inquiry with Baque Corporation personnel, they have no record or knowledge that the subject property is within their development. They further indicated that the map presented by PNCC does not correspond with their vicinity map. They suggested that the subject property is located outside their development, possibly on adjacent lots. A closer inspection of the area revealed that a significant number of houses remain unoccupied, with some structures already showing signs of deterioration.

10.38 Due to the uncertainty of the location, PNCC is unable to utilize, manage, or benefit from the property. The lack of information and supporting records prevents any form of development, disposal, or strategic planning, representing lost opportunity and potential risk to the Corporation.

10.39 As regards the Sta. Rita Property: We commend Management for leasing the property to Savvice Corporation at a rate of P700,000 per month, starting September 01, 2025, thereby enabling PNCC to earn income therefrom. A similar arrangement may be considered for other properties, subject to Management's evaluation of its potential. Leasing such properties will allow the Corporation to optimize the utilization and generate additional revenue to cover maintenance costs.

10.40 These properties entail costs in the form of real property taxes, security/caretaker services, and other related expenses. Thus, keeping the properties idle and unproductive deprives PNCC of potential income and proves disadvantageous to the government, contrary to Section 2 of PD 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.

10.41 **We reiterated our previous years' recommendations that Management:**

**a) Determine the best and most beneficial use for all the subject properties. In relation thereto, formulate and implement a clear action plan or disposition for each property, as applicable;**

**b) Advertise properties suitable for lease and/or conduct public bidding for properties determined for disposal;**

**c) Strengthen security measures for all properties to prevent encroachment and illegal settlers;**

**d) Conduct a thorough review of all documents establishing the legitimacy, ownership, exact location, and boundaries for the Morong and Tagaytay Properties, and actively coordinate with relevant government agencies to secure necessary records, including tax maps, to determine their exact and actual location and boundaries;**

**e) Demand from Tokagawa Global Corporation 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.**

10.42 Management stated that the objective is to maximize the utilization of PNCC real estate properties and generate income therefrom. Among the eight (8) properties identified, only the Porac property is currently considered suitable for lease, and its offering to interested parties has been initiated.

10.43 Antipolo Property
Management stated that the properties are subject to subdivision restrictions, making them unsuitable for leasing. These were previously offered for public bidding in 1997 and 1999 without success, and are planned to be offered again for sale through public bidding.

10.44 Bocaue Property
Management stated that the property was previously offered to MNTC and other prospective lessees, but no interest was received. It may be offered for lease on an "as-is, where-is" basis despite a lack of right-of-way or access.

10.45 Tagoloan Property
Management stated that informal settlers have long occupied the property and that the property is organized as a homeowners' association. Past acquisition efforts did not materialize. Coordination with the Pag-IBIG Fund and the LGU regarding a possible acquisition is ongoing, with follow-up to be conducted.

10.46 Porac Property
Management stated that a prospective lessee has submitted a proposal for quarry operations on the property, which is currently under review.

10.47 Sapang Maisac Property
Management stated that the property is an interior agricultural lot being secured by caretakers. Certain activities (the presence of animals and cultivation) are allowed for security purposes. A study is recommended to determine its optimal use and leasing potential.

10.48 Sta. Ines Property
Management stated that the property forms part of the NLEX right-of-way and is registered under the Republic of the Philippines. Coordination with the Bureau of the Treasury is ongoing regarding a possible usufruct arrangement, and follow-up will be made.

10.49 Tagaytay Property
Management stated that the property has no established access road and its exact boundaries remain unverified. A relocation survey will be conducted again to determine its boundaries and location.

10.50 Morong Property
Management stated that verification was conducted with relevant government offices, and a request for Land Status Certification was made to determine the exact location and resolve issues on overlapping or conflicting claims.

10.51 The Audit Team maintained that PNCC should pursue measures to maximize the utilization of its real properties and generate income therefrom, consistent with the principles of efficiency, economy, and effectiveness under PD No. 1445. The Audit Team will continue to monitor Management's compliance with the recommendations.

**11. The absence of an updated definitive development plan by Management and the Board of Directors (BOD) for the lease and development of the 9.9-hectare portion of the Financial Center Area (FCA) property resulted in its continued underutilization and foregone income, contrary to Section 2 of PD No. 1445.**

11.1 This is a reiteration of the prior year's audit observation with updated information.

11.2 Section 2 of PD No. 1445 provides that:

> *It is the declared policy of the State that all resources of the government shall be managed, expended, or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy, and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.*

11.3 PNCC owns a 12.954-hectare property known as the Financial Center Area (FCA) located along Macapagal Boulevard, Pasay City. Portions of the property were previously leased on a short-term basis until the lease agreements expired in May 2018. Thereafter, the BOD resolved not to renew the contracts to pursue a long-term lease and development plan.

11.4 On October 8, 2019, PNCC entered into a long-term lease contract covering a 3-hectare portion of the property, while the remaining 9.9 hectares remained unproductive for PNCC, with pending ejectment cases filed against former lessees who continued to occupy the premises despite the expiration of their lease agreements. The 9.9-hectare portion was intended for development through public bidding pursuant to Board Resolution No. BD 66-2019, dated July 10, 2019, which approved the Terms of Reference (TOR) and authorized Management to secure approval from the Office of the President (OP). The TOR was submitted to the OP on July 18, 2019.

11.5 Subsequently, on February 26, 2020, the President and CEO followed up with the OP on the status of the request for comment/approval of the TOR. In response, a letter dated March 6, 2020, was issued referring the matter to the Department of Finance (DOF) for appropriate action.

11.6 In CY 2023, through Audit Query Memorandum, the Audit Team inquired about actions taken by Management to fast-track the approval of the TOR, including whether Management informed the new administration regarding its pending request, considering that there was a change in administration in June 2022.

11.7 Management informed that a follow-up was made with the Privatization Management Office (PMO) on July 21, 2021. In its reply dated July 26, 2021, the PMO 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.

11.8 PNCC addressed these concerns through a letter dated September 8, 2021. However, despite such clarifications, no approval or definitive response from the OP has been received as of the audit date.

11.9 Management previously cited the issuance of Memorandum Circular No. 3 dated July 27, 2022, by the Executive Secretary, which restricted hold-over officials from entering into new contracts, as one of the reasons for deferring the project. Management explained that the deferral was intended to give the incoming appointive Board of Directors a free hand on the project. However, this condition is no longer applicable.

11.10 In response to the prior year's audit observation, Management informed that on March 26, 2025, the PNCC Business Development and Legal & Compliance Joint Committees met to revisit the TOR, during which the salient features, including the proposed master development plan, lease terms, and minimum bid price, were presented.

11.11 The BOD observed that the assumptions in the 2019 TOR may no longer be valid due to significant changes in property conditions, including increased valuation and the resolution of issues involving illegal occupants. Accordingly, the Board directed the Corporate Legal Department to conduct a comprehensive review of the TOR to guide the determination of the appropriate course of action.

11.12 Meanwhile, PNCC made progress in regaining control of portions of the property. In 2023 and 2024, the Company recovered approximately 4.5 hectares of land that Seaside Dampa and Hobbies of Asia previously occupied. In addition, a Writ of Execution covering approximately 400 square meters remains pending enforcement.

11.13 Notwithstanding these developments, the remaining portions of the 9.9-hectare FCA property continue to be idle and unutilized due to unresolved legal matters and the absence of a finalized development plan. As of the audit date, no updated TOR, approved development plan, or definitive implementation timeline has been established. The actions undertaken by Management remain at the review and evaluation stage and have yet to yield a concrete, implementable course of action.

11.14 Based on the average fair rental value derived from the appraisal reports of two independent appraisers, the foregone income from the idle or unutilized portion of the FCA property is estimated at approximately P1.167 billion for CY 2025.

11.15 Considering that more than seven (7) years have elapsed since the expiration of the previous lease agreements in 2018, the absence of a development strategy has resulted in the prolonged underutilization of a valuable government asset and foregone income.

This condition is contrary to Section 2 of PD No. 1445, which mandates the efficient, economical, and effective utilization of government resources.

11.16 **We reiterated our previous years' recommendations that Management:**

**a) Review, finalize, and approve the revised Terms of Reference or alternative development strategy/plan that reflects current property conditions;**

**b) Establish a definite timeline and immediately implement the approved development plan; and**

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

11.17 Management, through its Legal Department, informed that it has revisited the continued relevance of the TOR for the lease and development of the subject property. However, the review has yet to be completed due to significant developments encountered during the process.

11.18 Management cited that a new appraisal report was commissioned in CY 2025 and was released only in January 2026, which necessitated a reassessment of the proposed development parameters and strategies for the FCA property.

11.19 In addition, the Department of Transportation (DOTr) has expressed the need to take possession of PNCC's current office in Bicutan, Parañaque City, in connection with the North-South Commuter Railway Expansion Project. As a result, Management is considering relocating its office to the FCA property. A portion of the property is currently being prepared for operational use in relation to the planned relocation.

11.20 Management further stated that these developments affected the immediate utilization plans for the property and that the ongoing transition will allow a better evaluation of its highest and best use, including possible phased development and other income-generating opportunities. Thus, Management asserted that the property's current status should not be construed as underutilized but rather as a deliberate and prudent approach to property management.

11.21 Management also cited concerns previously raised by the Privatization Management Office (PMO) in its letter dated July 26, 2021, particularly on PNCC's authority to lease the property and the need to consider the settlement of its obligations with various national government agencies in the proposed lease arrangement.

11.22 Nevertheless, Management concurred with the audit recommendations and committed to undertake the necessary actions and regularly update the Audit Team on developments concerning the property.

11.23 The Audit Team acknowledges Management's review of the TOR, which was affected by the updated appraisal released in January 2026, and the proposed relocation of PNCC's office to the FCA in connection with the DOTr's requirement. However, the development of the FCA has been pending since the expiration of the previous lease agreements in 2018, and the TOR has remained unfinalized since 2019.

11.24 While these developments may necessitate adjustments in the development strategy, these should not preclude the timely formulation and approval of a definitive and implementable plan.

11.25 Moreover, the proposed office relocation pertains only to a portion of the FCA. Thus, the remaining areas remain idle, and no clear timeline or comprehensive development plan has been established to ensure optimal use of the entire 9.9-hectare property.

11.26 The Audit Team likewise notes the concerns raised by the PMO as early as 2021 regarding PNCC's authority to lease the property and the treatment of its obligations. The continued absence of resolution on these matters underscores the need to establish a clear course of action.

11.27 In view thereof, the Audit Team maintained that the property remains underutilized, and that the absence of a definitive development plan and implementation timeline is not consistent with the policy on efficient, economical, and effective utilization of government resources under PD 1445.

**12. The CDCP-FC property located in Tabang, Guiguinto, Bulacan, with a fair market value of 69.726 million and whose occupancy fees are being collected by PNCC, continues to generate minimal revenues owing to outdated rate fees, collection, and property management inefficiency. These conditions are disadvantageous to the government and contrary to Section 2 of PD No. 1445.**

12.1 CDCP Farms Corporation (CDCP-FC), incorporated on August 15, 1974, is a wholly-owned subsidiary of PNCC. Due to financial incapacity, CDCP-FC ceased operations on December 31, 1988. Its registration was subsequently revoked by the Securities and Exchange Commission on July 2, 2003, for failure to submit reportorial requirements. On November 19, 2012, the Governance Commission for Government-Owned or Controlled Corporations (GCG) classified CDCP-FC as Dissolved/Liquidated/Inactive. Under the Memorandum Order of the President of the Philippines dated August 7, 2014, a Technical Working Group (TWG) was directed to be created to wind up the affairs of PNCC subsidiaries, including the disposition of assets, settlement of liabilities, and transfer of their functions to PNCC. In the absence of CDCP-FC officers and employees, PNCC assumed responsibility for the administration and collection of occupancy fees from the subject property.

12.2 As provided in the Liquidation Plan of CDCP-FC, the Tabang property is intended to be transferred to PNCC through *dacion en pago* as settlement for CDCP-FC's outstanding liabilities. Thus, PNCC needs to ensure that the property is properly managed, secured, and optimized, even while the transfer is ongoing.

12.3 Prior audits of CDCP-FC consistently noted that the occupancy fees imposed on occupants were still based on the last executed agreements from 2005 to 2006. Since then, the monthly rate of only P4.00 per square meter has remained unchanged for nearly two decades. No escalation or adjustment to reflect the prevailing market rates.

12.4 The agreements executed in 2005–2006 have long expired, and were not renewed due to the absence of CDCP-FC officials. The property is presently occupied by informal settlers who pay occupancy fees. The absence of CDCP-FC officials precludes renewal

or updating of contracts, resulting in the continued application of outdated rates, weak enforcement of obligations, and exposure to potential financial losses and legal disputes.

12.5 Even with the low occupancy rate fees, many occupants still fail to pay fully and on time, resulting in accumulated receivables, with most occupants having outstanding balances.

12.6 Per PD No. 1445 and COA regulations, government assets must be managed and utilized in the most economical, efficient, and advantageous manner. However, inefficient collection and property management prevent PNCC from maximizing the Tabang property's potential use and income. Despite recommendations in prior audits, Management has yet to establish proper authority without CDCP-FC officials to update the occupancy fee rates and strengthen the monitoring and collection of receivables.

12.7 Moreover, occupants are paying fees only for the areas directly occupied by their houses. During inspection, it was observed that some of the surrounding areas are also being utilized for various purposes but remain unassessed or unbilled, including the following:

- Spaces used as parking areas for jeepneys reportedly owned or operated by the occupants;
- Some are used as storage areas where wooden boxes, pallets, and other materials scatter around the property, contributing to disorder and eyesore conditions; and
- Some are used to house fighting cocks in cages.

12.8 These unbilled or unassessed areas represent potential income that remains unrealized due to inefficient property management.

12.9 Also, it was observed that garbage has accumulated at the rear portion of the property, creating conditions similar to a dump site. This may diminish the property's value and pose sanitation, health, and safety concerns.

12.10 Notwithstanding the above, we commend Management for leasing out the Sta. Rita, the Bulacan property, and transferring its caretaker to oversee the Tabang property. However, despite the presence of a caretaker, the foregoing issues persist, indicating the need for closer supervision and proper management in the area.

12.11 From January to November 2025, the property generated total occupancy income of P149,424 (P13,584 monthly), of which only P105,296, or about 70 percent, was actually collected. The income collected during the period is insufficient to cover the Real Property Tax for CY 2025, amounting to P38,766; the caretaker’s monthly salary of P22,500; and expenses for gasoline, toll fees, meals, and the salaries of the employee and driver assigned for monthly collection in Bulacan. Apparently, the property operates at a net loss, rendering the continuation of the current arrangements disadvantageous to the government.

12.12 Overall, the protracted resolution of proper authority resulted in the non-execution or non-renewal of new agreements and continued use of outdated rates. Further, inadequate monitoring and improper property upkeep and management have resulted in unrealized income, accumulated arrears, and financial losses. Also, these conditions expose PNCC to potential legal disputes with occupants, and deterioration and possible devaluation of the subject property.

12.13 **The Audit Team recommended that Management:**

**a) Facilitate the immediate transfer of property from CDCP Farms Corporation to PNCC to enable the latter to resolve the issue on proper authority, to execute appropriate agreements, and update the occupancy rate fees;**

**b) Reassess the occupied areas and determine appropriate fees for their usage, whether as parking, storage, or other purposes;**

**c) Employ measures to improve collection, while the liquidation process is ongoing;**

**d) Clear, clean, and properly manage the property, including the removal of unauthorized structures, debris, and accumulated garbage; and**

**e) Strengthen supervision through regular inspection, monitoring, and setting property rules and order.**

12.14 Management stated that it has been coordinating with the GCG regarding the closure of CDCP-FC and the transfer of the Tabang, Guiguinto property to PNCC. During recent discussions, both parties agreed in principle that the transfer may be effected through a return-of-investment arrangement rather than dacion en pago, as it is considered more practical and cost-efficient.

12.15 Management further stated that it will continue to coordinate with GCG and will consult with the Office of the Government Corporate Counsel to obtain guidance on the legal and tax implications of the proposed transfer.

12.16 Meanwhile, Management expressed its commitment to implement the Audit Team's recommendations by reassessing the property to determine appropriate usage fees and improving collection efforts. It also reiterated instructions to the caretaker to strictly regulate the use of the property, conduct regular monitoring, and maintain cleanliness and order on the premises.

12.17 The Audit Team acknowledged Management's efforts in coordinating with the GCG and OGCC regarding the transfer of the Tabang, Guiguinto property to PNCC.

12.18 However, the agreement in principle to transfer the property through a return of investment arrangement has yet to be finalized. As such, the outdated occupancy rates, collection inefficiencies, and unassessed use of certain portions of the property persist.

12.19 In this regard, Management is encouraged to continue the reassessment of occupied areas, improve collection efforts, and strengthen property supervision to ensure proper management of the property. At the same time, the transfer from CDCP-FC to PNCC is ongoing.

**13. The delay in the transfer of the Condominium Certificate of Titles (CCTs) under PNCC's name, and the inadequate monitoring and maintenance of its condominium units in Gulod Resort, Nasugbu, with a Fair Market Value of P4.690 million, are contrary to Section 2 of PD No. 1445 on the proper safeguarding and administration of government assets.**

13.1 The two residential condominium units located at Gulod Resort along the Tagaytay–Nasugbu Highway in Nasugbu, Batangas, each with a floor area of 34.65 square meters, have not yet been transferred under the name of PNCC despite being acquired in CY 2000 from Gotesco Land Inc. (formerly Sirucon Resources Corporation) as part of the settlement of liabilities to PNCC. These assets are recorded in PNCC's books as Investment Property; however, both units have remained idle and non-income-generating for many years.

13.2 Despite the lapse of more than 20 years, the corresponding CCTs are still pending for transfer to PNCC, contrary to Section 2 of PD No. 1445, which mandates government agencies to safeguard and properly document their assets. This issue has been consistently raised in previous AOMs, and Management has yet to address it fully.

13.3 According to Management, the units are being maintained regularly to preserve their condition. However, during the ocular inspection conducted on November 11, 2025, the following conditions were noted:

13.4 Unit A5-402
According to the employee in charge of the property, the ceiling of Unit A5-402 collapsed sometime in 2024 due to the earthquake associated with the Taal Volcano eruption, after which PNCC cleaned the unit. During a September 10, 2025, property appraisal visit, the employee observed that the roof was under repair and that the unit was wet from rainwater entering through a small opening, indicating that the ongoing repairs were defective or improper.

13.5 During the ocular inspection, it was noted that a substantial portion of the ceiling collapsed, and the furniture and equipment inside the unit had been soaked in water for several days, indicating poor response and maintenance.

13.6 Unit A5-202
The unit could not be inspected because the doorknob was jammed, preventing access to assess its condition.

13.7 The Realty Management Department (RMD) is the office responsible for administering, monitoring, and maintaining PNCC's real properties. However, the condition of the units indicates inadequate/ineffective oversight and maintenance. Also, the lack of or insufficient coordination with the condominium administrator may likewise be a factor.

13.8 As a result, the delay in the transfer of title of the subject property under the name of PNCC and its improper monitoring and maintenance, causing the physical deterioration of the units, is contrary to Section 2 of PD No. 1445, exposing the property to legal risks related to safeguarding and proper documentation, adverse effects on the appraisal value, and additional repairs and restoration costs. Further, the prolonged idle status of the units has resulted not only in foregone income but also in additional maintenance costs. The matter continues to reflect the non-compliance with prior audit recommendations.

13.9 **We recommended that Management:**

**a) Expedite the transfer of the CCTs under the name of PNCC;**

**b) Conduct an assessment of Unit A5-402 to determine the extent of damage, coordinate with the condominium administrator regarding responsibility for the roof leakage, and carry out the necessary repair works;**

**c) Restore access to Unit A5-202 by repairing or replacing the jammed door knob, and inspect its condition;**

**d) Require the Realty Management Department to improve its monitoring and maintenance over the subject properties; and**

**e) Develop concrete plans to optimize the use of the units, including potential disposition, in accordance with PNCC's objectives.**

13.10 Management duly noted the comments and recommendations and committed to implement and comply with the same.

13.11 Management added that the case between Gulod Realty, Inc. and Land Bank of the Philippines (LBP) affected the transfer of ownership of the condominium units to PNCC, these were listed as fully paid units duly acknowledged by both GRI and LBP under the Compromise Agreement between the parties.

13.12 Further, Management added that in July 2024, the President of Pricewave, Inc., informed PNCC that they had already settled the loan of GRI with the LBP. Accordingly, all units of Gulod Resort have been transferred to the name of Pricewave, Inc.

13.13 As a result, they are also offering a buyback option to Gulod Unit owners.

13.14 Management explained that they had already requested the necessary documents required for the transfer of the property in the name of PNCC from Pricewave, Inc.; however, the said documents were yet to be provided despite follow-ups.

13.15 Meanwhile, documents from the Registry of Deeds of Nasugbu, Batangas, were already obtained.

13.16 Moreover, Management is exploring the possibility of selling these units by public bidding.

13.17 Management explained that with regard to the maintenance of the units, site inspections and general cleaning of the property were undertaken; however, the recent repair of the unit's roof by the resort owner was not properly coordinated with PNCC.

13.18 While Management acknowledged the recommendation in the observation, the Audit Team stressed that Management exhausts all means necessary (including appropriate legal steps) to compel Pricewave, Inc. to submit the required documents as lawful unit owners.

**14. The voluntarily conveyed Albay Property, with a recorded cost of P1.908 million, was not properly monitored, resulting in the delayed recovery of just compensation from the Land Bank of the Philippines (LBP), contrary to Section 2 of PD 1445 on the proper management of government resources.**

14.1 Audit of Property and Equipment Account disclosed that a parcel of land located in Bo. Estrella/Villapaz, Jovellar, Albay, with a recorded cost of P1.908 million, remains recognized in the books of the Corporation despite being under the coverage of the Comprehensive Agrarian Reform Program (CARP) since 1989, and the corresponding just compensation from LBP uncollected. Details are as follows:

**Table 13 – Details of Albay Property**

| Property | Location | TCT No. | Lot No. | Area (Sq.m.) | Cost per book |
|---|---|---|---|---|---|
| Albay Property | Bo. Estrella/Villapaz, Jovellar, Albay | 78161 | 1-B | 1,038,821 | 1,907,500 |

14.2 Based on the documents, the subject property was foreclosed in favor of PNCC following the default of Mr. Emilio D. Alimbuyog on his obligation amounting to P519,410. Pursuant to a favorable decision of the Regional Trial Court of Albay in Civil Case No. 7162, the property was awarded to PNCC through a public auction, where PNCC submitted a bid of P183,870.

14.3 Accordingly, in 1989, PNCC voluntarily offered the property under the Comprehensive Agrarian Reform Program in 1989 by virtue of Board Resolution No. BD-022-1989, approved during the regular Board meeting held on August 30, 1989. The resolution authorized the offering of the property under the Voluntary Offer to Sell (VOS) scheme, subject to mutually agreed terms and conditions. However, correspondence from the Department of Agrarian Reform (DAR) indicates that the property had already been placed under Operation Land Transfer (A government program under PD 27 of the Former President Ferdinand Marcos) as early as 1972, wherein Emancipation Patents (EPs) were issued by the DAR Albay, Provincial Office to the occupants and beneficiaries.

14.4 Based on PD 27 dated October 21, 1972, the EP is a legal document that formally grants ownership of agricultural land to tenant farmers, particularly those cultivating rice and corn lands. It represents the government's effort to free farmers from tenancy by transferring to them the land they till, subject to certain conditions such as payment of the land through annual amortizations, membership in a recognized farmers' cooperative, and restrictions on the transfer of the land. In essence, the EP serves as proof that the farmer is no longer a tenant but already the lawful owner of the land.

14.5 Further, the documents also indicate that the LBP – Legazpi City conducted two valuations of the property for purposes of determining just compensation. PNCC rejected both valuations on the grounds that they were significantly below fair market value, as determined by prevailing zonal valuations of comparable properties. A request for re-evaluation under the VOS scheme was subsequently made; however, records show that the DAR Provincial Office in Legazpi City has yet to act on said request.

14.6 In December 2009, PNCC filed a Petition to Determine Just Compensation before the DAR Adjudication Board (DARAB), Provincial Adjudicator's Office, Albay Branch I (DARAB Case No. D-0501-Al-09-VC-0002). On January 26, 2012, a Writ of Execution was issued by the Provincial Adjudicator affirming the valuation made by the LBP and directing it to pay PNCC the amount of P1,993,840, as just compensation for the 99.6920-hectare property covered by TCT No. T-78161.

14.7 The LBP notified PNCC through a letter dated February 15, 2012, that an account had been established for the cash portion of the increased valuation, in accordance with the Provincial Agrarian Reform Adjudicator decision dated October 21, 2011, along with the list of requirements needed to process the claim for just compensation for the voluntary transfer of the Albay property. However, upon submission of the required supporting documents, including EPs, the LBP accepted only 19 out of the 72 EPs due to noted inconsistencies between the land areas indicated in the EPs submitted and the corresponding land areas reflected in the request for payment transmitted by the DAR, Camalig, Albay, to the LBP.

14.8 The discrepancy in the reported land areas precluded the validation of the claim for just compensation, resulting in the acceptance of only a portion of the submitted EPs. Consequently, the processing of payment for the subject property has been deferred and remains pending until the discrepancies are resolved.

14.9 Per inquiry with the Controllership Department, there are no updates on the status of the property; thus, no action has been made to evaluate the existence and legal ownership of the property.

14.10 Review of pertinent documents showed that the last follow-up on the EPs was made on November 25, 2020, to which the DAR replied that it was still verifying its records and would update PNCC upon completion. As of this date, no further follow-up has been undertaken by Management on the matter.

14.11 The delay in the collection of just compensation for the voluntary conveyance of land is not in accordance with Section 2 of PD 1445, which requires that all resources of the government shall be managed and utilized in accordance with law, and safeguarded against loss or wastage through improper disposition, with a view to ensuring efficiency and economy in the government. Had Management collected this amount, PNCC could have utilized these funds for operations or other investments.

14.12 **We recommended that Management:**

**a) Coordinate with DAR to reconcile discrepancies in Emancipation Patents (EPs) and secure complete and accurate documentation to support the claim for just compensation;**

**b) Resubmit validated EPs to LBP and actively follow up until full payment of just compensation is received;**

**c) Establish and implement a definitive timeline for the completion of documentary requirements; and**

**d) Strengthen the monitoring and documentation of real properties by requiring periodic status updates and maintaining complete supporting documents.**

14.13 Management stated that the Jovellar, Albay property has long been covered under the Operation Land Transfer (OLT) program of the DAR, with Emancipation Patents issued to tenant-beneficiaries. However, PNCC has yet to receive the full payment of just compensation from the LBP.

14.14 Management explained that in 2014, PNCC submitted the required documents for payment processing, including 73 EPs. However, only 19 EPs were accepted by LBP due to discrepancies between the land areas reflected in the 54 EPs and those indicated in the DAR-Albay Provincial Office's payment requests. LBP also noted that no EPs were issued for Lots 29 and 74.

14.15 Management further stated that PNCC has consistently coordinated with and followed up with the DAR-Albay Provincial Office from 2015 to 2020 to address discrepancies and request issuance or correction of EPs. The DAR-Albay Provincial Office later informed PNCC that it was conducting verification and validation of records with concerned offices and would provide updates upon completion.

14.16 Management added that a recent follow-up letter was sent to the DAR-Albay Provincial Office requesting an update on the status of EPs and whether corrected documents have been issued. Once completed, PNCC will request certified copies from the Registry of Deeds for submission to LBP to facilitate the processing of just compensation.

14.17 Management likewise stated that the comments and recommendations of the Audit Team are noted and that it will endeavor to comply therewith.

14.18 It was noted that Management submitted the required documents in 2014, including 73 EPs. However, only 19 were accepted by the LBP due to discrepancies in details, while no EPs were issued for Lots 29 and 74.

14.19 The Audit Team likewise noted Management's continued coordination and follow-ups with the DAR–Albay Provincial Office from 2015 to 2020, as well as the recent follow-up to obtain updates on the status of the EPs and the issuance of corrected documents.

14.20 While these actions were noted, the processing of just compensation remains pending. Management was reminded to continue coordination with the concerned agencies to resolve the issues and facilitate the settlement of just compensation.

**15. The non-collection of rental income totaling P379.185 million from Pacific Concrete Products Inc. (PCPI) for the period January 2024 to December 2025 is not in accordance with the Amended Contract of Lease (COL), exposing PNCC to credit losses contrary to Section 19 of Republic Act No. 10149 dated June 06, 2011.**

15.1 This is a reiteration of the prior year's audit observation with updated information.

15.2 Provisions of the Amended Contract of Lease provide that:

> ***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***

15.3 Further, Section 19 of RA No. 10149 states that:

*Fiduciary Duties of the Board and Officers. — As fiduciaries of the State, members of the Board of Directors/Trustees and the* ***Officers of GOCCs have the legal obligation and duty to always act in the best interest of the GOCC, with utmost good faith in all its dealings with the property and monies of the GOCC.***

*The* members of the Board and Officers of GOCCs shall:
*(a.) Act with utmost and undivided loyalty to the GOCC;*
*(b.)* ***Act with due care, extraordinary diligence, skill, and good faith in the conduct of the business of the GOCC;***
*(c.) Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board;*
*(d.)* ***Apply sound business principles to ensure the financial soundness of the GOCC; and***
*(e.) Elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience, and integrity.*

15.4 On June 13, 2019, following the Swiss Challenge process approved by the PNCC Board of Directors, PCPI was awarded the long-term lease and development of a 30,000-square-meter property within the Financial Center Area (FCA), Pasay City, with the COL taking effect on October 15, 2019.

15.5 Since 2020, PNCC has repeatedly accommodated PCPI's requests for deferment and restructuring of rental obligations due to alleged pandemic-related financial difficulties and low demand for office and retail spaces. These included installment arrangements, grace period extensions, deferrals of rent and interest, extensions of the lease term, and the non-imposition of penalties.

15.6 Despite these accommodations, PCPI continues to delay rent payments and fails to comply with the provisions of the COL. Audit disclosed that rentals due beginning in October 2023 were repeatedly deferred at PCPI's request, including deferrals of both rentals and interest to later years.

15.7 As of December 31, 2025, unpaid rentals reached P379.185 million, exposing PNCC to substantial credit and collection risks. Although security deposits of P90 million were available, a significant portion of the receivable remained unsecured.

15.8 Despite clear default provisions in the COL, PNCC continues to entertain deferment requests instead of enforcing contractual remedies. The COL expressly provides that non-payment for more than six months constitutes a default and grounds for termination. As early as June 2024, PCPI is deemed in default.

15.9 On May 7, 2025, the Audit Team issued AOM No. 2025-025(2024) recommending enforcement of the collection and financial assessment of PCPI. Although Management agreed and committed to assessing PCPI's financial capacity, additional deferment requests were still entertained thereafter.

15.10 On July 17, 2025, PCPI again requested the deferment of rental payments and interest. Summary of rental payment deferrals from 2023 to 2025 follows:

**Table 14 – Deferral of Rental Income from PCPI**

| | Rent Due | Due date | 1st Deferment (11/03/23) | 2nd Deferment (05/09/24) | 3rd Deferment (09/17/24) | 4th Deferment (02/06/25) | 5th Deferment (07/17/25) | Delay in days |
|---|---|---|---|---|---|---|---|---|
| **2024** | | | | | | | | |
| January | 15,450,000 | 01/19/24 | 02/19/24 | 10/19/24 | 02/19/25 | 09/19/25 | 05/19/26 | 850 |
| February | 15,450,000 | 02/19/24 | 03/19/24 | 11/19/24 | 03/19/25 | 10/19/25 | 06/19/26 | 850 |
| March | 15,450,000 | 03/19/24 | 04/19/24 | 11/19/24 | 04/19/25 | 11/19/25 | 07/19/26 | 851 |
| April | 15,450,000 | 04/19/24 | 05/19/24 | 12/19/24 | 05/19/25 | 12/19/25 | 08/19/26 | 851 |
| May | 15,450,000 | 05/19/24 | 06/19/24 | 01/19/25 | 06/19/25 | 01/19/26 | 09/19/26 | 852 |
| June | 15,450,000 | 06/19/24 | 07/19/24 | 01/19/25 | 07/19/25 | 02/19/26 | 10/19/26 | 851 |
| July | 15,450,000 | 07/19/24 | 08/19/24 | 02/19/25 | 08/19/25 | 03/19/26 | 11/19/26 | 852 |
| August | 15,450,000 | 08/19/24 | 09/19/24 | 02/19/25 | 09/19/25 | 04/19/26 | 12/19/26 | 851 |
| September | 15,450,000 | 09/19/24 | - | - | 10/19/25 | 05/19/26 | 01/19/27 | 851 |
| October | 15,913,500 | 10/19/24 | - | - | | 10/19/25 | 02/19/27 | 852 |
| November | 15,913,500 | 11/19/24 | - | - | - | 11/19/25 | 03/19/27 | 849 |
| December | 15,913,500 | 12/19/24 | - | - | - | 12/19/25 | 04/19/27 | 850 |
| **2025** | | | | | | | | |
| January | 15,913,500 | 01/19/25 | - | - | - | 01/19/26 | 05/19/27 | 849 |
| February | 15,913,500 | 02/19/25 | - | - | - | 02/19/26 | 06/19/27 | 849 |
| March | 15,913,500 | 03/19/25 | - | - | - | 03/19/26 | 07/19/27 | 851 |
| April | 15,913,500 | 04/19/25 | - | - | - | 04/19/26 | 08/19/27 | 851 |
| May | 15,913,500 | 05/19/25 | - | - | - | 05/19/26 | 09/19/27 | 852 |
| June | 15,913,500 | 06/19/25 | - | - | - | 06/19/26 | 10/19/27 | 851 |
| July | 15,913,500 | 07/19/25 | - | - | - | 07/19/26 | 11/19/27 | 852 |
| August | 15,913,500 | 08/19/25 | - | - | - | 08/19/26 | 12/19/27 | 851 |
| September | 15,913,500 | 09/19/25 | - | - | - | 09/19/26 | 01/19/28 | 851 |
| October | 16,390,905 | 10/19/25 | - | - | - | - | - | 72 |
| November | 16,390,905 | 11/19/25 | - | - | - | - | - | 41 |
| December | 16,390,905 | 12/19/25 | - | - | - | - | - | 11 |
| **Total** | **192,394,215** | | | | | | | |

15.11 The repeated deferment and restructuring of obligations, despite continuing defaults, indicate significant uncertainty on PCPI's capacity to fulfill its lease obligations. PNCC cannot continue to absorb its lessee's business risks at the expense of the government's interests. Continued tolerance of prolonged non-payment weakens enforcement of contractual provisions and increases the risk of non-collection and possible losses.

15.12 Notably, even the interest charges imposed on deferred rentals were likewise repeatedly deferred and remain unpaid. Consequently, PNCC effectively assumed the lessee's financing and business risks without adequate assurance of recovery.

15.13 Had PNCC enforced timely collection and exercised available legal remedies under the COL, it could improve the cash flow, minimize opportunity loss, and reduce exposure to credit risk, contrary to Section 19 of RA No. 10149.

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

**a) Demand the full settlement of the unpaid rentals amounting to P379.185 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 COL to prevent further financial exposure and credit risk.**

**Further, we recommended that Management:**

**a) Prepare contingency measures in case of termination of the PCPI lease; and**

**b) Establish stricter monitoring and enforcement of long-term lease contracts, including periodic assessment of lessees' financial capacity, timely enforcement of escalation clauses, and prompt action on defaulting accounts to protect PNCC's interests and minimize credit and collection risks.**

15.15 Management acknowledged the audit observations and stated that the recommendations are being seriously considered.

15.16 Management explained that a prudent and deliberate approach is being adopted, and that PNCC is currently evaluating available courses of action to ensure both the collection of outstanding receivables and the continued development and income-generating potential of the leased property.

15.17 It was stated that PNCC will conduct an assessment of PCPI's financial and operational capacity, as well as evaluate the current status of the property development and possible alternatives for its optimization.

15.18 Management further explained that while PCPI has not been paying the principal rentals, the outstanding amounts are subject to interest at the rate of 12% per annum. PCPI has also committed to settling its obligations and is finalizing lease agreements with prospective tenants.

15.19 Management added that collection efforts are ongoing, and discussions with PCPI are being undertaken to address the issues and mitigate PNCC's financial and credit risk exposure.

15.20 Management is committed to keeping the Audit Team informed of further developments.

15.21 The Audit Team maintained that the non-collection of rentals amounting to P379.185 million and the continued granting of deferments, despite the lessee already being in

default, are not consistent with sound financial management and fiduciary duty under RA No. 10149.

15.22 While Management cited the need for a prudent approach, the repeated deferments over a long period have not reduced the risk but instead increased PNCC's exposure to possible losses.

15.23 The imposition of interest on unpaid rentals does not adequately protect PNCC. Relying heavily on the lessee's commitment to pay and expected income from future tenants is uncertain and does not assure recovery.

15.24 Further, although Management indicated that assessments and discussions are ongoing, the conditions for default and enforcement under the Contract of Lease have already been met. Continued tolerance of non-payment without taking action weakens contract enforcement and exposes PNCC to further financial risk.

**16. The failure to strictly enforce and promptly collect interest charges on delayed rental payments from PCPI, despite clear contractual provisions, resulted in increased exposure to credit risk contrary to Section 19 of Republic Act (RA) No. 10149 dated June 06, 2011.**

16.1 Section 5, Article III of the Contract of Lease (COL) provides that:

> ***Default in payment.*** *In case of dishonor of the checks issued by the LESSEE, except for causes beyond its control, the same shall bear interest at the rate of 12% per annum and subject to a penalty of two percent per month, to be computed daily from the date of issuance until its full payment, without prejudice to the right of the LESSOR to avail of other charges and damages provided for and allowed by law and this Agreement, and to take possession of the leased premises and/or eject the LESSEE from its possession as provided here.*

16.2 Records disclosed that on November 3, 2023, PCPI requested deferment of rental payments covering October 2023 to January 2024, subject to the 12 per cent interest under the COL, which PNCC approved on November 8, 2023. On February 16, 2024, PCPI again requested deferment of rentals covering October 2023 to September 2024 for another four months, which PNCC approved on February 20, 2024.

16.3 On May 9, 2024, PCPI requested further deferment of rental payments beginning December 2023. Although the PCEO directed on May 14, 2024, that only rentals be deferred and accrued interest be collected, the audit disclosed that even the interest charges were repeatedly deferred and collected beyond due dates, as summarized below:

**Table 15 – Deferral of Interest Income from PCPI**

| Period | Due Date | Date Collected | Days Delayed | Opportunity Loss (if invested) |
|---|---|---|---|---|
| 12/19/23 - 01/18/24 | 01/19/24 | 07/04/24 | 166 | 3,944 |
| 12/19/23 - 02/18/24 | 02/19/24 | 07/04/24 | 135 | 6,415 |
| 12/19/23 - 03/18/24 | 03/19/24 | 07/04/24 | 106 | 7,067 |

| Period | Due Date | Date Collected | Days Delayed | Opportunity Loss (if invested) |
|---|---|---|---|---|
| 12/19/23 - 04/18/24 | 04/19/24 | 07/04/24 | 75 | 7,127 |
| 12/19/23 - 05/18/24 | 05/19/24 | 07/04/24 | 45 | 5,173 |
| 12/19/23 - 06/18/24 | 06/19/24 | 07/04/24 | 14 | 1,996 |
| 12/19/23 - 10/18/24 | 11/19/24 | 11/19/24 and 02/24/25 | 96 | 25,156 |
| 12/19/23 - 11/18/24 | 12/19/24 | 12/20/24 and 02/24/25 | 66 | 18,300 |
| 12/19/23 - 01/18/25 | 01/19/25 | 01/20/25, 02/24/25 and 12/22/25 | 336 | 104,491 |
| 01/19/24 - 02/18/25 | 02/19/25 | 02/24/25, 10/15/2025 and 12/22/25 | 305 | 95,068 |
| 01/19/24 - 03/18/25 | 03/19/25 | 10/15/2025 and 12/22/25 | 277 | 84,107 |
| 01/19/24 - 04/18/25 | 04/19/25 | 10/15/2025, 11/25/25 and 12/22/25 | 246 | 88,717 |
| 01/19/24 - 05/18/25 | 05/19/25 | 10/15/2025, 11/25/25 and 12/22/25 | 216 | 80,500 |
| 01/19/24 - 06/18/25 | 06/19/25 | 10/15/2025, 11/25/25 and 12/22/25 | 185 | 75,772 |
| 01/19/24 - 07/18/25 | 07/19/25 | 10/15/2025, 11/25/25 and 12/22/25 | 155 | 65,107 |
| 01/19/24 - 08/18/25 | 08/19/25 | 10/15/2025, 11/25/25 and 12/22/25 | 11 | 60,983 |
| 01/19/24 - 09/18/25 | 09/19/25 | None | 133 | 49,265 |
| 01/19/24 - 10/18/25 | 10/19/25 | None | 102 | 35,358 |
| 01/19/24 - 11/18/25 | 11/19/25 | None | 72 | 21,839 |
| 01/19/24 - 12/18/25 | 12/19/25 | None | 41 | 5,939 |
| **Total** | | | | **842,324** |

16.4 The repeated deferment of interest charges, which were intended to compensate PNCC for delayed collections, further increased PNCC's exposure to collection and credit risks without adequate assurance of recovery. Had PNCC enforced collection promptly and invested the amounts in a High Yield Savings Account, it could have earned at least P0.842 million in additional income, while reducing credit exposure, consistent with the fiduciary duties under RA No. 10149.

16.5 Relative thereto, PNCC did not impose and collect the prescribed interest and penalty charges on a dishonored check from the lessee, contrary to the same COL provision cited above.

16.6 Audit of bank reconciliation revealed that interest payments covering the period January to July 2025 in the amount of P4.035 million, represented by a check dated December 31, 2025, were dishonored by the Land Bank of the Philippines – Bicutan Branch on January 29, 2026, or 29 days from its issuance.

16.7 It was further noted that the said amount pertains to previously accrued and already overdue interest obligations, with the earliest due date falling in February 2025. Notwithstanding the dishonor, PNCC did not impose or collect the corresponding contractual interest and penalty charges at 12 percent per annum and two per cent (2%) per month, respectively, computed from the date of issuance of the check until full payment. While the exact issuance date of the check could not be established, the check date was used as the most prudent basis for computation.

16.8 As a result, PNCC was unable to collect additional charges amounting to at least P121,056, representing foregone income arising from the lessee's default. This is contrary to Section 5, Article III of the COL and constitutes under-collection of legitimate revenues due to the Agency.

16.9 COA Circular No. 2009-006 dated September 15, 2009, further provides that a Notice of Charge shall be issued when the amount collected is less than what is due to the government. The deficiency shall constitute a proper audit charge.

16.10 The foregoing condition indicates failure to enforce the contractual provisions, resulting in financial loss to PNCC in the amount of at least P121,056, thereby depriving the PNCC of rightful income. It likewise weakens contract enforcement mechanisms and may encourage non-compliance by lessees, exposing PNCC to further revenue losses.

16.11 **We recommended that Management:**

**a) Strictly enforce the provisions of the Contract of Lease on the timely payment and collection of rentals, interests, and penalties;**

**b) Establish a monitoring mechanism to promptly identify dishonored payments, accurately compute applicable charges, and immediately issue billing statements to lessees;**

**c) Reassess the financial capacity of PCPI and determine whether continued arrangements remain prudent and advantageous to the Government; and**

**d) Require future deferment, restructuring, or accommodation involving lease obligations to be supported by:**
- **Board approval, when warranted;**
- **legal opinion;**
- **financial impact and recoverability assessment; and**
- **clear justification demonstrating protection of PNCC's financial interest.**

16.12 Management explained that it has been diligent in reminding Pacific Concrete Products Inc. (PCPI) of its financial obligations under the Contract of Lease. It was noted that the President of PCPI, Mr. Philip Lopez, was invited to the PNCC Board of Directors meeting on September 24, 2025, where he presented the project status and deferrals. During the meeting, PCPI committed to updating its payments once its cash flow normalizes.

16.13 Management stated that the initial deferments requested by PCPI were due to the COVID-19 pandemic. In contrast, subsequent deferments were attributed to the discontinuation of the POGO industry, which was the lessee's intended market for the leased property. According to PCPI, changes in its business environment resulted in a loss of expected revenues, affecting its ability to meet rental obligations.

16.14 Management further stated that PCPI has already paid interest charges in CY 2025 covering deferments of rentals from December 2023 to July 2025. It was emphasized that PCPI is being charged interest at 12% per annum on deferred principal payments. Management noted that while interest payments are likewise subject to deferral, such deferrals apply only to short periods. PCPI reportedly committed to regular interest payments and to begin settling arrears on the principal starting in July 2026.

16.15 On monitoring and collection, Management stated that the status of check deposits is monitored daily through the Landbank WeAccess facility, both in the morning and afternoon, by the assigned MEF Analyst. It was added that Landbank notifies PNCC of

returned checks or provides debit advice, and that these are maintained on file as part of the monitoring mechanism. PCPI was also verbally informed of applicable penalties amounting to P1,569 for a one-day delay, computed at 12% interest and 2% surcharge on the dishonored check amounting to P4.035 million. It was further stated that the check deposited on January 28, 2026, was dishonored on January 29, 2026, re-deposited upon the client's advice on the same day, and subsequently honored on January 30, 2026. A Statement of Account was likewise issued to PCPI instead of a billing statement as a reminder of the verbal notification.

16.16 With respect to reassessment of PCPI's financial capacity, Management stated that such capacity was initially evaluated during the project proposal stage. However, Management committed to further evaluating and determining PCPI's continuing financial capacity to comply with its obligations to the Company.

16.17 On future deferments, restructuring, or accommodations, Management stated that a meeting with PCPI will be scheduled to discuss and secure a definite payment schedule for all outstanding obligations, including principal and interest. Management also expressed that it will take note of the Audit Team's recommendation regarding the requirement of supporting documents, such as Board approval, legal opinion, financial impact assessment, and justification to protect PNCC's financial interest.

16.18 The Audit Team acknowledges Management's explanation that PCPI's deferments were due to external factors such as the COVID-19 pandemic and the discontinuation of the POGO industry, and that the lessee had committed to settle its obligations once its cash flow improves.

16.19 However, while these explain the request for deferment, they do not negate PNCC's obligation to enforce contractual provisions on the collection of rentals, interests, and penalties. Further, the approval of deferrals does not constitute a waiver of PNCC's right to promptly collect interest charges as they fall due under the Contract of Lease.

16.20 The Audit Team noted Management's assertion that PCPI has paid interest charges covering deferments for the period December 2023 to July 2025. Nevertheless, records disclosed that interest charges were repeatedly collected beyond their due dates, exposing PNCC to avoidable credit risks.

16.21 With respect to monitoring controls, the Audit Team recognized the use of the Landbank WeAccess facility, debit advice, and issuance of Statements of Account. However, such mechanisms were limited to post-transaction verification and verbal advisories and did not ensure the timely enforcement and billing of contractual interest and penalty charges upon default or dishonor of payments.

16.22 Further, the occurrence of deferred and delayed collection of interest charges despite established contractual provisions indicates gaps in enforcement and ineffective monitoring of receivables. The presence of an ineffective monitoring system will not result in the timely collection of rental dues.

16.23 The Audit Team also noted Management's reliance on the initial assessment of PCPI's financial capacity and its commitment to evaluate the same further. However, continued deferrals and delayed collections further indicate the need for a more proactive reassessment to ensure that lease arrangements remain protective of PNCC's interests.

**17. The absence of a performance bond for a continuing guarantee to ensure PCPI's fulfillment of its investment and development commitments is contrary to Sections 3 and 4, Article IV of the Contract of Lease (COL).**

17.1 Sections 3 and 4, Article IV of the Contract of Lease (COL) provide that the LESSEE shall invest not less than P2.0 billion worth of buildings and permanent improvements within two (2) years from contract commencement, and to ensure compliance therewith, shall post a performance bond equivalent to at least 15% of the projected investment.

17.2 Records show that PCPI secured a performance bond from Bethel General Insurance and Safety Corporation, effective October 14, 2019, to 2020, in the amount of P300 million, representing 15% of the required investment to guarantee the full and faithful performance of its obligation to infuse the required development within the prescribed two-year construction period.

17.3 However, the audit noted that the performance bond expired prior to the fulfillment of the lessee's investment commitments. Moreover, before the original construction period lapsed, the COL was amended on November 2, 2021, extending the lease term until 2045 and granting PCPI a grace period to complete the required P2.0 billion investment by October 14, 2022.

17.4 Verification further disclosed that no comprehensive appraisal was conducted to determine the actual value of the investment infused by PCPI. While an inspection was reportedly undertaken in 2021, the same was limited to matters relating to the lease extension and did not establish the extent of compliance with the investment commitment. In addition, although a performance bond was initially posted, it did not cover the extended compliance period under the amended COL. Consequently, PNCC was without sufficient security or enforceable guarantee for the period from October 15, 2020, to October 14, 2022, during which the lessee's obligations remained outstanding.

17.5 On May 7, 2025, the Audit Team issued AOM No. 2025-025 (2024), recommending the conduct of appraisal and validation of the lessee's committed investment within the extended construction period and the requirement for the posting of a performance bond until completion of the project. Management commented that an appraisal was under consideration and that a study would be undertaken to determine the value of improvements; however, no commitment was made regarding the posting or renewal of the performance bond.

17.6 It is imperative that a performance bond be posted until faithful performance of its investment and development commitments. The performance bond will provide financial security and assurance to PNCC by guaranteeing that the contractor will complete the project in accordance with the contract terms. It is protection against contractor default, insolvency, and financial loss, ensuring the project is completed, or funds are provided to finish it, especially considering that this is government property.

17.7 Subsequently, on November 5, 2025, Cal-Fil Appraisal and Management Inc. appraised the leased property. They reported a total market value of P689.990 million, inclusive of improvements, a significant portion of which pertains to structures already existing before the 2019 lease. Notably, the major component, an ongoing commercial building, was valued at P619.730 million, far below the committed P2.0 billion investment.

**Table 16 – Market Value of Investments in Structures of PCPI**

| Building | Market Value | Remarks |
|---|---|---|
| Shell Mobility Station Canopy | 2,270,000 | Existing before the 2019 Lease |
| Shell Mobility Service /Shop Building | 8,380,000 | Existing before the 2019 Lease |
| Commercial Building (On-going construction) | 14,150,000 | |
| Commercial Building | 25,695,000 | Existing before the 2019 Lease |
| Office Building | 2,605,000 | Existing before the 2019 Lease |
| Commercial Building (Car Display) | 17,160,000 | Existing before the 2019 Lease |
| Commercial Building (On-going construction) | 619,730,000 | Committed to being valued at P2 billion after two years from contract signing |
| **Total** | **689,990,000** | |

17.8 As of December 31, 2025, based on the appraisal report, the total investment has not reached even half of the committed amount, despite the lapse of more than three years from the agreed timeline. Clearly, even if the performance bond had been extended up to December 31, 2025, the committed investment would not have been achieved, indicating material non-compliance with the terms and conditions of the COL.

17.9 Had PNCC undertaken a timely validation of the lessee's actual investment at the end of the original or extended compliance period and ensured the continuing validity of the performance bond, it could have exercised its right to enforce the bond upon determination of non-compliance. The failure to maintain a subsisting bond and to verify compliance effectively rendered the contractual safeguard ineffective, resulting in a lost opportunity to enforce a P300 million security intended precisely to cover such a default.

17.10 **We recommended that the Management:**

**a) Require PCPI to post a performance bond to ensure faithful performance of its investment and development commitments; and**

**b) Pursue all available legal remedies to ensure that the provisions and commitments under the COL are duly enforced and complied with.**

17.11 Management stated that after a recent site inspection of the leased property was conducted, significant progress in the development was observed, as compared to the previous year. It was reported that the building has been fully erected and that certain portions of the property have already been leased out to tenants.

17.12 Management further stated that a re-evaluation of the property will be conducted to update the valuation of the improvements and to assess the extent of compliance with the lessee's investment commitments.

17.13 It was also noted that the requirement for the performance bond under the Contract of Lease is being revisited, and that PCPI will be required, if warranted, to update and maintain the performance bond until completion of the construction and development of the project. Management committed to keep the Audit Team informed of further developments on the matter.

17.14 The Audit Team noted Management's actions to conduct a site inspection, undertake re-evaluation of the property, and consider requiring PCPI to update and maintain the performance bond until investment and development commitments are complete.

17.15 The Audit Team will continue to monitor Management's compliance with the recommendations.

**18. PNCC did not strictly enforce the Notices of Finality of Decision (NFDs) totaling P159.116 million, contrary to the dispositive portions of the respective NFDs and Item No. 7 of COA Resolution No. 2017-021, resulting in minimal settlement of disallowed amounts, depriving PNCC of funds that could be available for its operations.**

18.1 This is a reiteration of the prior year's audit observation with updated information.

18.2 Dispositive portion of NFDs provides that:

> *Accordingly, the persons liable shall pay the above amount immediately to the agency cashier, except those with pending appeals/petitions for review/motions for reconsideration/petitions for certiorari. Xxx*

18.3 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.***

18.4 As of December 31, 2025, NFDs issued to PNCC amounted to P159.116 million. The details are as follows:

**Table 17 – NFDs Issued as of December 31, 2025**

| | NFD No. | Date | Particulars | Date Served | Amount |
|---|---|---|---|---|---|
| 1. | 2023-003 | 02/02/23 | Gratuity benefits to the BOD | 03/06/23 | 90,784,975 |
| 2. | 2023-232 | 06/26/23 | Car Plan to consultants | 08/22/23 | 2,770,288 |
| 3. | 2023-063 | 02/22/23 | Various benefits to employees | 03/20/23 | 36,454,969 |
| 4. | 2024-086 | 02/28/24 | Law firm retainer fees | 04/16/24 | 8,586,455 |
| 5. | 2025-346 | 08/29/25 | Car plan to BOD | 09/23/25 | 20,518,846 |
| | **Total** | | | | **159,115,533** |

18.5 Audit disclosed that collection from persons liable, particularly those no longer connected with PNCC, including former employees, officers, members of the BOD, and individuals engaged under Contract of Service (COS), was not effectively enforced.

18.6 As early as CY 2023, the Audit Team recommended that Management enforce collection from employees still connected with PNCC and take appropriate legal actions against those no longer connected with the Corporation.

18.7 On July 18, 2024, employees executed requests for authority to settle liabilities through monthly installments, which were transmitted to the COA-General Counsel on April 10, 2025.

18.8 On April 14, 2025, the Audit Team reiterated its recommendation and emphasized that Management enforce the NFDs by collecting the full amount due from former employees subsequently engaged under COS. Management, however, commented that COS personnel, although not regular employees, are still connected with the Corporation and should be allowed installment payments, with full settlement to be enforced upon non-renewal of their contracts.

18.9 This position is inconsistent with COA rules, which require the full settlement from persons already separated from service. Allowing installment arrangements in these cases weakens the enforceability of the NFDs and delays recovery of government funds.

18.10 In 2025, the Corporate Legal Department issued demand letters to persons liable who were no longer connected with PNCC, as follows:

**Table 18 – NFDs with Issued Demand Letters**

| NFD No. | Particulars | Mailing of Demand Letter |
|---|---|---|
| 1. 2023-003 | Gratuity benefits to BOD | November 26, 2025 |
| 2. 2023-232 | Car Plan to consultants | **No demand letter sent** |
| 3. 2023-063 | Various benefits to employees | December 3, 2025 |
| 4. 2024-086 | Law firm retainer fees | **No demand letter sent** |
| 5. 2025-346 | Car plan to BOD | November 13, 2025 |

18.11 As a result, PNCC collected P1.822 million from various persons liable. Which were summarized as follows:

**Table 19 – Collection from NFDs in CY 2025**

| NFD No. | Amount | Former BOD | Retired employees | Former employees | COS | Total | Balance |
|---|---|---|---|---|---|---|---|
| 1. 2023-003 | 90,784,975 | 100,000 | 0 | 0 | 0 | 90,884,975 | 90,684,975 |
| 2. 2023-232 | 2,770,288 | 0 | 0 | 0 | 0 | 0 | 2,770,288 |
| 3. 2023-063 | 36,454,969 | 0 | 149,212 | 10,000 | 6,000 | 165,212 | 36,124,545 |
| 4. 2024-086 | 8,586,455 | 0 | 0 | 0 | 0 | 0 | 8,586,455 |
| 5. 2025-346 | 20,518,846 | 1,557,055 | 0 | 0 | 0 | 1,557,055 | 18,961,791 |
| **Total** | **159,115,533** | **1,657,055** | **149,212** | **10,000** | **6,000** | **92,607,242** | **157,128,054** |

18.12 While the Audit Team acknowledges the efforts exerted by the Corporate Legal Department in serving demand letters and initiating collection, the result remains minimal considering the outstanding balance of P157.128 million. Thus, follow-through actions such as the issuance of final demand letters, the filing of appropriate civil actions, and enforcement against persons under COS remain necessary.

18.13 Moreover, collection from COS personnel is readily enforceable since PNCC exercises control over the payment of their service fees. Accordingly, the Corporation has the means to effect immediate recovery through deduction or withholding of compensation. The liabilities of COS personnel as of December 31, 2025, are summarized below:

**Table 20 – NFD Balances of COS Personnel**

| NFD No. | Particulars | Participation | COS-1 | COS-2 |
|---|---|---|---|---|
| 2023-232 | Car Plan to consultants | Approved payment | 2,770,288 | Not involved |
| 2023-063 | Various employee benefits | Payee | 149,268 | 51,840 |
| 2025-346 | Car plan to BOD | Approved payment | 15,082,846 | Not involved |
| **Total Liability** | | | **18,002,402** | **51,840** |
| Payment made | | | | (6,000) |
| **Due and demandable** | | | **18,002,402** | **45,840** |

18.14 Failure to strictly enforce collection as prescribed in the NFDs deprives PNCC of funds necessary for its operations and weakens enforcement of accountability for disallowed expenditures.

18.15 **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 the Contract of Service; and**

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

**Further, we recommended that Management:**

**a) Strictly enforce the dispositive portion of the NFDs by requiring all persons liable, particularly those already separated from service, to settle their liabilities in compliance with Item No. 7 of COA Resolution No. 2017-021; and**

**b) Issue final demand letters with a definite payment period, and upon lapse thereof, initiate appropriate legal actions through the Corporate Legal Department.**

18.16 Management stated that, 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 persons liable under the subject Notices of Disallowance (NDs). Subsequently, one liable individual made a partial payment of P100,000 toward a total liability of P1 million and committed to settling the remaining balance.

18.17 For those who have not yet settled their obligations, reiterative demand letters were issued on November 26, 2025. Management added that final demand letters shall be issued to individuals who previously manifested intent to voluntarily settle, after which the CLD shall prepare the appropriate endorsement for legal action before the Office of the Government Corporate Counsel (OGCC).

18.18 With respect to the NFD involving car plan benefits granted to consultants amounting to P2.770 million, Management reported that demand letters have yet to be issued pending verification of last known addresses, and that the CLD is currently preparing the necessary demand letters for issuance.

18.19 Regarding the NFDs involving CY 2010 employee benefits totaling P36.455 million, Management stated that the liable employees still connected with PNCC filed a consolidated application for installment payment on April 10, 2025, which remains pending resolution by the COA General Counsel. Management is committed to enforcing collection upon approval or disapproval of the application.

18.20 For liable individuals who are no longer connected with PNCC but were subsequently engaged under Contract of Service (COS), Management stated that appropriate demand letters shall be issued. It further noted that demand letters previously sent to 676 former employees were returned due to incorrect addresses or inability to locate the recipients, and that guidance from the OGCC will be sought on more cost-effective enforcement measures.

18.21 For NFD No. 2024-086, Management reported that the CLD is currently preparing demand letters to enforce full payment of obligations. For NFD No. 2025-346 involving car plan benefits granted to former members of the Board of Directors, demand letters were issued on October 8, 2025, and November 26, 2025, with subsequent reiterative demand letters to be issued.

18.22 Management assured that it will continue to update the Audit Team on developments regarding these matters.

18.23 The Audit Team acknowledged Management's actions, including the issuance of demand letters by the CLD, partial settlement by one liable individual, and the ongoing preparation of additional demand letters and legal endorsements. These efforts are duly noted.

18.24 However, the audit shows that collections remain minimal relative to the total outstanding NFDs, indicating the need for more enforcement actions to ensure full recovery of disallowed amounts.

18.25 It is reiterated that persons already separated from service are required to settle their liabilities in full. Accordingly, delays in full enforcement, including further issuance of demand letters and filing of appropriate legal action, affect the timely recovery of government funds.

18.26 The Audit Team will continue to monitor Management's compliance with the recommendations.

**19. Cash collaterals totaling P84.916 million, consisting of P71.072 million held by Investors Assurance Corporation (IAC) and P13.844 million deposited with Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP), remained unreleased despite the lapse of more than nine (9) years from the finality of the favorable Supreme Court (SC) Decision on November 14, 2016.**

19.1 This is a reiteration of the prior year's audit observation with updated information.

19.2 In 2011, PNCC was a respondent in consolidated cases before the National Labor Relations Commission (NLRC) filed by former employees seeking separation pay

differentials following their retrenchment in 2005. On October 17, 2011, the Labor Arbiter ruled in favor of the complainants and ordered PNCC to pay P171.072 million.

19.3 PNCC appealed the decision to the NLRC and, to suspend execution of the judgment, it secured a surety bond from Investors Assurance Corporation (IAC) equivalent to the award. The following collaterals were posted in IAC's favor:

a. P90 million deposited in the LBP-Pasig City Branch;
b. P10 million deposited in DBP; and
c. A check of P71.072 million to be drawn against PNCC's LBP account.

19.4 After several proceedings, the SC denied the claims against PNCC. An Entry of Judgment was issued on November 14, 2016, rendering the decision final and executory. As a result, there was no longer any obligation for PNCC to pay the monetary award.

19.5 Despite this, the collaterals were not released. On August 22, 2019, the NLRC granted PNCC's Motion to Release Bond and ordered the release of the remaining collaterals, less (a) P37.107 million, which was reportedly released to the claimants, and (b) any unpaid premiums due to IAC. The dispositive portion of the Order 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.*
>
> *SO ORDERED.*

19.6 PNCC questioned the alleged release of P37.107 million, noting that there was no supporting documentation, such as a sheriff's receipt, in the case records. PNCC also pointed out that IAC did not disclose this alleged release in its submissions to the NLRC. In addition, PNCC disputed its liability for bond premiums, arguing that the writ of execution had earlier been declared null and void, and that the bond was no longer necessary after its expiration in 2012.

19.7 PNCC elevated the matter to the NLRC; however, its Appeal Memorandum was denied in a Resolution dated November 26, 2019, and its Motion for Reconsideration was likewise denied in a Resolution dated February 28, 2020. PNCC then filed a Petition for Certiorari before the Court of Appeals (CA), which granted the Petition on October 28, 2024, annulling the NLRC Resolutions and remanding the case to the NLRC for resolution.

19.8 Following the CA Resolution, the IAC filed a Motion for Reconsideration on November 8, 2024, to which PNCC filed its Comment/Opposition on January 15, 2025. The CA, in its Resolution dated October 9, 2025, denied the said Motion. Thereafter, IAC elevated the matter to the SC through a Petition for Review on Certiorari filed on December 4, 2025, thereby further extending the case's pendency. The Petition remains pending before the SC as of the audit date.

19.9 Incidentally, on December 5, 2017, the Insurance Commission (IC) issued a cease and desist order against IAC and placed it under conservatorship. A Conservator was appointed to handle claims involving IAC.

19.10 On May 5, 2021, following PNCC's request and subject to IC clearance, P86.156 million was released to PNCC by LBP. However, the remaining P13.844 million (P3.844 million with LBP and P10 million with DBP) remains restricted pending resolution of issues related to premiums and other claims.

19.11 PNCC continues to coordinate with the IC and other concerned agencies to secure the release of the remaining collaterals. It also expressed its willingness to pay the computed premiums amounting to P3.994 million, subject to conditions, without waiving its legal position.

19.12 As of December 31, 2025, the matter remains pending, despite developments on appeal and the case being elevated to the SC. No additional amounts have been released, and the cash collaterals remain restricted.

19.13 As a result, PNCC is still unable to use the remaining funds amounting to P71.072 million and P13.844 million, which could otherwise be used for operations or investment. The continued delay in the release of these funds limits their productive use.

19.14 **We reiterated our previous years' recommendations that Management:**

**a) Continue taking appropriate legal action to expedite the resolution of issues concerning the cash collateral amounting to P71.072 million and P13.844 million, respectively, so that such amounts may be utilized and made available for operation or investments; and**

**b) Keep the Audit Team informed of any significant developments regarding the status of the case and recovery of the funds.**

19.15 Management stated that it shall continue to pursue all available legal remedies relative to the pending matters involving the subject cash collaterals and shall keep the Audit Team informed of any significant developments thereon.

19.16 Management's commitment to pursue all available legal remedies relative to the pending matters involving the subject cash collaterals is acknowledged. The Audit Team will continue to monitor Management's compliance with the audit recommendations.

**20. Dormant accounts totaling P10.394 billion remained outstanding in the books despite the creation of a Task Force Receivables (TFR) intended to facilitate their disposition. These accounts are still pending final disposition, as the request for authority to write off has not yet been submitted pursuant to COA Circular 2023-008.**

20.1 This is a reiteration of the prior year's audit observation with updated information.

20.2 In compliance with COA Circular No. 2023-008 dated August 17, 2023, which provides guidelines on the identification, review, and disposition of dormant accounts,

Management created a Task Force Receivables on July 10, 2025, to facilitate the proper disposition of such accounts. The TFR conducted its initial meeting on October 22, 2025. However, to date, dormant accounts totaling P10.394 billion are still pending final disposition, as the request for authority to write off has yet to be submitted pursuant to the COA Circular.

20.3 As of December 31, 2025, dormant balances have been identified in the following accounts:

**Table 21 – Accounts with Dormant Balances**

| | Amount | Allowance | Net | Remarks |
|---|---|---|---|---|
| Receivables | 58,430,805 | (56,483,266) | 1,947,539 | 97% provided w/ allowance |
| Inventories | 537,690 | (537,690) | 0 | Fully provided w/ allowance |
| Financial Assets | 103,500 | 0 | 103,500 | Not provided w/ allowance |
| Investment in subs. | 52,460,159 | (52,460,159) | 0 | Fully provided w/ allowance |
| Other investments | 13,473,522 | (13,473,522) | 0 | Fully provided w/ allowance |
| Other Assets | 10,268,556,801 | (10,268,556,801) | 0 | Fully provided w/ allowance |
| **Total** | **10,393,562,477** | **(10,391,511,438)** | **2,051,039** | |

20.4 Receivables – P58.431 million

This account pertains mainly to long-outstanding lease receivables from heavy equipment rentals. An allowance for impairment has been recognized for 97% of the balance.

20.5 Inventories – P0.538 million

This account pertains to dormant inventories awaiting disposal, including 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, 2025.

20.6 Investment in subsidiaries – P52.460 million

This represents investments in inactive or non-operating subsidiaries of PNCC, including Tierra Factors Corporation, Traffic Control Products Corporation, and PNCC Skyway Corporation. Due to financial losses and capital deficiencies, a 100% allowance for impairment loss was provided in 2010.

20.7 Other Investments – P13.474 million

This account includes investments in shares of stock in corporations that are no longer operational, such as the Manila Land Corporation, Managerial Resources Corporation, San Ramon Ranch, San Roque Ranch, Land Management Corporation, among others. An allowance for impairment losses was fully recognized in 2010 due to the investments' remote recoverability.

20.8 Assets for write-off - P10.269 billion

A request to write off P9.615 billion of these assets was initially submitted in 2014 by the former PNCC President and CEO, seeking COA's authority to write off these accounts, which had been outstanding for 27 years.

20.9 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. Pending final approval from the President of the Philippines, these assets were

transferred to a separate account, "Assets for Write-Off." To reflect the true financial position of the Corporation, the Management provided allowance for losses.

20.10 In March 2017, the request was returned by the COA Assistant Commissioner of the Corporate Government Sector, requiring the submission of relevant supporting documents. As of 2025, no formal resubmission to COA has been made.

20.11 Audit disclosed that these dormant accounts have remained in the books for an extended period. While the creation of the Task Force Receivables in 2025 demonstrates Management's initiative to address prior-year observations, the write-off request has not yet been completed. Further delay in processing the request for authority to write off may complicate future submissions by making it difficult to retrieve supporting documents, and institutional knowledge may be lost as key personnel retire or leave the corporation.

20.12 Notwithstanding the above, the Corporation is reminded that compliance with COA Circular No. 2023-008 does not absolve debtors of their obligations. Management should continue to pursue all available means to recover and monitor these long-outstanding accounts while processing the necessary write-off requests.

20.13 **We recommended that Management:**

**a) Direct the Task Force Receivables to resolve with finality all dormant accounts determined eligible for write-off;**

**b) Prepare and submit the necessary request for authority to write off eligible accounts to COA, including all required supporting documents;**

**c) Require the Task Force Receivables to provide periodic reports to Top Management on its progress, to ensure timely completion and proper monitoring of dormant accounts; and**

**d) Implement a monitoring and review mechanism to track dormant accounts and prevent future accumulation of long-outstanding balances.**

20.14 Management stated that even prior to the creation of the Task Force Receivables, the Controllership Department had already initiated implementation of COA Circular No. 2023-008 on the disposition of dormant accounts. As an initial step, Other Assets with 100% allowance for doubtful accounts were reclassified to "Assets for Write-off" on May 21, 2025, to update the Schedule of Assets for Write-off.

20.15 Management further stated that, following the creation of the TFR, an initial meeting was conducted on October 22, 2025. The necessary actions were reported to be ongoing, including preparing and completing the supporting documents required to submit a formal request for authority to write off the subject accounts.

20.16 Management likewise stated that the comments and recommendations of the Audit Team in the subject AOM were noted.

20.17 The Audit Team acknowledged Management's reclassification of Other Assets to Assets for Write-off account, and the creation of the Task Force Receivables to facilitate the disposition of dormant accounts.

20.18 The Audit Team will continue to monitor Management's compliance with the recommendations.

**21. Unserviceable properties with a total cost of P7.907 million remained undisposed as of year-end, exposing these assets to further deterioration and potentially depriving PNCC of optimal returns from their timely disposal, contrary to Section 79 of Presidential Decree (PD) No. 1445.**

21.1 Section 79 of PD No. 1445 states that:

> *Xxx. When a government property has become unserviceable for any cause, or is no longer needed, it shall upon application of the officer accountable therefor, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission, xxx.*

21.2 Audit of the Disposal Activity disclosed that, based on the Physical Inventory Count submitted to the Audit Team, several properties were identified for disposal with a total cost of P7.907 million, and remain undisposed as of the date. Notably, the service vehicles, which comprise a significant portion of these assets, are parked in open areas and exposed to environmental elements, accelerating their deterioration and diminishing their residual value. Meanwhile, other unserviceable items remain idle in storage. These conditions indicate a delay in the conduct of the required disposal proceedings.

21.3 Per inquiry with the Materials Management Department (MMD) Head, no disposal activities were undertaken in CY 2025, due to challenges in conducting in-house appraisal. The subject properties, however, were previously offered for disposal through public bidding, with the last activity conducted from May 08 to June 17, 2024, under Batch 80.

21.4 Out of 34 lots subjected to bidding, only 7 lots (21 percent) were awarded while 27 lots (79 percent) failed, as shown in the table below.

**Table 22 – Percentage of Bid Result**

| Bid Result | Indicative Price | Lot | Percentage |
|---|---|---|---|
| Awarded | 1,090,320 | **7** | 21% |
| Failed | 1,792,380 | **27** | 79% |
| **Total** | 2,882,700 | **34** | |

21.5 The results indicate that most items intended for disposal were not successfully awarded, with no prospective buyers expressing interest during the bidding process. As a result, the properties remain in PNCC's custody and are recorded as idle and non-performing assets, contributing to the accumulation of unserviceable properties.

21.6 Consequently, Management is considering engaging the services of an external appraiser to re-evaluate the value of the items before re-offering them for disposal.

21.7 It is worth noting that PNCC is in the process of relocating its office to the Financial Center Area in Pasay City due to the implementation of the Subway Project, which will utilize the present location. In view of this development, it is both practical and timely to expedite the disposal of unserviceable properties to avoid incurring additional costs of transferring them to the new office and to facilitate a relocation focused solely on transferring serviceable assets.

21.8 PNCC's delay in the disposal of unserviceable properties increases the risk of deterioration and devaluation, while incurring costs and administrative expenses, which is not in accordance with Section 79 of PD No. 1445, which mandates the timely disposition of unserviceable government properties.

21.9 **We recommended that Management:**

**a) Expedite the disposal of the unserviceable properties to prevent further deterioration and devaluation;**

**b) Instruct the General Services Department, Material Management Department, Disposal Committee, and Controllership Department to periodically coordinate to strengthen the property management and inventory control system and ensure timely identification, reporting, and disposal of unserviceable assets, preventing the accumulation of idle/unserviceable properties in the future; and**

**c) Reassess failed bidding activities to identify underlying causes, such as pricing, asset condition, or market interest, to improve future disposal activity.**

21.10 Management informed that the unserviceable properties, including those not awarded during previous bidding, are scheduled for disposal in 2026. It was explained that prior bidding activities were unsuccessful due to high indicative prices. Thus, Management plans to have the items reappraised before reoffering them for disposal. Further, additional unserviceable items from concerned departments will be consolidated for inclusion in the appraisal and disposal process.

21.11 The Audit Team acknowledged Management's plan to dispose of the unserviceable properties in 2026 and to reappraise the items before disposal. However, no specific timelines and detailed action plans were provided to ensure the timely completion of the appraisal and disposal activities. The Audit Team will monitor Management's compliance with the recommendations.

**22. The non-preparation and non-submission of the Inventory and Inspection Report of Unserviceable Property (IIRUP), Waste Material Report (WMR), and Property Transfer Receipt (PTR) by the General Services Department (GSD) to the Disposal Committee is contrary to COA-DBM Joint Circular No. 2024-1 dated January 30, 2024.**

22.1 The Revised Manual on the Disposal of Government Properties under COA-DBM Joint Circular No. 2024-1 dated January 30, 2024, requires that the IIRUP, WMR, and PTR be

prepared and submitted as supporting documents for the proper identification, valuation, and disposal of government properties. These documents also serve as a basis for inspection, computation of appraised value, and subsequent derecognition of disposed assets from the books of accounts.

22.2 Audit disclosed that the Task Force–Asset Disposal Inventory List was previously used by PNCC as a basis for the disposal of its unserviceable assets. However, its format was insufficient to support the identification and derecognition of assets in the accounting records, particularly because the disposal was conducted on a bulk basis, thereby limiting the traceability of individual assets.

22.3 The absence of the required documents resulted in inadequate support for the inspection, valuation, and derecognition of disposed assets, thereby affecting the completeness and reliability of property and equipment records.

22.4 In this regard, copies of the prescribed formats for the IIRUP, WMR, and PTR are attached as annexes for guidance and compliance.

22.5 **We recommended that Management:**

**a) Instruct the GSD to prepare and submit IIRUP, WMR, and PTR as an integral part of the disposal activities;**

**b) Require the Disposal Committee to ensure that all necessary documentation is complete and secured prior to the commencement of disposal activities; and**

**c) Strictly adhere to the Revised Manual on the Disposal of Government Properties to ensure compliance with established policies and procedures governing asset disposal.**

22.6 Management took note of the audit observations and recommendations and stated that it will endeavor to implement and comply with the same.

22.7 The Audit Team took note of Management's acknowledgment of the observations and its commitment to comply with the recommendations. Compliance with the same shall be monitored by the Audit Team.

**23. The non-recovery of cash bonds totaling P3.860 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 23 of Governance Commission for GOCCs (GCG) Memorandum Circular (MC) No. 2012-07.**

23.1 This is a reiteration of the prior year's audit observation with updated information.

23.2 Section 23 of GCG MC No. 2012-07 dated November 28, 2012, provides that:

*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.*

23.3 Records disclosed that PNCC posted cash bonds with the NLRC in relation to labor cases filed by employees in the past involving claims for employee benefits. The posting of a bond equivalent to the monetary award is required for the perfection of the appeal pursuant to Section 4 of the NLRC Rules of Procedure.

23.4 In the audit of previous years transactions, the Audit Team recommended the recovery of P7.190 million in total bonds. This amount includes a P3.330 million cash bond pertaining to an Exit Bonus case filed by PNCC employees in 2013. Although the Supreme Court ultimately ruled in favor of PNCC, the bond remained in NLRC custody until PNCC, through the Office of the Government Corporate Counsel (OGCC), filed a Motion to Release Bond on November 6, 2024.

23.5 On June 30, 2025, the NLRC released the P3.330 million cash bond posted by PNCC in the Exit Bonus case following the Labor Arbiter's grant of the Motion to Release Bonds of PNCC.

23.6 To date, P3.860 million bonds have yet to be recovered by Management. Details are as follows:

**Table 23 – Labor Cases with Recoverable Bonds**

| | Title of Case | Issue | Amount of Bonds | Bond Status | Case Status | Remarks |
|---|---|---|---|---|---|---|
| 1. | Claim of Mid-year Bonus (MYB) E.N. Lopez-De Leon, et al. vs. PNCC GR No. 248401 CA-GR-SP No. 139311 | Discontinuance of MYB alleged as violation of non-diminution of benefits | 2,277,620 | **Released by NLRC to complainants** in 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. | Motion for restitution filed by PNCC through OGCC on November 6, 2024; pending NLRC resolution. |
| 2. | Claim of Transportation Allowance E.N. Lopez-De Leon, et al. vs. PNCC GR No. 244710 CA-GR-SP No. 149392 | Employees claimed discontinuance violated non-diminution rule | 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. | Motion to Release Bond and Order Restitution filed December 22, 2023; pending NLRC resolution. |
| 3. | Claim of Gasoline & reimbursable Transpo Allowance F.M. Erece, et al. vs. PNCC G.R. No. 235673 CA-G.R. SP No. 146350 | Allowance questioned for being contrary to COA rules on transportation benefits | 945,000 | Still in NLRC custody | SC Third Division rendered a Decision dated July 22, 2024, in favor of PNCC. Entry of Judgment dated was issued on February 18, 2025. | For the filing of the Motion to Release bond by the Corporate Legal through the Office of the OGCC. |
| **Total** | | | **3,860,120** | | | |

23.7 As shown in the above table, the NLRC released the bonds for the MYB and Transportation Allowance to the claimants before the Supreme Court reversed the decisions. Consequently, PNCC is currently awaiting the NLRC's Decision on the filed Motion for Restitution to recover these amounts from the concerned employees.

23.8 Meanwhile, the bond for Gasoline and Reimbursable Transportation Allowance remains in the custody of the NLRC. Although the Supreme Court decision reached finality in 2024, a Motion to Release Bond has yet to be filed to initiate the recovery of these funds.

23.9 PNCC's cash bonds totaling P3.860 million remain unrecovered, depriving the Corporation of the use of these funds and exposing government resources to the risk of loss. This condition underscores the need for stronger coordination with OGCC and for establishing a more systematic approach to monitoring these cases, enforcing final and executory decisions, and initiating timely actions to recover such funds.

23.10 The continued delay in recovering these bonds is inconsistent with Section 23 of GCG MC No. 2012-07, which mandates that Officers act as fiduciaries and trustees of the State, where the Management has a legal obligation to manage and safeguard government resources with utmost good faith to ensure efficiency and economy in operations. By recovering these cash bonds, PNCC could use the funds for its operations or other income-generating investments to serve the Corporation's best interests.

23.11 Nonetheless, it is noteworthy that Management was able to facilitate the release of the P3.330 million cash bond in the Exit Bonus case, demonstrating its ability to pursue appropriate legal remedies when acted upon in a timely manner. Sustaining and strengthening such efforts would enable PNCC to recover the remaining bonds.

23.12 **We recommended that Management:**

**a) Coordinate with the Office of the General Corporate Counsel (OGCC) to file appropriate Motions for the recovery/restitution of the cash bond pertaining to Mid-year Bonus and Transportation allowance cases, and for the immediate release of the cash bond for the Gasoline & reimbursable Transpo Allowance case;**

**b) Coordinate closely with the OGCC and require regular updates on the status and developments of the cases to enable PNCC to take timely and appropriate action in pursuing the recovery of the bonds; and**

**c) Institute periodic reconciliation and review of all appeal bonds to ensure that all recoverable or claimable amounts are properly monitored, accounted for, acted upon, and reflected in the books.**

23.13 Management stated that appropriate actions have already been undertaken through the Corporate Legal Department (CLD), in coordination with the OGCC, for the recovery of the cash bonds subject to the audit observation.

23.14 For the MYB and Transportation Allowance cases, Management confirmed that the OGCC has already filed the necessary motions before the NLRC, namely the Motion to Order Restitution and Motion to Release Bond and Order Restitution. However, as of the report date, the NLRC has not yet resolved these motions, except for the Gasoline and

Reimbursable Transportation Allowance case, where the NLRC already granted the Motion to Release Bond in the amount of P3.33 million. Management further stated that the OGCC has been requested to file a Motion for Early Resolution or Motion to Resolve the pending motions.

23.15 For the Gasoline and Reimbursable Transportation Allowance case, Management explained that the initial delay in filing the Motion to Release Bond was due to the unavailability of the Entry of Judgment from the Supreme Court. Upon coordination with the Supreme Court and the OGCC, a certified true copy of the Entry of Judgment was secured and transmitted on March 26, 2026, to the OGCC to proceed with the preparation of the necessary Motion to Release Bond amounting to P945,000.

23.16 Management committed to continue coordinating with the OGCC and provide updates on the status and developments of pending NLRC cases and bond recovery efforts.

23.17 The Audit Team acknowledges the actions of Management in coordinating with the OGCC and in pursuing the filing of the necessary motions for the recovery of the subject cash bonds.

23.18 It is noted that motions for restitution and release of bond have already been filed for the MYB and Transportation Allowance cases, while the same remain pending resolution before the NLRC. While, for the Gasoline and Reimbursable Transportation Allowance case, Management has already secured and transmitted the Entry of Judgment to the OGCC and is currently facilitating the preparation of the corresponding Motion to Release Bond.

23.19 As the remaining cash bonds have not yet been fully recovered, the Audit Team encourages continued coordination with the OGCC and the NLRC for the timely resolution of the pending motions and the recovery of the amounts involved.

**24. The grant of cash advances (CAs) totaling P1.709 million for payments to suppliers and other expenditures that should have been paid through checks is not in accordance with the imprest system prescribed under COA Circular No. 97-002.**

24.1 Section 2 of the COA Circular No. 97-002 prescribes that cash should be handled under the general principle of the imprest system, where all payments must be made by check, and only payments in small amounts can be made through the petty cash fund. It further provides that cash advances shall be granted only for specific authorized purposes and only when payment by check is difficult, impractical, or impossible.

24.2 Audit disclosed that cash advances totaling P1.709 million were granted to employees to facilitate payments to suppliers for goods and services which, by their nature and magnitude, are not petty and are practicably payable through check. Details are as follows:

**Table 24 – Cash Advances Granted to Employees**

| Date | Check No. | Purpose | Amount |
|---|---|---|---|
| 03/24/25 | 648196 | Team Building Activities (TBA) | 80,000 |
| 05/26/25 | 648439 | Budget for the TBA | 200,000 |

| Date | Check No. | Purpose | Amount |
|---|---|---|---|
| 05/27/25 | 648454 | BOD Meals & Accommodation during TBA | 60,000 |
| 08/13/25 | 655863 | Bowling Tournament | 330,000 |
| 11/19/25 | 656296 | Christmas Basket and Ham | 732,000 |
| 12/03/25 | 656372 | IQA, food, training, and Materials | 57,000 |
| 11/26/25 | 656322 | Expenses in campaign to end VAW* | 250,000 |
| **Total** | | | **1,709,000** |

*Violence against women

24.3 Moreover, purchases of construction materials for the new office in FCA, Pasay City, aggregating P0.359 million, were likewise paid through cash advances on the basis of urgency, which is not a sufficient justification for resorting to cash advances in lieu of proper disbursement and procurement procedures.

24.4 These practices show that cash advances were used beyond their intended purpose and served as a substitute for check disbursement and regular procurement processes for expediency, to the detriment of internal controls.

24.5 As a result, funds were unnecessarily placed in the custody of employees, increasing the risk of loss, unauthorized use, and inadequate documentation, reducing the transparency in the disbursement process.

24.6 **We recommended that Management:**

**a) Ensure that payments to suppliers are made through check, except in duly justified cases where payment by check is impractical or impossible;**

**b) Limit the grant of cash advance only to authorized purposes and small-value expenditures;**

**c) Strengthen controls by ensuring that requests for cash advances are properly evaluated as to necessity, purpose, and amount; and**

**d) Direct concerned officials to refrain from using cash advances as a substitute for regular procurement and payment processes.**

24.7 Management explained that the use of cash advances instead of checks has been a long-standing practice for activities such as team building and tournaments due to practical constraints, including variability in the number of participants and changes in arrangements. It was also cited that certain suppliers require cash payments, particularly during the Christmas season, when prices and availability of items such as gift baskets and ham are unstable.

24.8 For the IQA activities, some materials were not available in stock and had to be purchased in cash, while the caterer required cash payment due to a previous cancellation. Honoraria were likewise paid through cash advances.

24.9 For the campaign to end VAW, Management cited time constraints, as the official theme and materials were released close to the scheduled activities, necessitating immediate purchases.

24.10 In the case of the FCA office renovation, cash advances were granted to facilitate the immediate purchase of materials to avoid delays and ensure continuous work operations.

24.11 Management committed to comply with the recommendations moving forward.

24.12 Notwithstanding the explanations provided, the cited reasons, such as convenience, urgency, variability of requirements, and supplier preference for cash payments, do not justify non-compliance with the imprest system prescribed under Commission on Audit Circular No. 97-002.

24.13 The use of cash advances instead of check payments for transactions that are neither small in amount nor impractical to pay by check remains inconsistent with the prescribed guidelines. Moreover, the continued reliance on cash advances indicates weak enforcement of existing disbursement controls.

24.14 The Audit Team acknowledges Management's commitment to comply with the recommendation moving forward, to which the Team commits to monitor strictly.

**25. The non-withholding and non-remittance of taxes on payments to regular suppliers of PNCC amounting to P1.659 million resulted in unwithheld and unremitted taxes totaling P101,477, in violation of applicable Bureau of Internal Revenue (BIR) revenue regulations, exposing the Corporation to possible tax deficiencies, surcharges, and penalties.**

25.1 Section 2 of Revenue Regulations (RR) No. 31-2020 dated November 4, 2020, provides that payments made by top withholding agents, such as PNCC, to its local/resident suppliers of goods and services shall be subject to the following creditable withholding tax (CWT) rates:

- Supplier of goods – one percent (1%)
- Supplier of services – two percent (2%)

25.2 The same regulation defines "local resident suppliers of goods/suppliers of services" as a supplier from whom the top withholding agents regularly make their purchases of goods and services. Further, single purchases amounting to P10,000 or more are likewise subject to withholding tax. "Regular suppliers" refer to those with whom the taxpayer-buyer has transacted at least six (6) times, regardless of amount, either in previous year or current year.

25.3 Further, Section 4.114-2 of RR No. 16-2005, as amended by RR No. 4-2007, provides that government agencies, including GOCCs, shall, prior to payment, deduct and withhold a final value-added tax (VAT) at the rate of five percent (5%) on gross payments for purchases of goods/services subject to twelve percent (12%) VAT.

25.4 PNCC, being classified as a Top Withholding Agent and under the supervision of the BIR Large Taxpayers Division, is required to strictly comply with both creditable withholding tax and final VAT withholding requirements.

25.5 Audit disclosed that payments totaling P1.659 million were made to various suppliers through cash advances without the corresponding withholding of applicable taxes. As a result, taxes amounting to P101,477 were not withheld and remitted. A summary of the transactions is shown below.

**Table 25 – Unwithheld and Unremitted Taxes**

| Type | Purchases | Withholding VAT | CWT | Total |
|---|---|---|---|---|
| Supplier of goods | 1,156,112 | 48,152 | 10,405 | 58,557 |
| Supplier of services | 75,520 | 3,371 | 1,349 | 4,720 |
| Rentals | 427,831 | 19,100 | 19,100 | 38,200 |
| **Total** | **1,659,463** | **70,623** | **30,854** | **101,477** |

25.6 Verification of supporting documents confirmed that the suppliers met the criteria for "regular suppliers." Accordingly, the transactions should be subjected to both creditable withholding tax and final VAT withholding.

25.7 However, the use of cash advances in settling obligations resulted in full payments to suppliers without the required deduction of withholding taxes.

25.8 The failure to withhold and remit the required taxes exposes PNCC to deficiency tax assessments, including surcharges, interest, and compromise penalties. Continued non-compliance may also result in the disallowance of related expenses for tax purposes, increasing the taxable income.

25.9 **We recommended that Management:**

**a) Ensure that all payments to regular suppliers are subjected to the applicable creditable withholding tax and final VAT before payment, in accordance with RR No. 31-2020 and RR No. 4-2007;**

**b) Discontinue the use of cash advances for payments to regular suppliers;**

**c) Identify the regular suppliers and maintain a database to determine the transactions subject to withholding taxes;**

**d) Strengthen internal controls over disbursement to ensure that payments are subject to applicable tax regulations.**

25.10 Management explained that payments to suppliers were made in cash without withholding taxes because suppliers did not accommodate withholding tax requirements and refused to issue the necessary certificates.

25.11 It was also cited that this was the Corporation's first construction-related activity, and no database of regular suppliers had yet been established. Due to the urgency in completing

the FCA office renovation, Management opted to proceed with available suppliers rather than search for alternatives.

25.12 Further, payments for team building venues and bowling rentals were made in cash, and the withholding tax requirements were overlooked after full payment had already been made.

25.13 Management is committed to complying with the audit recommendations moving forward.

25.14 The Audit Team maintained that the explanations provided did not justify the non-withholding and non-remittance of taxes required under applicable regulations of the Bureau of Internal Revenue.

25.15 Supplier preference, refusal to accommodate withholding tax requirements, and operational urgency do not exempt the Corporation from its obligation as a withholding agent. The responsibility for withholding and remitting taxes rested with the Corporation prior to payment, regardless of the supplier's practices or circumstances.

25.16 The failure to withhold and remit taxes constituted a violation that exposes the Corporation to deficiency tax assessments, including surcharges, interest, and penalties.

**26. The grant of cash advances totaling P3.844 million to personnel without proper authority from the Head of Agency and without complete bonding requirements indicates weak internal control over disbursements, contrary to COA Circular No. 97-002.**

26.1 Cash advances were granted to personnel who were not duly authorized by the Agency Head as disbursing officers, and some of whom were not bonded, contrary to COA Circular No. 97-002 dated February 10, 1997.

26.2 Section 4.4.3 of the said Circular requires that cash advances be supported by, among others, an authority from the Agency Head and a copy of the approved application for bond. These requirements indicate that only duly authorized and bonded disbursing officers should be entrusted with the custody and disbursement of public funds.

26.3 Audit disclosed that the following cash advances totaling P3.844 million were granted to personnel without proper authority to disburse funds:

**Table 26 – Cash Advances Lacking Approval**

| | CV No. | Date | Particulars | Amount | Attachment |
|---|---|---|---|---|---|
| 1. | 03-124-25 | 03/24/25 | Team Building Activities (TBA) | 80,000 | Approval to release the budget. |
| 2. | 05-126-25 | 05/26/25 | TBA | 200,000 | Approval to release the budget. |
| 3. | 05-142-25 | 05/27/25 | TBA | 60,000 | Budget computation only |
| 4. | 07-140-25 | 07/31/25 | Dart tournament prize | 40,000 | Budget computation only |
| 5. | 08-051-25 | 08/13/25 | Bowling Tournament | 330,000 | Approval to release the budget. |
| 6. | 10-122-25 | 10/27/25 | Tree Planting | 50,000 | Approval to release the budget. |
| 7. | 11-103-25 | 11/19/25 | Foundation Day | 711,811 | Approval to release the budget. |
| 8. | 11-090-25 | 11/17/25 | Honorarium | 20,900 | Compliance Team Memo |
| 9. | 11-104-25 | 11/19/25 | Christmas Basket & Ham | 732,000 | Approval to release the budget. |

| | CV No. | Date | Particulars | Amount | Attachment |
|---|---|---|---|---|---|
| 10. | 11-145-25 | 11/26/25 | Campaign to end VAW | 250,000 | OP message dtd. 11/25/25 |
| 11. | 12-009-25 | 12/15/25 | Gratuity-Service Contracts | 42,000 | With a list of payees |
| 12. | 12-038-25 | 12/03/25 | IQA, food & training Materials | 57,000 | Approval to release the budget. |
| 13. | 12-063-25 | 12/10/25 | Bowling Tournament | 133,578 | Budget computation only |
| 14. | 12-083-25 | 12/03/25 | Loyalty Award | 260,000 | Approval to release the budget. |
| 15. | 12-094-25 | 12/16/25 | Christmas Party | 877,000 | Approval to release the budget. |
| | **Total** | | | **3,844,289** | |

26.4 In nine (9) instances, the attachments consisted only of requests for withdrawal of the budget, but these requests did not include the designation of the disbursing officer to handle the cash advance. While it may be inferred that the requester is the same person who will disburse the funds, records show that the person who disbursed the funds was different from the requester.

26.5 In six (6) instances, there were no requests for budget withdrawal, and the supporting documents were limited only to budget computations or allocations, which are insufficient to support the grant of cash advances. Of the listed payees, only Silvestre, Castillo, and Eiman were bonded in connection with their duties as disbursing officers for their respective petty cash funds.

26.6 The grant of cash advances to employees without proper authorization is a weakness in internal control that increases the risk of unclear accountability and improper custody of funds, particularly in determining responsibility during liquidation.

26.7 **We recommended that Management:**

**a) Discontinue the practice of granting cash advances to personnel without authority from the Agency Head;**

**b) Require that requests for budget withdrawal include the authority and the designation of the disbursing officer who will handle the cash advance;**

**c) Ensure that cash advances are granted only to the duly designated and bonded disbursing officers; and**

**d) Strengthen controls over the authorization and disbursing of cash advances to ensure compliance with COA Circular No. 97-002.**

26.8 Management explained that a memorandum addressed to all department and committee heads, signed by the President and CEO on May 18, 2026, was issued identifying personnel recommended for bonding in relation to cash advances. It was further stated that the concerned personnel have acknowledged the directive.

26.9 Management added that the enrollment of newly bonded personnel will be included in the renewal of fidelity bonding with the Bureau of the Treasury in July 2026.

26.10 Management committed to comply with the audit recommendations moving forward.

26.11 The Audit Team noted the actions taken by Management to address the bonding requirements of personnel handling cash advances. The Audit Team will continue to monitor Management's compliance with the recommendations.

**27. The transfer or pooling of cash advances among employees totaling P280,000 resulted in joint liquidation, contrary to Section 4.1.6 of COA Circular No. 97-002, affecting accountability and traceability of transactions.**

27.1 Section 4.1.6 of the same Circular provides that:

> *Transfer of cash advance from one Accountable Officer (AO) to another shall not be allowed.*

27.2 Audit disclosed that two (2) cash advances granted for the Team Building Activities, released to two separate employees with distinct purposes, were jointly liquidated as evidenced in Expense Report No. 06-001-25 dated June 30, 2025. Details are as follows:

**Table 27 – Cash Advances that are Liquidated Jointly**

| Date | Check Number | Particulars | Amount | Expense incurred | Remarks |
|---|---|---|---|---|---|
| 03/24/25 | 648196 | Team Building Activities | 80,000 | | Liquidated jointly on 06/02/25 |
| 05/26/25 | 648439 | Teambuilding-meals and accommodation | 200,000 | 211,594 | |
| | | | **280,000** | **211,594** | |

27.3 The joint liquidation of separately granted cash advances indicates that the funds were transferred or pooled and treated as a single accountability. This arrangement weakens internal control and obscures individual responsibility for custody, utilization, and liquidation. Consequently, the accountability of accountable officers cannot be clearly established, contrary to Section 4.1.6 of COA Circular No. 97-002.

27.4 **We recommended that Management:**

**a) Stop the transfer or pooling of cash advances among employees in accordance with Section 4.1.6 of COA Circular No. 97-002;**

**b) Remind all accountable officers to require separate liquidation reports for each cash advance in compliance with COA Circular No. 97-002 to ensure proper accountability and control over cash advances; and**

**c) Strengthen internal controls to prevent recurrence of joint liquidation of separately granted cash advances.**

27.5 Management explained that the P80,000 cash advance was intended as a down payment for the venue of the team building activity, while the P200,000 cash advance was used for the full settlement of the same venue.

27.6 It was further stated that only an acknowledgment receipt was issued for the down payment, which was not considered sufficient for liquidation purposes. Management also

noted that a separate cash advance was obtained to settle balances, as the previous accountable officer could not secure a new cash advance until the prior one was liquidated.

27.7 Management committed to comply with the audit recommendations moving forward.

27.8 The Audit Team will continue to monitor Management's compliance with the recommendations.

**28. The grant of P1.501 million, consisting of considerable cash prizes totaling P769,000 and Christmas baskets totaling P731,802 (P11,997 each), for 55 employees and 6 Contract of Service (COS) personnel in connection with the celebration of the Christmas season is considered excessive under COA Circular No. 2012-003; and contrary to the Office of the President (OP) Memorandum Circular (MC) No. 110, s. 2025, directing all government agencies to observe austerity in the celebration of the Christmas season.**

28.1 COA Circular No. 2012-003 dated October 29, 2012, provides that:

> *The term "excessive expenditures" signifies unreasonable expense or expenses incurred at an immoderate quantity and 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.*

28.2 The dispositive portion of the Office of the President (OP) Memorandum Circular (MC) No. 110, s. 2025 states:

> *All NGAs and instrumentalities, including government-owned or controlled corporations and state universities and colleges, are hereby directed, and local government units are hereby encouraged, to observe austerity in the celebration of the Christmas season, and to keep Christmas and year-end celebrations simple and meaningful, in solidarity with all the Filipinos still recovering from recent disasters.*
>
> *All heads of agencies are hereby directed to ensure the strict implementation and observance of all relevant laws, rules, and regulations governing the judicious and prudent use of government funds.*

28.3 Examination disclosed that PNCC incurred and disbursed a total of P769,000 for cash prizes for games, bingo, and raffle draws during its Christmas Party held on December 18, 2025, awarded to sixty-one (61) individuals composed of fifty-five (55) employees and six (6) COS personnel. A significant portion consisted of considerable cash prizes, with fifteen (15) individuals receiving P9,500 each, fifteen (15) receiving P10,500 each, fourteen (14) receiving P11,500 each, ten (10) receiving P13,500 each, and one (1) receiving a top prize of P15,500. Details are summarized below:

**Table 28 – Prizes for Games and Raffle**

| Game | Prize range | No. of winners | Amount |
|---|---|---|---|
| Raffle | 2,000 | 6 | 12,000 |
| | **9,500** | 15 | 142,500 |
| | **10,500** | 15 | 157,500 |
| | **11,500** | 14 | 161,000 |
| | **13,500** | 10 | 135,000 |
| | **15,500** | 1 | 15,500 |
| | | **61** | **623,500** |
| Bingo | 5,000 | 7 | 35,000 |
| | 10,000 | 5 | 50,000 |
| | | | 85,000 |
| Various games | 200 | 47 | 9,400 |
| | 300 | 2 | 600 |
| | 500 | 6 | 3,000 |
| | 1,000 | 23 | 23,000 |
| | 1,500 | 11 | 16,500 |
| | 2,000 | 4 | 8,000 |
| | | | 60,500 |
| | | | **769,000** |

28.4 Verification showed that, although a list of winners was available, the Controllership and Human Resource Departments could not present any legal basis to justify the grant of considerable cash prizes using public funds.

28.5 Further analysis disclosed that the amount of cash prizes granted in CY 2025 is significantly higher compared to prior years, as summarized below:

**Table 29 – Increase of Prizes for Games and Raffle**

| Particulars | Average (2022-2024) | 2025 | Increase | % |
|---|---|---|---|---|
| Games | 49,213 | 145,500 | | |
| Raffle | 316,633 | 623,500 | | |
| Total | 365,847 | 769,000 | | |
| No. of personnel | 61 | 61 | | |
| Average per person | 5,920 | **12,607** | **6,686** | **113%** |

28.6 In CY 2025, cash prizes totaled P769,000 for 61 individuals, averaging P12,607 per recipient. The magnitude and rate of increase of the expenditures, taken together with the absence of sufficient justification, establish that the amounts granted are excessive and incurred beyond reasonable limits, without due regard to prudence and economy.

28.7 The audit further disclosed that PNCC granted Christmas baskets totaling P11,997 each to the same sixty-one (61) employees and COS personnel, for a total of P731,802. As with the cash prizes, no legal basis or authority was presented to justify granting such benefits, which were charged to government funds. The amount per recipient is substantial and unsupported by any established guideline or reasonable benchmark, thereby contributing to the excessive nature of the expenditures, as shown below:

**Table 30 – Details of Christmas Basket**

| Year | Total Cost | No. of Personnel | Average per Recipient |
|---|---|---|---|
| Average (2022-2024) | 260,969 | 62 | 4,199 |
| 2025 | 731,802 | 61 | 11,997 |
| **Increase** | | | **7,798** |
| **Percentage** | | | **185%** |

28.8 In CY 2025, the total cost for the Christmas basket amounted to P731,802 for 61 PNCC personnel, averaging P11,997 per recipient. This represents a 185% increase over the average of the preceding three (3) years, as evidenced by the imprudent spending of public funds.

28.9 Under COA Circular No. 2012-003, expenditures are considered excessive when they are unreasonable, immoderate in quantity or price, exceed what is usual or proper, or are unreasonably high and beyond just measure. The combined disbursement of P1,500,802 for cash prizes (P769,000) and Christmas baskets (P731,802) falls under this category, as the amounts granted per recipient are substantial and not proportionate to the activity.

28.10 Further, the expenditures are also unnecessary considering that the activity is social and non-operational in nature and does not directly support the Agency's mandate nor respond to the exigencies of public service. Moreover, the benefits granted are not supported by specific legal authority or established guidelines, indicating a lack of reasonable basis in determining the amounts. Accordingly, the absence of any legal or regulatory basis renders the transactions irregular, as public funds may only be disbursed pursuant to lawful authority.

28.11 In addition, MC No. 110, s. 2025 of the Office of the President, dated December 15, 2025, directs all national government agencies and instrumentalities, including government-owned or controlled corporations, to observe austerity in the celebration of the Christmas season and to keep festivities simple, meaningful, and aligned with government priorities. The Circular emphasizes that agency heads are responsible for ensuring strict compliance with existing laws, rules, and regulations governing the judicious and prudent use of public funds. In this context, the disbursement of P1,500,802 for cash prizes and Christmas baskets is inconsistent with the government's declared policy on austerity and fiscal discipline, as embodied in OP Memorandum Circular No. 110, s. 2025, and reflects non-adherence to directives on the prudent use of public funds.

28.12 Management explained that the disbursement was made to comply with the Performance Scorecard set by the Governance Commission for GOCCs (GCG), which requires at least 90% utilization of the allocated budget. While this explains Management's intent, such justification does not constitute legal authority nor establish the necessity of the expenditures, as budget utilization targets cannot override compliance with existing laws, rules, and regulations. Moreover, the combined grant of cash prizes and Christmas baskets resulted in a spending pattern driven by budget utilization rather than operational necessity. The explanation that the allocated budget had to be fully utilized does not justify expenditures that are excessive or unreasonable.

28.13 As a result, public funds totaling P1,500,802 were disbursed for activities and benefits that are excessive, not commensurate with the intended purpose, and not essential to PNCC's operations, indicating inefficient use of government resources. These transactions expose disbursements to audit disallowance and may give rise to liability for responsible officials, emphasizing the need for clear guidelines, prudent planning, and stricter adherence to existing laws, rules, and regulations to ensure that the performance of targets does not result in excessive or unreasonable expenditures.

28.14 **We recommended that Management:**

**a) Discontinue granting considerable cash prizes and similar benefits for such activities unless supported by legal authority;**

**b) Ensure that the grant of Christmas baskets or similar benefits is aligned with existing laws, rules, and regulations;**

**c) Require the refund of the amount disbursed for excessive cash prizes and Christmas baskets; and**

**d) Review and set the overall budget for employee events, including food, prizes, and other related expenses, at reasonable levels, ensuring that planned expenditures are necessary and that excessive budgets do not lead to unwarranted spending.**

28.15 Management stated that the Company celebrates the Christmas season annually as a time for gift-giving, family reunions, and other activities, and that it has been a yearly tradition to culminate the year with a Christmas Party where the Company shares part of its earnings with employees through games, raffles, and the distribution of Christmas baskets. It explained that, unlike other GOCCs or government agencies, the Company conducts its Christmas Party in-house to save on venue and related costs, and that it was deemed more prudent to allocate the allotted budget directly to benefit employees rather than incur expenses for external venues.

28.16 Management admitted that the amounts granted in CY 2025 significantly increased compared to previous years, which it attributed to anticipated higher revenues and earnings. It stated that the benefits were intended to allow employees to share in the Company's success and that such benefits contribute to employee morale, loyalty, and productivity, serving as motivation and recognition for their contributions to the Company's goals. It further stated that this is reflected in the Company's increasing net income despite having a limited number of employees.

28.17 Management acknowledged the intent of the Audit Team in safeguarding public funds and ensuring compliance with applicable laws, rules, and regulations. However, it requested reconsideration of the recommendation to require a refund of the amounts granted, citing humanitarian considerations and the impact on employees who have already received and utilized the benefits, particularly in light of rising costs of basic commodities.

28.18 In this regard, Management proposed that the refund be waived or reconsidered, or alternatively, limited only to the excess over prior year amounts. It presented computations showing that the excess amounts for Christmas baskets and cash prizes

total P761,972.35, to be refunded by affected employees through salary deductions on an installment basis over a period of six (6) months.

28.19 Management further assured that it will be more conscientious in the future and will refrain from granting excessive Christmas-related benefits.

28.20 Management's explanations are acknowledged. However, the justifications cited, such as tradition, employee morale, and anticipated increase in revenues, do not constitute legal authority for the disbursement of public funds.

28.21 While Management attributed the increase in the amounts granted to improved financial performance, it is emphasized that the utilization of public funds must remain anchored on prudence, necessity, and compliance with applicable laws, rules, and regulations, regardless of income levels. Moreover, the Office of the President issued MC 110. S. 2025 for government agencies to observe austerity in the celebration of the Christmas season, and to keep Christmas season, and keep Christmas and year-end celebrations simple and meaningful, in solidarity with all the Filipinos still recovering from recent disasters.

28.22 The conduct of the Christmas activity in-house to minimize Christmas expenses, while recognized, does not negate the finding that the amounts granted for prizes and raffles were excessive, nor do they establish the legality of the expenditures.

28.23 Further, while humanitarian considerations are recognized, the grant of benefits from public funds must be supported by a legal basis, and accountability therefor cannot be set aside on equitable considerations.

28.24 In view thereof, the recommendation to require the refund is maintained. The Audit Team will continue to monitor Management's compliance with the audit recommendations.

**29. The grant of cash prizes for games and raffles totaling P618,700 to 61 individuals (55 employees and 6 Contract of Service (COS) personnel) in connection with the celebration of the Foundation Day is unnecessary pursuant to COA Circular No. 2012-003.**

29.1 COA Circular No. 2012-003 dated October 29, 2012, provides that:

> ***Unnecessary expenditures*** *pertain to expenditures which could not pass the test of prudence or the diligence of a good father of a family, thereby denoting non-responsiveness to the exigencies of the service. Unnecessary expenditures are those not supportive of the implementation of the objectives and mission of the agency relative to the nature of its operation. This would also include incurrence of expenditure not dictated by the demands of good government, and those the utility of which cannot be ascertained at a specific time. An expenditure that is not essential or that which can be dispensed with without loss or damage to property is considered unnecessary. The mission and thrusts of the agency incurring the expenditures must be considered in determining whether or not an expenditure is necessary.*

29.2 Examination disclosed that PNCC incurred and disbursed a total of P618,700 for cash prizes for games and raffle draws during its Foundation Day celebration, awarded to sixty-one (61) individuals composed of fifty-five (55) employees and six (6) Contract of Service (COS) personnel. The raffle prizes were distributed as follows: five (5) winners received P2,000 each; four (4) winners received P5,000 each; ten (10) winners received P7,000 each; ten (10) winners received P8,000 each; ten (10) winners received P9,000 each; ten (10) winners received P10,000 each; ten (10) winners received P12,000 each; and two (2) winners received P15,000 each, totaling P520,000.

29.3 Further, cash prizes for various games amounted to P98,700, covering activities such as Bingo, Hi-Low, Knock-out, Color Wheel, and Target Your Prize Game. Individual winnings ranged from P100 to P10,000 and were awarded to participants. A summary of the cash prizes is presented below:

**Table 31 – Prizes for Games and Raffle**

| Game | Prize range | No. of winners | Amount |
|---|---|---|---|
| Raffle | 2,000 | 5 | 10,000 |
| | **5,000** | 4 | 20,000 |
| | **7,000** | 10 | 70,000 |
| | **8,000** | 10 | 80,000 |
| | **9,000** | 10 | 90,000 |
| | **10,000** | 10 | 100,000 |
| | **12,000** | 10 | 120,000 |
| | **15,000** | 2 | 30,000 |
| | | **61** | **520,000** |
| Various games | 100 | 47 | 4,700 |
| | 500 | 4 | 2,000 |
| | 1,000 | 6 | 6,000 |
| | 2,000 | 3 | 6,000 |
| | 5,000 | 6 | 30,000 |
| | 10,000 | 5 | 50,000 |
| | | | 98,700 |
| | | | **618,700** |

29.4 Verification disclosed that while a list of winners was made available, no legal basis or authority was presented by Management to justify the grant of cash prizes charged against government funds.

29.5 In the absence of such authority or established guidelines, the disbursement of public funds for this purpose fails to meet the standards of necessity and prudence under COA Circular No. 2012-003 and is therefore considered an unnecessary expenditure.

29.6 The grant of cash prizes in substantial amounts for games and raffle activities likewise indicates the absence of clear parameters on the use of government funds for employee incentives during agency celebrations.

29.7 Accordingly, the disbursement of P618,700 is considered an unnecessary expenditure, not essential to the operations of PNCC, and without basis in law, thus exposing the transaction to possible audit disallowance.

29.8 **We recommended that Management:**

**a) Refrain from granting considerable cash prizes and similar incentives for anniversary activities unless clearly supported by legal authority;**

**b) Cause the refund of the amount of P618,700, representing cash prizes granted from raffle and various games, by the persons responsible, including those who authorized, approved, and received the payments; and**

**c) Ensure that all expenditures charged against government funds are necessary and supported by proper authority.**

29.9 Management explained that the celebration of the Company's Foundation Day is a long-standing tradition intended to recognize its incorporation and celebrate its achievements. The event is part of the incentives available to employees and is aimed at promoting morale, motivation, and productivity.

29.10 The celebration consists of various activities, including a formal program, parlor games, and raffle draws. According to Management, these activities provide an opportunity for the Company to share its accomplishments with employees and encourage them to perform better in achieving organizational goals.

29.11 Management further stated that the Company previously held anniversary celebrations in external venues but has since shifted to in-house celebrations to reduce costs. The Programs Committee ensures that expenses remain within the approved budget and are prudently spent for the benefit of employees, rather than on venue and related costs.

29.12 It was also emphasized that the Foundation Day celebration contributes to employee morale, loyalty, and productivity, which Management associates with the Company's continued attainment of its targets despite a reduced workforce.

29.13 Management added that the budget for the celebration amounted to P607,000 in 2024 and P618,700 in 2025, reflecting an increase of P11,700 or 1.92%, which it considers minimal and reasonable due to inflation.

29.14 In view thereof, Management requested reconsideration of the audit observation and the recommendation for refund of the cash prizes. It likewise expressed its commitment to exercise greater prudence in the use of company funds for similar activities in the future.

29.15 The Audit Team acknowledged Management's explanation; however, the justifications presented, such as tradition, employee welfare, and perceived improvements in productivity, did not constitute a valid legal basis for the disbursement of public funds. Under COA Circular No. 2012-003, the determination of whether an expenditure is necessary was anchored on its direct relation to the agency's mandate and the exigencies of the service, not on customary practice or anticipated intangible benefits.

29.16 While Management emphasized that the celebration was conducted in-house to minimize costs, such a measure pertained only to cost efficiency and did not address the fundamental issue of whether the expenditure itself was necessary and authorized. An expenditure that could be dispensed with without impairing the agency's operations remained unnecessary, regardless of the manner by which costs were reduced.

29.17 The claimed correlation between the celebration and improved employee performance, morale, and company revenues did not establish that the grant of considerable cash prizes was essential to the operations of the Company.

29.18 Notably, Management failed to present any law, rule, or regulation authorizing the grant of considerable cash prizes for games and raffle activities charged against government funds. In the absence of such authority, the disbursement did not meet the standards of necessity and prudence prescribed under COA Circular No. 2012-003 and was therefore properly classified as an unnecessary expenditure.

29.19 In view thereof, the Audit Team maintained its findings and reiterated its recommendations.

**30. Payment made by PNCC for flu vaccine and Annual Physical Examination (APE) amounting to P146,890, while granting full Medical Allowance, is contrary to Sections 6.1, 7, and 12 of CPCS Circular No. 2025-01, resulting in excessive benefits under Section 5.1 of COA Circular No. 2012-003 dated October 29, 2012.**

30.1 Sections 6.1, 7.2.2, and 12 of CPCS Circular No. 2025-01 provide that:

> *6.1. GOCCs that have already implemented the CPCS under EO No. 150, s. 2021, shall grant the Medical Allowance to eligible employees, not exceeding the allowable amounts provided under this Circular, upon receipt from the GCG of the Notice containing its validated Category/Tier.*
>
> 7. GRANT OF MEDICAL ALLOWANCE. xxx
>
> ***In cash form for:***
>
> ***7.2.2. Those who paid for their own medical expenses, such as but not limited to hospitalization, emergency care, diagnostic tests, and medicines****,...xxx*
>
> *12. RESPONSIBILITY OF THE GOCC. - To ensure the achievement of the objectives of the allowance, as well as the judicious and prudent use of funds, the GOCC, acting through the Governing Board, shall be responsible for the proper implementation of this Circular,* ***without prejudice to the refund by the employees concerned of any excess or unauthorized payments****.*

30.2 Section 5.1 of COA Circular No. 2012-003 dated October 29, 2012 states that**:**

> *The term "excessive expenditures" signifies unreasonable expense or expenses incurred at an immoderate quantity and 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.***

30.3 Audit of expenses recorded under the Family Welfare account of Personnel Services disclosed that flu vaccines and APE of officers and employees were paid directly by PNCC in 2025, as follows:

**Table 32 – Cost of Vaccine and APE**

| Date | Payee | Particulars | Unit cost | Amount |
|---|---|---|---|---|
| 07/28/25 | Pharma Quest Co. | Flu Vaccine | P645 | 33,540 |
| 11/26/25 | GlobalHealth Diagnostic | APE | varying (P450-P2,450) | 113,350 |
| **Total** | | | | **146,890** |

30.4 In March 2026, PNCC paid the Medical Allowance of its employees for the calendar year 2025, amounting to P15,000 each. However, PNCC did not deduct the cost of APE and flu vaccines administered to and paid for by employees in 2025.

30.5 Pursuant to CPCS Circular No. 2025-01, the Medical Allowance is intended to cover medical-related expenses such as APE, vaccines, and similar health-related costs. Where such expenses are directly paid by the GOCC, the amount thereof should be charged against and deducted from the Medical Allowance. In this case, PNCC paid for the said medical services (flu vaccine and the APE), while still granting the full Medical Allowance to employees.

30.6 As a result, the benefits granted to the employees exceeded those that are allowed under CPCS Circular No. 2025-01, resulting in excessive expenditures pursuant to Section 5.1 of COA Circular No. 2012-003.

30.7 **We recommended that Management:**

**a) Require the employees to refund the cost of APE and Vaccines; and**

**b) Refrain from covering the cost of APE and Flu vaccines and other medical expenses for employees who opted for full cash medical allowance.**

30.8 Management explained that it has been the Company's practice to provide health benefits to its employees, including flu vaccination and Annual Physical Examination (APE), the costs of which are covered by the approved CY 2025 Corporate Operating Budget (COB).

30.9 Management further stated that while the Authority to Implement (ATI) CPCS II and the Authority to Grant Medical Allowance issued by the GCG received on December 17, 2025, the Company was unable to immediately implement the grant of Medical Allowance due to the need for Board-approved guidelines. Said guidelines were approved only on February 11, 2026, through Board Resolution No. BD-08-2026. Consequently, the Medical Allowance for CY 2025 and 2026 was paid in March 2026.

30.10 Management acknowledged that the cost of APE and flu vaccines administered in 2025 was not deducted from the Medical Allowance. However, it maintained that the Medical Allowance is primarily intended to cover HMO-related expenses, and that while APE may be included in HMO coverage, flu vaccination is not. It added that the amounts involved, P113,350 for APE and P33,540 for flu vaccines, or a total of P146,890, are relatively minimal for the Company but may be significant for employees to refund.

30.11 Management also emphasized that the grant of such benefits reflects the Company's concern for employee welfare, especially in light of prevailing economic conditions, including rising inflation. It further noted that CY 2025 was the last year that employees would receive these benefits directly from the Company.

30.12 In view thereof, Management requested that the refund of the cost of APE and flu vaccines be waived. Nevertheless, it is assured that moving forward, the Company will refrain from covering the cost of APE and other medical expenses for employees who opt to receive the full Medical Allowance.

30.13 Management's explanation is not sufficient to justify the grant of both APE and flu vaccines and the full Medical Allowance for the same period. While the Company cited prior practice and inclusion in the approved COB, these cannot prevail over the provisions of CPCS Circular No. 2025-01, which governs the grant of benefits.

30.14 Although the ATI was received only in December 2025 and the implementing guidelines were approved in February 2026, the Medical Allowance was granted retroactively for CY 2025. As such, the cost of APE and flu vaccines previously shouldered by PNCC should have been deducted from the Medical Allowance to avoid duplication of benefits.

30.15 Management likewise emphasized that the amounts involved are minimal for the Company but may be substantial for employees to refund. While these considerations are noted, it bears stressing that the determination of excessive expenditure is not dependent on the amount involved or the financial capacity of the recipients, but on compliance with applicable laws, rules, and regulations.

30.16 Management's commitment to comply with the Circular moving forward, particularly its assurance to refrain from covering the cost of APE and other medical expenses for employees who opt to receive the full Medical Allowance, is noted. However, the grant of both benefits resulted in excess over the allowable limits, which is not in accordance with Section 5.1 of COA Circular No. 2012-003; thus, the recommendation is maintained.

**31. The grant of Retirement Benefit of 125 per cent of monthly basic salary for every year of service to compulsory retirees, regardless of tenure, is considered excessive pursuant to Section 5.1 of COA Circular No. 2012-003.**

31.1 Section 5.1 of COA Circular No. 2012-003 dated October 29, 2012 states that**:**

> *5.0 "Excessive" Expenditures*
>
> *5.1 Definition*
>
> *The term "excessive expenditures" signifies unreasonable expense or expenses incurred at an immoderate quantity and 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.*

31.2 Further, Section 1 of RA 7641 or the Retirement Pay Law dated December 9, 1992, provides that:

*In the absence of a retirement plan or agreement providing for retirement benefits of employees in the establishment, an employee upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years which is hereby declared the compulsory retirement age, who has served at least five (5) years in the said establishment, may retire and shall be entitled to* ***retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year****.*

31.3 Audit of the retirement benefits paid to three (3) employees disclosed that the amounts granted were computed at 125 per cent of basic salary for every year of service, which exceeded the reasonable and permissible limits. Details are as follows:

**Table 33 – Retirement Pay Paid in CY 2025**

| Date | Check No. | Payee | Particulars | Monthly Rate | Paid (125%) | Benchmark Rate (100%) | Excess |
|---|---|---|---|---|---|---|---|
| 03/24/25 | 20309 | Employee 1 | Retirement Pay (RP) | 39,456 | 641,160 | 512,928 | 128,232 |
| 04/07/25 | 648258 | Employee 1 | RP adjustment | 43,993 | 73,726.25 | 58,981 | 14,745 |
| 04/07/25 | 648262 | Employee 2 | RP adjustment | 13,291 | 215,979 | 172,783 | 43,196 |
| 04/07/25 | 648261 | Employee 3 | RP adjustment | 2,268 | 22,680 | 18,144 | 4,536 |
| **Total** | | | | | **953,545.25** | **1,275,764** | **190,709** |

31.4 Provisions of the 1998 PNCC Retirement Plan provide that:

*Section I. Optional/Voluntary Retirement*

*An employee who applies for optional/voluntary retirement, subject to ninety (90) days prior written notice of his intention to retire and subject further to approval thereof by the Company, shall be paid retirement benefits pursuant to the following schedule:*

| No. of Years of credited service | K% |
|---|---|
| 20-24 years | 75% of basic salary |
| 25-29 years | 100% of basic salary |
| 30 years and above | 125% of basic salary |

*Section 2. Compulsory Retirement*

*The compulsory retirement is at sixty-five (65) years.* ***An employee who retires upon reaching compulsory retirement age shall be entitled to retirement pay equivalent to 125% of the basic salary multiplied by the number of years of credited service.***

31.5 Verification disclosed that the concerned retirees rendered only eight (8) to thirteen (13) years of service. Nevertheless, retirement benefits were computed uniformly at 125 per cent of monthly basic salary for every year of service, resulting in disproportionately high benefits relative to tenure rendered.

31.6 Retirement benefits are intended to recognize long and faithful service. Accordingly, retirement benefit rates must remain reasonable, proportionate to the employee's length

of service, and consistent with applicable compensation, fiscal responsibility, and governance policies. While RA 7641 prescribes only the statutory minimum retirement benefit, any excess granted by a government-owned or controlled corporation (GOCC) must nevertheless conform with the compensation standardization principles embodied in PD 1597 and the compensation and position classification framework established under Republic Act No. 10149 and its implementing issuances.

31.7 For reference under Executive Order (EO) No. 150, separation incentives in the government are graduated according to years of service, reflecting the policy that higher benefit multipliers are justified only after extended government service. Sections 12 and 13 of EO 150 provide:

> ***Sections 12. Mandatory Action and Separation Incentive Pay.*** *Any GOCC that fails or refuses to implement the CPCS rates, or the lower amounts provided under Section 11 as may be applicable, shall undergo a mandatory action and be reorganized, merged, streamlined, abolished, or privatized pursuant to Section 5(a) of RA No. 10149, upon recommendation of its Supervising Agency. All officers and employees who will be affected by the mandatory action in view of the implementation of the CPCS shall be granted the following separation incentive pay rates, unless the GCG recommends lower rates to the OP:*
>
> | Government Service | Rates |
> |---|---|
> | First 20 years | 1.00 x MBS* x No. of years |
> | 20 years and 1 day to 30 years | 1.25 x MBS* x No. of years |
> | 30 years and 1 day and above | 1.50 x MBS* x No. of years |
>
> *Monthly Basic Salary (MBS)
>
> ***SECTION 13. Involuntary Separation and Early Retirement Incentive.*** *Pursuant to Section 5(a) of RA No. 10149, the GCG is hereby authorized to grant an early retirement incentive (ERi) to officers and employees who voluntarily elect to be retired, and a separation incentive pay (SIP) to those involuntarily separated from service, in accordance with the rates provided under Section 12 of this Order, unless adjusted rates are recommended to and approved by the OP. The grant of ERi and SIP is in addition to retirement or separation benefits under existing laws*.

31.8 In contrast, the 1998 PNCC Retirement Plan grants compulsorily retired employees 125 per cent of their MBS for every year of service regardless of tenure. As a result, employees with only a few years of service receive the same rate as those with more than 30 years of service, and a rate comparable to that of employees with at least 20 years of service under EO 150.

31.9 The automatic application of a 125 per cent on their MBS for every year of service constitutes an excess over the prevailing government retirement and separation incentive frameworks. Such excess requires a clear legal basis and appropriate governmental approval, particularly considering that PNCC, as a GOCC, remains subject to government rules on compensation and benefits under RA 10149 and PD 1597.

31.10 The Supreme Court has consistently held that:

- GOCCs cannot validly grant additional compensation and benefits solely through board action;
- Compensation and benefit schemes of GOCCs remain subject to presidential authority/approval and national compensation policies; and
- Long-standing practice does not legalize benefits granted without a sufficient legal basis.

31.11 This doctrine was affirmed in PNCC v. National Labor Relations Commission[1], where the Supreme Court (SC) emphasized that PNCC, as a GOCC, remains subject to compensation and benefit controls imposed by law and cannot unilaterally grant enhanced benefits without the requisite governmental authority, especially after the enactment of RA 10149. Similarly, in Aguilar v. COA[2], the SC reiterated that GOCCs remain subject to national compensation policies under PD 1597.

31.12 Moreover, in Pasetes v. COA[3], the SC upheld the disallowance of separation benefits exceeding reasonable limits, emphasizing that rates beyond 100 per cent per year of service, absent legal basis, are excessive and unconscionable.

31.13 On December 10, 2024, PNCC sought clarification from the Governance Commission for GOCCs (GCG) on whether they can continue the implementation of the 1998 PNCC Retirement Plan after the effectivity of the Compensation and Position Classification System under EO 150. In response, the GCG merely acknowledged the Plan's existence and deferred to the COA on the determination of reasonableness. Such acknowledgment does not constitute approval or validation to continue the grant of excessive benefits.

31.14 Moreover, while retirement benefits are not part of regular salary under PD No. 1597, they remain subject to audit examination when the structure or amount of the grant results in excessive or unauthorized compensation. The non-diminution of benefits doctrine cannot be invoked to justify benefits that are excessive, unauthorized, or void from inception, as no vested right arises from an unlawful grant.

31.15 In view of the foregoing, the grant of retirement benefits computed at 125 per cent of monthly basic salary for every year of service, notwithstanding the relatively short tenure of the concerned retirees and absent clear statutory or presidential authority approving such enhanced rate, was excessive and irregular. Accordingly, the excess amounts totaling P190,709, representing the difference between the benefits actually paid and the comparable government benchmark rate, constitute unauthorized expenditures subject to disallowance pursuant to Section 5.1 of COA Circular No. 2012-003.

31.16 **We recommended that Management:**

**a) Discontinue the grant of retirement benefits exceeding the allowable government benchmark framework;**

**b) Require the concerned payees to refund the retirement pay received in excess of 100 per cent of basic salary for every year of service; and**

[1] G.R. No. 248401, June 23, 2021
[2] G.R. No. 258527, May 21, 2024
[3] G.R. No. 252394 October 3, 2023

**c) Secure the appropriate approvals, including presidential approval, prior to implementation of any retirement plan granting benefits beyond the statutory minimum.**

31.17 Management maintained that the retirement benefits equivalent to 125% of the monthly basic salary per year of service are not excessive or unauthorized, as these were granted pursuant to the valid and existing 1998 PNCC Retirement Plan, duly approved by the Board of Directors prior to the implementation of the Compensation and Position Classification System.

31.18 It was emphasized that Section 2 of the Retirement Plan expressly provides that employees who reach the compulsory retirement age of 65 are entitled to retirement pay equivalent to 125% of their basic salary multiplied by years of credited service, without qualification as to length of service.

31.19 Management argued that Section 1 of RA 7641 does not apply in this case, as the statutory retirement pay under said law applies only in the absence of a retirement plan or agreement, which is not the case for PNCC.

31.20 It was further explained that the retirement plan was designed with two components: Section 1, which rewards tenure through graduated rates, and Section 2, which serves as an incentive or premium for employees who continue service until compulsory retirement age.

31.21 Management also stated that the employees concerned had previously been retrenched and subsequently rehired, and that their total accumulated years of service exceed 20 years when combined, thereby supporting the proportionality of the benefits granted.

31.22 It was further argued that the retirement benefits formed part of the employment expectations of the employees upon hiring, and any reduction or modification at this point would constitute a diminution of benefits. Management also noted that, in practice, higher retirement benefits at the compulsory retirement age are recognized in some private-sector arrangements as a reward for continued service.

31.23 Management concluded that the benefits granted were proper, reasonable, and in accordance with the existing retirement plan.

31.24 The Audit Team maintained that the retirement benefits granted at 125% of the monthly basic salary per year of service without regard to years of service constitute excessive compensation, as evaluated under Section 5.1 of COA Circular No. 2012-003.

31.25 The Audit Team found Management's reliance on the 1998 PNCC Retirement Plan unavailing, as the existence of an internally approved retirement scheme does not, by itself, remove the benefit from audit scrutiny nor exempt it from compliance with prevailing government compensation policies under PD No. 1597 and RA No. 10149. As consistently held in jurisprudence, including PNCC v. NLRC and Aguilar v. COA, GOCCs remain subject to national compensation policy and cannot unilaterally implement benefits that are excessive or without appropriate government approval.

31.26 The Audit Team further maintained that RA 7641 was correctly used as a benchmark law to determine reasonableness, as it reflects the statutory minimum standard for retirement benefits. The presence of a company retirement plan does not preclude evaluation against reasonableness standards under COA rules, especially where the resulting benefit structure produces disproportionate amounts relative to actual length of service.

31.27 The argument that the retirement plan distinguishes between voluntary and compulsory retirement does not justify the automatic application of a 125% multiplier regardless of tenure, as such an interpretation would not result in uniform benefits for the employees, which is inconsistent with the principle of proportionality in compensation.

31.28 Further, as admitted by Management, there was a prior retrenchment and subsequent rehiring of the concerned employees. The retrenchment constitutes a supervening event that effectively severed the employment relationship, after which a new employment engagement commenced upon the rehire. Thus, the periods of service cannot be combined to justify the application of an enhanced retirement rate. The qualification regarding length of service must be given due regard, especially since government funds are involved, to ensure that benefits granted remain reasonable, proportionate, and properly authorized.

31.29 Finally, the contention that the reduction of retirement benefits constitutes a diminution of benefits. This is not applicable, as no vested right may arise from a benefit that is excessive or without a proper legal basis under government compensation law and auditing rules.

31.30 Accordingly, the Audit Team reiterated its finding that the excess retirement benefits constitute unauthorized expenditures, and the recommendations were maintained.

**32. The continued hiring of the former Head of the Material Management Division (MMD) through Contract of Service (COS) remains redundant, resulting in avoidable expenditures of P0.960 million for CY 2025, as the services rendered are repetitive, procedural, not output-oriented, and can be performed by existing personnel.**

32.1 This is a reiteration of the prior year's audit observation with updated information.

32.2 Audit revealed that PNCC continues to engage the former MMD Head under a COS arrangement, performing functions similar to prior years, primarily involving coordination with the Toll Regulatory Board (TRB) and Manila Toll Expressway System, Inc. (MATES) for asset reconciliation and turnover to TRB.

32.3 Review of accomplishment reports indicates that the engagement lacks defined, measurable, and time-bound outputs, as evidenced by the following:

32.4 **A. Repetitive coordination and reconciliation activities without resolution**

- Continuous coordination meetings with TRB and MATES from January to December 2025, with several meetings postponed or deferred due to the unavailability of representatives;
- Repeated efforts to locate missing documents and verify records, particularly the 20 container vans and unverified asset transfers; and

- Persistent indication that no actual turnover has been completed despite continued efforts.

32.5 **B. Absence of outputs or completed deliverables**

- No complete asset turnover to TRB, with continued waiting for TRB verification of records and MATES submission of supporting documents; and
- Repeated activities such as continuous gathering of documents, awaiting advice, and pending confirmation.

32.6 **C. Activities dependent on other parties**

- Progress hindered by TRB's non-confirmation of records, MATES' failure to submit supporting documents, and absence of accountable persons (e.g., Mr. Manubay); and
- Inspections and reconciliations are repeatedly delayed due to third-party constraints.

32.7 COA Circular No. 2012-003 defines unnecessary expenditures as those not supportive of the agency's objectives and mission, or those which are not essential and may be dispensed with, without loss or damage to government operations.

32.8 While Management asserts that the engagement is necessary to comply with PNCC's obligation to facilitate the turnover of assets to TRB, the continued COS engagement has not resulted in efficient or effective discharge of the obligation.

32.9 Despite continuous engagement throughout CY 2025, no significant milestone was achieved, such as completion of reconciliation, validated inventory, or actual turnover of assets, indicating that the engagement did not produce commensurate results and remained limited to repetitive and procedural activities without defined, time-bound outputs.

32.10 The tasks performed, such as document preparation, coordination, and monitoring, are administrative in nature and can be handled by existing MMD personnel. The prolonged engagement indicates a failure to transfer knowledge to existing staff, resulting in dependency, contrary to efficient organizational practice.

32.11 The costs incurred are also not commensurate with outputs, as no completed asset turnover or disposal activity has been realized during the year.

32.12 In addition, records disclosed that the COS individual has three (3) Notices of Finality of Decision (NFDs) totaling P18.002 million, as follows:

**Table 34 – NFD of COS Individual**

| | NFD No. | Amount | Participation |
|---|---|---|---|
| 1. | 2023-232 | 2,770,288 | Approved the payment |
| 2. | 2023-063 | 149,268 | Payee |
| 3. | 2025-346 | 15,082,846 | Approved the payment |
| | **Total** | **18,002,402** | |

32.13 The Audit Team previously issued an Audit Observation Memorandum recommending recovery of the disallowed amounts. Management informed that it has applied for installment payment for NFD No. 2023-063 and asserted that such an arrangement may

be allowed, considering that the individual remains connected with PNCC, with full settlement to be enforced upon non-renewal of the engagement.

32.14 Under COA Resolution No. 2017-021, installment payment of disallowances is subject to the approval of the Commission Proper and requires a definite and enforceable mode of collection. However, for COS personnel, the absence of an employer-employee relationship and a payroll deduction mechanism limits the enforceability of such an arrangement.

32.15 Liability for disallowances becomes due upon finality, regardless of employment status. Thus, deferring collection based on continued engagement is not justified. Moreover, the individual's monthly fee or final pay is insufficient to cover the P18.002 million liability, contrary to Management's assertion that full settlement can be enforced upon non-renewal of the COS.

32.16 As of December 31, 2025, no payment has been made by the concerned individual despite the substantial amount of disallowances and continuing compensation of P0.960 million per year.

32.17 Management is reminded of its responsibility under Section 7.1.1 of COA Circular No. 2009-006, which provides that the Head of Agency is primarily responsible for ensuring the prompt settlement and enforcement of disallowances. Accordingly, Management is requested to take the necessary actions to ensure the timely settlement of the subject disallowances.

32.18 This condition is attributed to Management's continued engagement of a former official based on perceived institutional knowledge, resulting in prolonged dependence on a non-regular personnel, delays in asset turnover, and unnecessary expenditures of P0.960 million for CY 2025 (P80,000 monthly), as the functions performed are repetitive, not output-based, and can be undertaken by existing personnel, and without significant result or milestone achieved, contrary to COA Circular No. 2012-003.

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

**a) Discontinue the engagement of the COS and refrain from renewing similar arrangements for functions that can be performed by existing personnel; and**

**b) Instruct the MMD and related units to handle the turnover of assets and immediately establish a definite and time-bound plan for the completion of asset turnover.**

32.20 Management explained that the engagement of the former Head of the Materials Management Division (MMD) under a Contract of Service was undertaken in response to the request of the Toll Regulatory Board (TRB) and in compliance with the Corporation's obligation to the National Government to complete the reconciliation and turnover of inventories related to PNCC's toll operations following the expiration of its franchise.

32.21 Management stated that, while the turnover of assets has been substantially complied with, certain inventories remain unaccounted for, thus requiring further reconciliation and documentation.

32.22 According to Management, the services of the former MMD Head were secured primarily due to her extensive institutional knowledge and direct involvement in the tollway operations and inventory management during the period when PNCC was still handling such operations. Management emphasized that she is the most knowledgeable individual regarding the historical inventory records and the transfer of assets to the TRB.

32.23 Management further asserted that the current MMD personnel, including its Head, do not possess sufficient familiarity with the historical transactions, as most of the personnel involved at the time of the turnover have already separated from the service. As such, Management believes the required task cannot be performed effectively by existing personnel.

32.24 It was also noted that the reconciliation process depends on coordination with external parties, including the TRB and other concerned entities, which affects the pace of completion. Management added that the subject individual has already completed a portion of the reconciliation activities, as evidenced by the submitted reports and annexes.

32.25 Nonetheless, Management conveyed that, in consideration of the Audit Team's recommendation and the substantial completion of the required tasks, it will no longer renew the Contract of Service upon its expiration on June 30, 2026.

32.26 The Audit Team acknowledged Management's explanation that the engagement of the former Head of the Materials Management Division (MMD) was undertaken in compliance with the Corporation's obligation to the Toll Regulatory Board (TRB) for the reconciliation and turnover of inventories arising from PNCC's toll operations.

32.27 While the Audit Team recognized the existence of such an obligation, the records showed that the engagement had been continuously renewed over a prolonged period without a clear completion timeline, specific deliverables, or a definite framework. The absence of a fixed duration indicated that the arrangement had become more than a transitional undertaking.

32.28 While Management emphasized the individual's institutional knowledge, such justification did not warrant the continued engagement under a Contract of Service, especially where the functions performed involve repetitive coordination, follow-ups, and administrative activities that were not strictly technical in nature and that could have been transferred to existing personnel through proper documentation and knowledge transition.

32.29 The Audit Team noted that reliance on a single individual over an extended period to complete an organizational obligation was not consistent with sound internal control principles on continuity of operations and knowledge transfer management.

32.30 Further, the inability of current personnel to immediately assume the task indicated the need for an appropriate knowledge transfer mechanism rather than the prolonged retention of the same under a COS arrangement.

32.31 Moreover, dependency on external parties such as the TRB did not justify the indefinite renewal of the engagement but instead emphasized the need for a defined plan with clear milestones and target completion.

32.32 Notwithstanding the foregoing, the Audit Team took note of Management's manifestation that the Contract of Service would no longer be renewed upon its expiration on June 30, 2026. The Audit Team will continue to monitor Management's action on the recommendations.

**33. The continued engagement of the former Executive Secretary (ES) under a Contract of Service (COS), despite having a current ES performing substantially similar functions, resulted in unnecessary expenditure amounting to P0.504 million, pursuant to COA Circular No. 2012-003.**

33.1 This is a reiteration of the prior year's audit observation with updated information.

33.2 Management, in its prior year's response, did not dispute that the duties and services rendered by the COS individual and the Executive Secretary are nearly identical and at times overlapping, but justified the engagement on the grounds of difficulty in hiring qualified personnel for the vacant plantilla positions, the need for the institutional knowledge of the former ES, and the existence of transitional operational requirements such as records management and office relocation activities.

33.3 CY 2025 accomplishment reports disclosed that the subject COS continues to perform routine administrative and executive support functions that are substantially similar to the functions of the current Executive Secretary. These include assisting and supporting the current ES; following up on action items at the direction of the President and CEO; reviewing and processing incoming and outgoing documents; drafting and sending email correspondence as necessary; maintaining and retrieving official records; and performing general administrative support tasks for the Office of the President/CEO. The nature of these duties shows that the engagement is not confined to a specific, time-bound, or clearly technical scope; rather, it involves the regular and continuing functions of the current ES.

33.4 While Management previously emphasized recruitment difficulties, institutional knowledge, and transitional needs as justification for the arrangement, CY 2025 records show that the engagement has continued, and the overlapping of functions remains unchanged. The justification that the arrangement is cost-efficient or operationally necessary does not override the fact that COS engagements are intended only for specialized or project-based services and not for routine administrative functions already performed by existing personnel.

33.5 Further, records also disclosed that the COS individual has liabilities arising from Notices of Finality of Decision (NFDs) issued by the Commission on Audit totaling P51,840, as follows:

**Table 35 – NFD of COS Individual**

| ND No. | Amount | CY 2025 Payment | Balance |
|---|---|---|---|
| 11-005 (2010) | 36,340 | 0 | 36,340 |
| 11-006 (2010) | 5,500 | 4,000 | 1,500 |
| 11-008 (2010) | 10,000 | 2,000 | 8,000 |
| **Total** | **51,840** | **6,000** | **45,840** |

33.6 As of CY 2025, partial payments totaling P6,000 were made; however, the remaining balance of P45,840 remains unsettled as of year-end. Under COA Resolution No. 2017-021, installment payments of disallowances are subject to the approval of the Commission Proper and require a definite and enforceable mode of collection. However, for COS personnel, the absence of an employer-employee relationship and a payroll deduction mechanism limits the enforceability of such an arrangement.

33.7 The continued existence of the disallowances despite partial payments raises concern about the full and timely settlement of the liabilities, considering the continuing compensation received by the individual. Management should ensure that all obligations arising from NFDs are promptly and fully settled.

33.8 **We recommended that Management:**

**a) Refrain from renewing the COS engagement of the former Executive Secretary;**

**b) Require the concerned COS individual to settle in full her outstanding Notices of Disallowance;**

**c) Ensure that the COS engagements are limited to consultancy, technical, or time-bound services and not functions inherent to regular/plantilla positions; and**

**d) Strengthen the review and approval of COS engagements to prevent duplication of functions and avoid unnecessary expenditure.**

33.9 Management reasserted that the subject personnel was engaged under a COS primarily due to her institutional knowledge and familiarity with past events, having previously served as Executive Secretary in various executive offices of the Corporation. According to Management, she provides vital information based on her recollection of past transactions and circumstances, which are considered essential to current operations.

33.10 Management further emphasized her active participation in the transfer of records and files of the Office of the President (OP) in connection with the impending relocation of PNCC's office from Bicutan, Parañaque, to Pasay City, which it considers critical and necessary.

33.11 Management maintained that there is no duplication of functions, explaining that while the subject personnel previously held the position of Executive Secretary as a regular employee, her current role under COS is aligned with that of an Assistant Executive Secretary, which remains a vacant position. In this regard, Management asserted that no overlapping of functions exists. It also noted that there are two (2) vacant positions in the OP, namely: Assistant Executive Secretary (CPCS II, Pay Grade 13) and Confidential Liaison Officer (CPCS II, Pay Grade 15), and that recruitment for these positions is being expedited.

33.12 Moreover, Management cited delays in the office transfer due to timelines provided by the Department of Transportation (DOTr) and its contractor. It reported that official notice was received only on March 19, 2026, indicating that soil testing would commence in May 2026 and bored piling activities in June 2026. Consequently, the Company had to fast-track preparations and renovation works in the Pasay office to facilitate the transfer by

June 2026. Management added that the DOTr has required the Company to vacate the Bicutan property at the soonest possible time in connection with the North-South Railway Station Project.

33.13 Management assured that once the office transfer is completed, operations have stabilized, and the vacant positions have been filled, there will be no further need to renew the COS engagement.

33.14 The Audit Team acknowledged Management's explanation. However, the reasons cited, such as institutional knowledge, office transfer, and hiring delays, do not change the fact that the functions performed under the Contract of Service are substantially similar to the incumbent Executive Secretary.

33.15 While Management stated that the engagement is aligned with an Assistant Executive Secretary position, records show that the actual duties performed are continuing administrative support functions already being carried out, indicating duplication of functions.

33.16 Management also cited institutional knowledge as justification; however, the reliance on the same individual over the years indicates that such knowledge has not been transferred to regular personnel. This should have been addressed earlier, rather than prolonged repeated COS engagements.

33.17 Although the engagement was supposed to be transitional in nature, it has continued beyond a time-bound requirement and involves regular functions, which is not consistent with the purpose of a Contract of Service.

33.18 Management's commitment not to renew the engagement after office transfer is noted.

33.19 In view thereof, the Audit Team maintained its position and will monitor Management's compliance with the recommendations.

**34. The absence of an Internal Auditor raises significant concerns on the effectiveness of the Corporation's internal control system, not compliant with the provisions of Department of Budget and Management (DBM) Circular Letter (CL) No. 2008-05 dated April 14, 2008.**

34.1 This is a reiteration of the prior year's audit observation with updated information.

34.2 Our review of PNCC's compliance with the requirement to establish an Internal Audit Unit (IAU), pursuant to DBM CL No. 2008-05, disclosed that the position of Internal Auditor remains vacant as of December 31, 2025.

34.3 This condition reflects Management's continued non-compliance with the aforesaid Circular, which mandates all government-owned and controlled corporations (GOCCs), whether with original charter or organized under the Corporation Code, to establish an Internal Audit Service/Unit. The purpose of such a unit is to strengthen internal control systems, improve existing processes, and promote transparency and accountability in government operations.

34.4 Under Section 2.4 of the Circular, the Internal Audit Unit is tasked, among others, to:

a. Advise the Governing Board through the Audit Committee, 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 Governing Board.

34.5 Records show that the Internal Auditor position, with Job Grade 21 under the Authorization to Implement the CPCS II pursuant to Executive Order No. 95, s.2025, issued by the Governance Commission for GOCCs, has remained vacant since the resignation of the previous incumbent on October 31, 2021.

34.6 While HR-Head informed that an applicant from the Office of the Government Corporate Counsel (OGCC) was interviewed for the position, the applicant eventually declined the offer, reportedly upon learning that PNCC personnel are covered by the Social Security System (SSS) instead of the Government Service Insurance System (GSIS). Notwithstanding this recruitment effort, the position remains unfilled as of the audit date, and full compliance with DBM Circular Letter No. 2008-05 has not yet been attained.

34.7 The prolonged vacancy of this critical position continues to raise concerns on the effectiveness of PNCC's internal control system, as the absence of an operational Internal Audit Unit exposes the Corporation to significant risks, including:

- Internal control issues that may result in fraud, errors, or mismanagement;
- Non-compliance with applicable laws, rules, and regulations;
- Inefficiencies in financial and operational processes due to the lack of independent and systematic review; and
- Increased risks in audit findings and possible disallowances arising from inadequate internal monitoring mechanisms.

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

**a) Expedite the hiring and appointment of a qualified Internal Auditor;**

**b) Ensure that the Internal Auditor maintains independence from operational functions and reports directly to the Audit Committee or the Board of Directors; and**

**c) Establish and operationalize internal audit procedures aimed at strengthening governance, risk management, and compliance processes within the Corporation.**

34.9 Management acknowledged that despite efforts exerted, the position of Internal Auditor remains vacant as of the audit date, and agreed with the observation that the prolonged

vacancy poses potential concerns on the effectiveness of PNCC's internal control system and exposes the Corporation to risks.

34.10 Management requested consideration and leniency, citing difficulties in recruiting a qualified applicant due to the highly technical nature of the position and its classification as a position of trust and confidence, with a limited pool of eligible candidates. It was reported that a previous applicant from the Governance Commission for GOCCs (GCG) who passed the screening process and final interviews eventually declined the appointment and withdrew his application upon learning that PNCC employees are covered by the SSS rather than the GSIS.

34.11 Management further stated that recruitment efforts have been undertaken through various channels, including postings on the company website, Jobstreet, and previously in major newspapers such as the Philippine Daily Inquirer, Philippine Star, and Manila Bulletin. However, it discontinued newspaper postings due to limited effectiveness compared to online platforms and committed to intensifying recruitment using these same methodologies to expedite the hiring process.

34.12 In the meantime, Management stated that internal control functions are being supported through Internal Quality Auditors under the ISO certification program, Compliance Officers, and oversight from COA audit activities, which serve as existing monitoring mechanisms. It added that despite the absence of a full-time Internal Auditor, the Corporation's operations continue under existing internal controls, with timely corrective actions implemented as needed.

34.13 Management assured that efforts will continue to expedite the hiring and appointment of a qualified Internal Auditor in compliance with DBM Circular Letter No. 2008-05, who shall be positioned under the Audit Committee or Board of Directors to support governance, risk management, and compliance functions.

34.14 The Audit Team acknowledges Management's efforts to recruit a qualified Internal Auditor, including the challenges cited in filling the position and the interim measures currently in place to support internal control functions. However, the position of Internal Auditor has remained vacant since 2021, and the continued delay in its hiring affects the implementation of an independent internal audit function as required under DBM Circular Letter No. 2008-05.

34.15 The Audit Team reiterates the recommendation for the expedient hiring and appointment of a qualified Internal Auditor and will monitor Management's compliance with the recommendations.

## 35. Compliance with Rules on Mandatory Government Deductions

35.1 For CY 2025, 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 2025 are as follows:

| | | |
|---|---|---|
| SSS contribution | P | 3,243,195 |
| PHIC contribution | | 1,564,606 |
| HDMF contribution | | 772,500 |
| HDMF loan amortization | | 1,305,644 |
| SSS loan amortization | | 583,908 |
| **Total** | **P** | **7,469,853** |

## 36. Gender and Development (GAD)

36.1 The Corporation is exempt from creating a GAD Focal Point System and GAD Committee per Memorandum issued by the Philippine Commission on Women dated January 11, 2018.

36.2 However, for CY 2025, the Corporation incurred GAD-related expenses amounting to P173,197. This was due to the Governance Commission for GOCCs (GCG), including, in the Performance Scorecard of PNCC, the GAD Budget Utilization, equivalent to five percent (5%) of the total Corporate Operating Budget, as a requirement for the 1% bonus point.

## 37. Status of Audit Suspensions, Disallowances, and Charges

37.1 As of December 31, 2025, Notices of Suspension, Disallowance, and Charges issued and unsettled are summarized as follows:

| | **Beginning Balance (January 1, 2025)** | **Issued during the year** | **Settled during the year** | **Ending balance (December 31, 2025)** |
|---|---|---|---|---|
| Notices of Suspension | 0 | 0 | 0 | 0 |
| Notices of Disallowance | 468,551,339 | 0 | 231,368 | 468,319,971 |
| Notices of Charge | 0 | 0 | 0 | 0 |
| **Total** | **468,551,339** | **0** | **0** | **468,319,971** |

37.2 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, 2025, 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 | 17 | 131.687 |
| NDs with Notice of Finality of Decision and COA Order of Execution | 16 | 164.165 |
| **Total** | **37** | **468.320** |

## STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the 59 recommendations embodied in the Calendar Year (CY) 2024 Annual Audit Report (AAR), 29 were implemented/reconsidered, and the remaining 30 were not implemented and are reiterated in Part II of this Report. Details are presented below:

| REF. | OBSERVATIONS | RECOMMENDATIONS | STATUS OF IMPLEMENTATION |
|---|---|---|---|
| AAR 2024 Observation No. 1 Pages 88-92 | The financial statements of Philippine National Construction Corporation (PNCC) are materially misstated, as P5.552 billion in unconverted debts remained recorded in the books of account as equity rather than liabilities. Moreover, the provision for interest and penalties related thereto, aggregating P76.534 billion, is not recognized, contrary to the Philippine Accounting Standard (PAS) 37, resulting in an understatement of liabilities by P82.086 billion. | a) Recognize the P5.552 billion unconverted debts as liability, instead of equity;<br><br>b) Reconcile and recognize the unrecorded principal liabilities as confirmed by the PMO and BTr; and<br><br>c) Provide provisions for interest, penalties, and other charges in compliance with PAS No. 37. | Not Implemented.<br><br>Reiterated in Part II, Observation No. 1 of this AAR.<br><br>Not Implemented.<br><br>Reiterated in Part II, Observation No. 1 of this AAR.<br><br>Not Implemented.<br><br>Reiterated in Part II, Observation No. 1 of this AAR. |
| AAR 2024 Observation No. 2 Pages 92-95 | A provision arising from a judgment award for Money Claims against PNCC remained unrecorded in the books, contrary to Paragraph 14 of PAS No. 37, resulting in the understatement of liabilities of at least P51.146 million, excluding applicable interest and legal costs. | a) Evaluate and determine the appropriate amount of provision, based on the judgment award, to be recognized in the books of accounts.<br><br>b) Make the necessary adjusting journal entries to recognize the unrecorded liability; and<br><br>c) Henceforth, ensure the timely monitoring and recognition of provisional liabilities arising from legal cases involving PNCC. | Not Implemented.<br><br>Reiterated in Part II, Observation No. 3 of this AAR.<br><br>Not Implemented.<br><br>Reiterated in Part II, Observation No. 3 of this AAR.<br><br>Implemented. |

| REF. | OBSERVATIONS | RECOMMENDATIONS | STATUS OF IMPLEMENTATION |
|---|---|---|---|
| AAR 2024 Observation No. 3 Pages 95-98 | 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. | 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;<br><br>b) Furnish the Audit Team with subject documents and results of validation;<br><br>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<br><br>d) Resort to legal remedies if the JV Companies continuously ignore the request for the needed data. | Reconsidered.<br><br>Computation provided with the payment will be accepted as long as tax certificates are attached to the supporting documents.<br><br>Reconsidered.<br><br>Reconsidered.<br><br>Reconsidered. |
| AAR 2024 Observation No. 4 Pages 98-100 | 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. | a) Direct the Controllership Department to continue with the reconciliation of the variances;<br><br>b) Effect the necessary adjusting journal entries in the books of accounts;<br><br>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 | Not Implemented.<br><br>Reiterated in Part II, Observation No. 7 of this AAR<br><br>Implemented.<br><br>Implemented. |

| REF. | OBSERVATIONS | RECOMMENDATIONS | STATUS OF IMPLEMENTATION |
|---|---|---|---|
| | | d) Monitor regularly the status of cases with the NLRC to ensure the proper recording and disclosure of appeal bonds. | Implemented. |
| AAR 2024 Observation No. 5 Pages 100-102 | 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 contrary to PAS 1. | 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<br><br>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. | Implemented.<br><br>Implemented. |
| AAR 2024 Observation No. 6 Pages 102-104 | 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. | a) Make the necessary adjusting journal entries on dividend income for CY 2024;<br><br>b) Enhance the review procedures over dividend income recognition to ensure that all dividends are recognized based on the date of declaration; and<br><br>c) Ensure adherence to Paragraph 5.7.1A of PFRS 9 on dividend income recognition and PAS 1. | Implemented.<br><br>Implemented.<br><br>Implemented. |
| AAR 2024 Observation No. 7 Pages 104-106 | 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. | 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; | Implemented. |

| REF. | OBSERVATIONS | RECOMMENDATIONS | STATUS OF IMPLEMENTATION |
|---|---|---|---|
| | | b) Ensure the reconciliation of the balances of each inventory account as reflected in the accounting records and inventory report; | Implemented. |
| | | c) Enhance internal control over inventory management in order to prevent variances between the balances per books and per inventory report; and | Implemented. |
| | | d) Ensure the timely preparation and submission of the RPCI on a semi-annual basis, in accordance with the audit requirements. | Implemented. |
| AAR 2024 Observation No. 8 Pages 106-108 | 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. | a) Initiate the planned meeting with the BTr to discuss the formal process of offsetting; | Not Implemented.<br><br>Reiterated in Part II, Observation No. 9 of this AAR. |
| | | b) Take immediate action to implement the settlement plan to prevent the accumulation of penalties and ensure compliance with its financial obligations; and | Not Implemented.<br><br>Reiterated in Part II, Observation No. 9 of this AAR. |
| | | c) 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. | Not Implemented.<br><br>Reiterated in Part II, Observation No. 9 of this AAR. |

| REF. | OBSERVATIONS | RECOMMENDATIONS | STATUS OF IMPLEMENTATION |
|---|---|---|---|
| AAR 2024 Observation No. 9 Pages 108-111 | 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. | a) Establish PNCC's authority to develop the FCA property; | Not Implemented.<br><br>Reiterated in Part II, Observation No. 11 of this AAR. |
| | | 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; | Not Implemented.<br><br>Reiterated in Part II, Observation No. 11 of this AAR. |
| | | c) Proceed and initiate appropriate action to implement the BOD-approved action plan; and | Not Implemented.<br><br>Reiterated in Part II, Observation No. 11 of this AAR. |
| | | d) Apprise the Audit Team of the status and developments on the 9.9-hectare portion of the FCA property. | Not Implemented.<br><br>Reiterated in Part II, Observation No. 11 of this AAR. |
| AAR 2024 Observation No. 10 Pages 111-119 | 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. | 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; | Not Implemented.<br><br>Reiterated in Part II, Observation No. 15 of this AAR |
| | | 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 | Not Implemented.<br><br>Reiterated in Part II, Observation No. 15 of this AAR |

| REF. | OBSERVATIONS | RECOMMENDATIONS | STATUS OF IMPLEMENTATION |
|---|---|---|---|
| | | 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. | Not Implemented.<br><br>Reiterated in Part II, Observation No. 15 of this AAR |
| AAR 2024 Observation No. 11 Pages 119-122 | 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. | a) Take appropriate legal action to collect from persons liable who are no longer connected with PNCC.<br><br>b) Demand full payment from former employees who were rehired under COS; and<br><br>c) Enforce collection from current employees upon receipt of approval or disapproval of the application for installment payment. | Not Implemented.<br><br>Reiterated in Part II, Observation No. 18 of this AAR<br><br>Not Implemented.<br><br>Reiterated in Part II, Observation No. 18 of this AAR<br><br>Not Implemented.<br><br>Reiterated in Part II, Observation No. 18 of this AAR |
| AAR 2024 Observation No. 12 Pages 122-129 | 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 P.D. No. 1445, thus, disadvantageous to the government. | a) Advertise and/or conduct public bidding for properties that are suitable for lease;<br><br>b) Expedite the transfer of titles of Nasugbu (Gulod) Property to PNCC; and<br><br>c) Strengthen the security measures for all properties to prevent further encroachment and ensure | Implemented.<br><br>Not Implemented.<br><br>Reiterated in Part II, Observation No. 10 of this AAR<br><br>Implemented. |

| REF. | OBSERVATIONS | RECOMMENDATIONS | STATUS OF IMPLEMENTATION |
|---|---|---|---|
| | | protection against illegal occupants. | |
| | | 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; | Not Implemented.<br><br>Reiterated in Part II, Observation No. 10 of this AAR |
| | | e) Demand from Tokagawa Global Corporation the immediate removal of the abandoned equipment in the Porac Property, otherwise require appropriate parking or storage fees; and | Not Implemented.<br><br>Reiterated in Part II, Observation No. 10 of this AAR |
| | | 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. | Not Implemented.<br><br>Reiterated in Part II, Observation No. 10 of this AAR |
| AAR 2024 Observation No. 13 Pages 130-132 | 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. | a) Conduct an immediate review to determine all the accounts that qualify for write-off per COA Circular No. 2023-008; | Not Implemented.<br><br>Reiterated in Part II, Observation No. 20 of this AAR |
| | | b) Prepare and submit the necessary request for write-off to COA, including all required supporting documents; and | Not Implemented.<br><br>Reiterated in Part II, Observation No. 20 of this AAR |

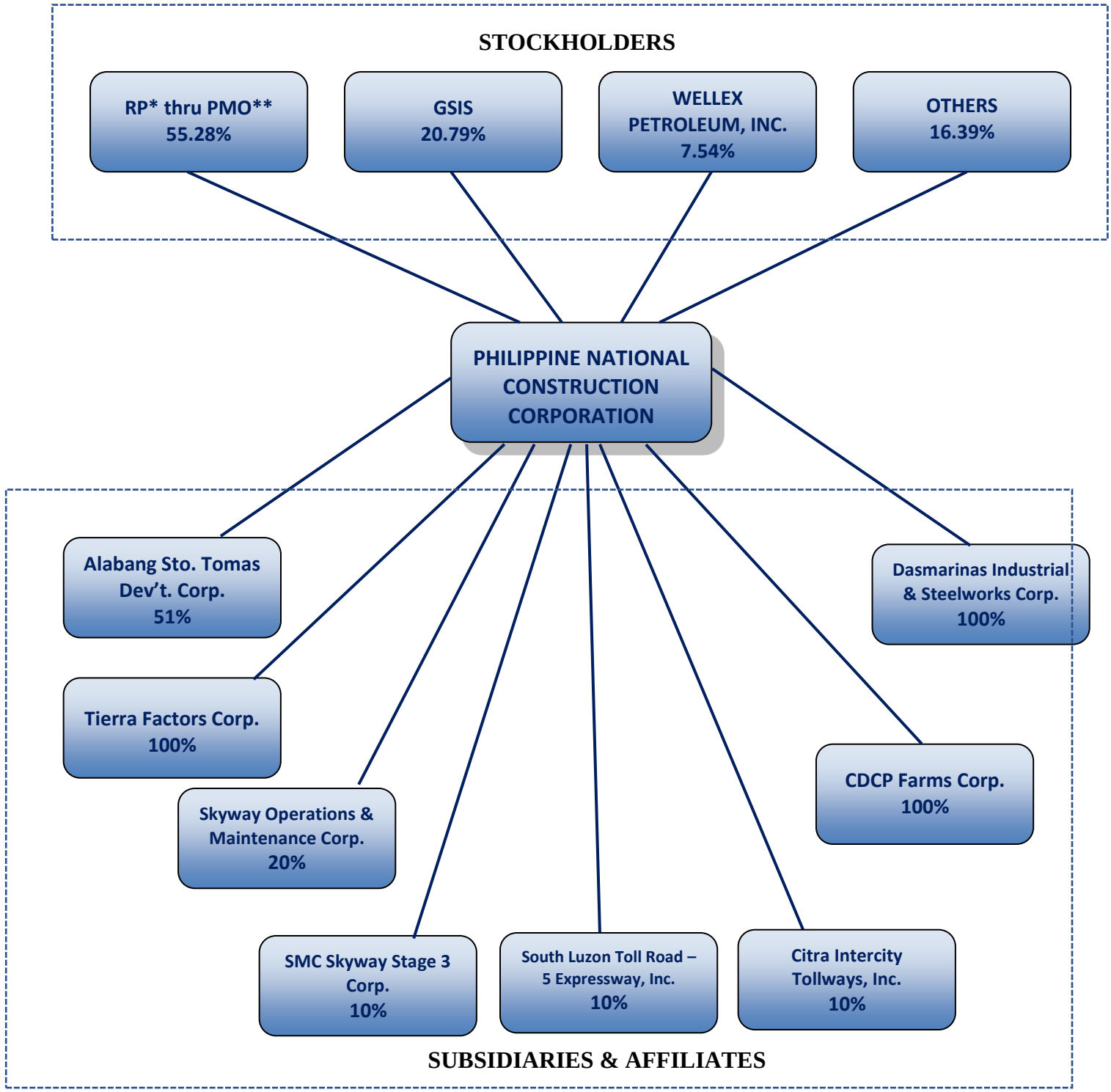
| REF. | OBSERVATIONS | RECOMMENDATIONS | STATUS OF IMPLEMENTATION |
|---|---|---|---|
| | | c) Implement a proper monitoring and review mechanism to track dormant accounts and prevent their future accumulation. | Not Implemented.<br><br>Reiterated in Part II, Observation No. 20 of this AAR |
| AAR 2024 Observation No. 14 Pages 132-135 | 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. | 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;<br><br>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<br><br>c) Inform the Audit Team of any developments regarding the release of the cash collateral. | Not Implemented.<br><br>Reiterated in Part II, Observation No. 19 of this AAR<br><br>Not Implemented.<br><br>Reiterated in Part II, Observation No. 19 of this AAR<br><br>Not Implemented.<br><br>Reiterated in Part II, Observation No. 19 of this AAR |
| AAR 2024 Observation No. 15 Pages 135-138 | 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 SC, is contrary to Section 2 of P.D. No. 1445, depriving PNCC of the funds that can be used for its operations. | a) Coordinate with Office of the Government Corporate Counsel (OGCC) and exert persistent efforts to recover/collect the cash bond from NLRC pertaining to Transportation allowance, Mid-year bonus, and Exit Bonus cases;<br><br>b) File Motion to Release Cash Bond upon receipt of the Entry of Judgment on G.R. No. 235673 (Claim of | Implemented.<br><br>Implemented. |

| REF. | OBSERVATIONS | RECOMMENDATIONS | STATUS OF IMPLEMENTATION |
|---|---|---|---|
| | | Drivers' allowance/gasoline reimbursement); and<br><br>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. | Implemented. |
| AAR 2024 Observation No. 16 Pages 138-140 | 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. | 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. | Reconsidered. |
| AAR 2024 Observation No. 17 Pages 140-142 | 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. | 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. | Not Implemented.<br><br>Reiterated in Part II, Observation No. 34 of this AAR |
| AAR 2024 Observation No. 18 Pages 142-147 | The accommodation and air fare expenses of two province-based Directors exceeded the rates prescribed under Executive Order (EO) No. 77.<br><br>A. A total of 25 accommodation bookings for a province-based | a) Limit hotel accommodations for BOD based on prescribed rates under EO No. 77;<br><br>b) Align corporate policy on the daily accommodation rate with the prescribed | Implemented.<br><br>Implemented. |

| REF. | OBSERVATIONS | RECOMMENDATIONS | STATUS OF IMPLEMENTATION |
|---|---|---|---|
| | Director, totaling P109,700, exceeded the prescribed limit.<br><br>B. Airfare with premium cabin class and higher fare rates totaling P248,324 booked for a Director is contrary to EO No. 77. | limits pursuant to EO No. 77;<br><br>c) Select the most economical and efficient mode of transportation for official travel in accordance with EO No. 77; and<br><br>d) Regularly monitor and control airfare and accommodation expenses to prevent excessive costs and ensure alignment with budgetary goals. | Implemented.<br><br>Implemented. |
| AAR 2024 Observation No. 19 Pages 147-148 | 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. | 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 | Implemented. |
| AAR 2024 Observation No. 20 Pages 148-149 | The liquidation of Cash Advances from the Petty Cash Fund 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 No. 1445 and Section 2 of Bureau Internal Revenue (BIR) Revenue Regulation No. 17-2013 dated September 27, 2013, preventing preservation and verification. | Require the responsible officers and employees to immediately photocopy invoices printed on thermal paper and attach them to the liquidation of petty cash. | Implemented. |

ANNEX "F"

**MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND SUBSIDIARIES**



**ANNEX "G"**

**FINANCIAL SOUNDNESS INDICATORS**

| | | 2025 | 2024 |
|---|---|---|---|
| 1 | Current / Liquidity Ratios: | | |
| | Current Ratio | 0.39 | 0.33 |
| | Quick Asset Ratio | 0.38 | 0.33 |
| 2 | Solvency Ratios: | | |
| | Debt to Assets | 38.24% | 40.92% |
| | Debt to Equity | 61.93% | 69.26% |
| 3 | Asset to Equity Ratio | 161.93% | 169.26% |
| 4 | Interest Rate Coverage Ratio | 47.67 | 2.99 |
| 5 | Profitability Ratios: | | |
| | Return on Assets (Net Income (Loss) | 12.00% | 0.70% |
| | Return on Equity (Net Income (Loss) | 19.44% | 1.18% |

**ANNEX "H"**

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2025

| | Carrying Value | Fair Value |
|---|---|---|
| Cash on Hand: | | |
| Petty cash and revolving fund | 315,000 | 315,000 |
| Loans and Receivables: | | |
| Cash in banks | 108,213,921 | 108,213,921 |
| Short term investments | 3,449,270,686 | 3,449,270,686 |
| Accounts receivable | 854,547,055 | 854,547,055 |
| | 4,412,346,662 | 4,412,346,662 |

**ANNEX "H"**

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
**SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (P100,000 and above)**
**As of December 31, 2025**
**(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 | | | |
| Agilar, Arthur | Former Chairman/Director | | 7,281 | | | 7,281 | | 7,281 |
| Alentajan, Bonifacio | Former Consultant | 400 | | | | | 400 | 400 |
| Antonio, Manuel Luis | Former VP- Head, TMD | | 1,686 | | | 1,686 | | 1,686 |
| Armonio, Manuel | Former Asst. Corp. Secretary | 138 | 250 | | | 250 | 138 | 388 |
| Asuncion, Ma. Theresa | Former President & CEO | 3,209 | | | | | 3,209 | 3,209 |
| Benito, Ottomama | Former Director | | 7,061 | | | 7,061 | | 7,061 |
| Bucio, Hermilo | Former Employee | 105 | | | | | 105 | 105 |
| Caballo, Marlon | Former Technical Assistant (Legal Corp.) | 5,555 | | | | | 5,555 | 5,555 |
| Covar, Jeanette | Former Consultant | | 681 | | | 681 | | 681 |
| Cu, Wilfredo | Former Director | | 1,000 | | | 1,000 | | 1,000 |
| Cuejilo, Enrique | Former Director | | 6,609 | | | 6,609 | | 6,609 |
| Defensor, Ma. Theresa | Former President/CEO | | 4,300 | | | 4,300 | | 4,300 |
| Emphasis, Edilberto | Former Consultant | | 1,095 | | | 1,095 | | 1,095 |
| Encanto, Mervyn | Former Consultant | 300 | | | | | 300 | 300 |
| Garin, Edgardo | Former Employee | 192 | | | | | 192 | 192 |
| Gaston, Segundo | Former Group Head - (Senior Vice Pres.) | 41,043 | 3,410 | | | 3,410 | 41,043 | 44,453 |
| Hernandez, Guillermo | Former Director | | 3,366 | | | 3,366 | | 3,366 |
| Jardin, Penny | Former Employee | 2,860 | | | | | 2,860 | 2,860 |
| Lucero, Roy Eduardo | Former Director | | 6,125 | | | 6,125 | | 6,125 |
| Lusung, Fermin | Former Director | | 7,751 | | | 7,751 | | 7,751 |
| Macasaet, Roland | Former Director | | 1,500 | | | 1,500 | | 1,500 |
| Munoz, Michael Paul | Former Consultant | | 398 | | | 398 | | 398 |
| Parulan, Jeremy | Former Director | | 8,501 | | | 8,501 | | 8,501 |
| Pascual, Ruben | Former Consultant | 2,190 | | | | | 2,190 | 2,190 |
| Paule, Marvin | Former Director | | 34,220 | | | 34,220 | | 34,220 |
| Paulino, Ibarra | Former Employee | 632 | | | | | 632 | 632 |
| Purugganan, Abraham | Former Executive Vice President | 476 | 1,536 | | | 1,536 | 476 | 2,012 |
| Rivera, Reynaldo | Former Consultant | 400 | | | | | 400 | 400 |
| Soriano, Antonio | Former Consultant | | 848 | | | 848 | | 848 |
| Tolentino, Garth Noel | Former Director | | 7,377 | | | 7,377 | | 7,377 |
| Vilar, Antonio | Former Director | | 8,237 | | | 8,237 | | 8,237 |
| Zamora, Charito | Former Consultant | | 844 | | | 844 | | 844 |
| | | **57,500** | **114,076** | **-** | **-** | **114,076** | **57,500** | **171,576** |

**ANNEX "H"**

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2025

| 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 |
| | - | - | - | | - | - |

**ANNEX "H"**

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE OF RETAINED EARNINGS
DECEMBER 31, 2025

| | |
|---|---|
| Balance at December 31, 2024 | 27,402,059,246 |
| Comprehensive Income for the year | 9,073,824,055 |
| Piecemeal realization of revaluation increment | 1,829,420 |
| Balance at the end of year | 36,477,712,721 |

**ANNEX "I"**

**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, 2026**

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, 2026 and December 31, 2025 |
| Exhibit 2 | Statements of Comprehensive Income for the three months ended March 31, 2026 and December 31, 2025 |
| Exhibit 3 | Statements of Changes in Equity for the three months ended March 31, 2026 |
| Exhibit 4 | Statements of Cash Flows for the three months ended March 31, 2026 |
| 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 "I"**

## 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

Office of the President of the Philippines
PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION
KM. 15 EAST SERVICE ROAD, BICUTAN, PARAÑAQUE CITY, 1700
DIRECT LINE : 88460209

ANNEX "I"

BAGONG PILIPINAS

September 17, 2026

**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, 2026, 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

Office of the President of the Philippines
PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION
KM. 15 EAST SERVICE ROAD, BICUTAN, PARAÑAQUE CITY, 1700
DIRECT LINE : 88460209

BAGONG PILIPINAS

# 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, 2026. 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**
Corporate Treasurer
TIN: 118-060-474

**VERONICA B. TACDERAS**
Head, Controllership
TIN: 122-819-743

**ANNEX "I"**
**Exhibit 1**

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
**STATEMENTS OF FINANCIAL POSITION**
**March 31, 2026 and December 31, 2025**
(In Philippine Peso)

| | March 2026 (UnAudited) | December 2025 (Audited) |
|---|---|---|
| | | |
| **ASSETS** | | |
| | | |
| **Current Assets** | | |
| Cash & cash Equivalent | 830,865,691 | 308,528,822 |
| Other investments | 2,900,267,673 | 3,249,270,785 |
| Receivables, net | 915,319,746 | 854,547,055 |
| Inventories | 2,197,212 | 2,353,699 |
| Other current assets | 68,263,719 | 66,598,227 |
| | **4,716,914,041** | **4,481,298,588** |
| | | |
| **Non-Current Assets** | | |
| Financial Assets | 796,970 | 796,970 |
| 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 | 1,546,610 |
| Receivables | 98,491,690 | 98,491,690 |
| Investment property | 65,998,745,755 | 65,998,745,755 |
| Property and equipment, net | 3,356,377,967 | 3,355,610,689 |
| Intangible Assets | 446,429 | 446,429 |
| Deferred tax assets | 24,542,414 | 24,542,414 |
| Other non-current assets, net | 88,272,676 | 88,285,328 |
| | **71,116,237,211** | **71,115,482,585** |
| | | |
| **TOTAL ASSETS** | **75,833,151,252** | **75,596,781,173** |
| | | |
| **LIABILITIES** | | |
| | | |
| **Current Liabilities** | | |
| Financial liabilitiles | 24,886,117 | 23,434,648 |
| Other financial liabilities (Due to NG and GOCCs) | 11,417,639,616 | 11,354,022,616 |
| Inter-agency payables | 79,475,824 | 53,684,033 |
| Trust liabilities | 99,623,157 | 99,623,157 |
| Deferred credits/unearned income | 72,951,427 | 67,550,719 |
| | **11,694,576,141** | **11,598,315,173** |
| | | |
| **Non-Current Liabilities** | | |
| Deferred tax liabilities | 17,309,674,717 | 17,309,674,717 |
| Trust liabilities | 3,789,629 | 3,789,629 |
| | **17,313,464,346** | **17,313,464,346** |
| | | |
| **TOTAL LIABILITIES** | **29,008,040,487** | **28,911,779,519** |
| | | |
| **EQUITY** | **46,825,110,765** | **46,685,001,654** |
| | | |
| **TOTAL LIABILITIES AND EQUITY** | **75,833,151,252** | **75,596,781,173** |

**ANNEX "I"**
**Exhibit 2**

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
**STATEMENTS OF COMPREHENSIVE INCOME**
**For the Period Ended Mar. 31, 2026 and Dec. 31, 2025**
(In Philippine Peso)

| | March | December |
|---|---|---|
| | 2026 (Unaudited) | 2025 (Audited) |
| **Income** | | |
| Service and business income | 252,838,024 | 964,994,441 |
| Gains | - | 11,474,775,235 |
| Other non-operating income | 1,000 | 198,909 |
| | **252,839,024** | **12,439,968,585** |
| | | |
| **Expenses** | | |
| Personnel services | 33,583,858 | 76,885,528 |
| Maintenance and other operating expenses | 17,950,949 | 58,440,019 |
| Financial expenses | | |
| Penalty charges on unpaid concession fee | 63,617,000 | 258,002,200 |
| Bank charges | 1,000 | 18,700 |
| Direct costs | | - |
| Non-Cash Expenses | 1,747,040 | 6,407,490 |
| | **116,899,847** | **399,753,937** |
| | | |
| **Income (Loss) Before Tax** | **135,939,177** | **12,040,214,648** |
| **Income Tax expense** | 25,838,225 | 2,966,390,593 |
| **Net Income (Loss)** | **110,100,952** | **9,073,824,055** |
| **Other Comprehensive income (loss)** | - | - |
| **Total Comprehensive Income (Loss)** | **110,100,952** | **9,073,824,055** |

**ANNEX "I"**

**Exhibit 3**

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
**STATEMENTS OF CHANGES IN EQUITY**
**For the Quarter Ended March 31, 2026**
(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, 2025 | | 2,283,758,120 | 46,137,443 | 5,551,726,307 | (56,158,831) | (16,699,918) | 2,398,549,812 | 36,477,712,721 | (24,000) | 46,685,001,654 |
| Add (Deduct): | | | | | | | | | | 0 |
| Correction of prior year's income | 35 | | | | | | | 30,008,159 | 0 | 30,008,159 |
| As at January 1, 2026, as restated | | 2,283,758,120 | 46,137,443 | 5,551,726,307 | (56,158,831) | (16,699,918) | 2,398,549,812 | 36,507,720,880 | (24,000) | 46,715,009,813 |
| Changes in equity for 2026 | | | | | | | | | | |
| Add (Deduct): | | | | | | | | | | 0 |
| Comprehensive loss for the year, as restated | | | | | | | | 110,100,952 | | 110,100,952 |
| 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 | | | | | | | - | | | - |
| Balance at March 31, 2026 | | 2,283,758,120 | 46,137,443 | 5,551,726,307 | (56,158,831) | (16,699,918) | 2,398,549,812 | 36,617,821,832 | (24,000) | 46,825,110,765 |

# PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
## CONDENSED STATEMENT OF CASH FLOWS
## FOR THE MONTH ENDED MARCH 31, 2026

| | Year To Date |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| **Cash Inflows** | |
| Proceeds from Sale of Goods and Services | - |
| Collection of Income/Revenue | 145,602,695 |
| Receipt of Assistance/Subsidy | - |
| Collection of Receivables | 24,458,229 |
| Receipt of Inter-Agency Fund Transfers | - |
| Receipt of Intra-Agency Fund Transfers | - |
| Trust Receipts | - |
| Other Receipts | 246,509 |
| **Total Cash Inflows** | **170,307,433** |
| Adjustments | - |
| **Adjusted Cash Inflows** | **170,307,433** |
| **Cash Outflows** | |
| Payment of Expenses | 40,745,047 |
| Purchase of Inventories | 1,816,910 |
| Grant of Cash Advances | 823,810 |
| Prepayments | - |
| Refund of Deposits | - |
| Payments of Accounts Payable | - |
| Remittance of Personnel Benefit Contributions and Mandatory Deductions | 6,586,729 |
| Grant of Financial Assistance/Subsidy/Contribution | - |
| Release of Inter-Agency Fund Transfers | 21,234,994 |
| Release of Intra-Agency Fund Transfers | - |
| Other Disbursements | - |
| **Total Cash Outflows** | **71,207,489** |
| Adjustments | - |
| **Adjusted Cash Outflows** | **71,207,489** |
| **Net Cash Provided by/(Used in) Operating Activities** | **99,099,944** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| **Cash Inflows** | |
| Proceeds from Sale/ Disposal of Investment Property | - |
| Proceeds from Sale/Disposal of Property, Plant and Equipment | - |

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
**CONDENSED STATEMENT OF CASH FLOWS**
**FOR THE MONTH ENDED MARCH 31, 2026**

| | Year To Date |
|---|---|
| Sale of Investments | - |
| Receipt of Interest Earned | 11,490 |
| Receipt of Cash Dividends | 6,622,438 |
| Proceeds from Matured Investments/Redemption of Long-term Investments/Return on Investments | 997,215,138 |
| Collection of Long-Term Loans | - |
| Proceeds from Sale of Other Assets | - |
| **Total Cash Inflows** | **1,003,849,066** |
| Adjustments | - |
| **Adjusted Cash Inflows** | **1,003,849,066** |
| | |
| **Cash Outflows** | |
| Purchase/Construction of Investment Property | 619,648 |
| Purchase/Construction of Property, Plant and Equipment | 1,992,491 |
| Purchase of Investments | 578,000,000 |
| Purchase of Bearer Biological Assets | - |
| Purchase of Consumable Biological Assets | - |
| Purchase of Intangible Assets | - |
| Grant of Loans | - |
| **Total Cash Outflows** | **580,612,140** |
| Adjustments | - |
| **Adjusted Cash Outflows** | **580,612,140** |
| | |
| **Net Cash Provided By/(Used In) Investing Activities** | **423,236,926** |
| | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | |
| | |
| **Cash Inflows** | |
| Proceeds from Incurrence of Financial Liabilities | - |
| Proceeds from Issuance of Bonds and Acceptances Payable | - |
| Proceeds from Domestic and Foreign Loans | - |
| Contribution from National Government | - |
| Proceeds from Issuance of Capital Stock and other Equity Securities | - |
| **Total Cash Inflows** | **-** |
| Adjustments | - |
| **Adjusted Cash Inflows** | **-** |
| | |
| **Cash Outflows** | |
| Payment of Long-Term Liabilities | - |
| Redemption of Bonds Issued and Unsecured Subordinated Debt | - |

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
**CONDENSED STATEMENT OF CASH FLOWS**
**FOR THE MONTH ENDED MARCH 31, 2026**

| | Year To Date |
|---|---|
| Payment for Reacquisition of Capital Stock and other Equity Securities | - |
| Payment of Interest on Loans and Other Financial Charges | - |
| Payment of Cash Dividends | - |
| **Total Cash Outflows** | **-** |
| Adjustments | - |
| **Adjusted Cash Outflows** | **-** |
| **Net Cash Provided By/(Used In) Financing Activities** | **-** |
| **INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **522,336,870** |
| **Effects of Exchange Rate Changes on Cash and Cash Equivalents** | **-** |
| **CASH AND CASH EQUIVALENTS, MARCH 1 / JANUARY 1** | **308,528,822** |
| **CASH AND CASH EQUIVALENTS, MARCH 28** | **830,865,691** |

# 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 three months ended and as of March

31, 2026. 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 three months ended March 31, 2026.

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 35 of the 2025 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, 2026, the Company's resources totaled P75.833 billion, higher by P236.370 million or 0.31% compared to the December 31, 2025 figure of P75.597 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 and Receivables as offset by the decrease in Other Short-term Investment and Inventories.

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 P110.101 million for the three months ended March 31, 2026 decreased by P3.243 million or -2.86% compared to the reported net income of P113.344 million for the same period of 2025. This is due to the increase in total general and administrative expenses and income taxes.

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 "I"**

| Income Statement | FOR THE SIX MONTHS ENDED Mar-31 2026 | Mar-31 2025 | INCREASE/(DECREASE) Amount | % | Remarks |
|---|---|---|---|---|---|
| REVENUES | 212,359,240 | 184,977,696 | 27,381,544 | 14.80% | Attributable to increase in rental income from FCA properties and JV Shares |
| | | | | | |
| Other Income (Charges) | 38,732,744 | 47,322,559 | (8,589,815) | (18.15%) | Attributable to the decreases in Interest Income, Dividend Income and Miscellaneous income vis-à-vis the increase in Depreciation Expense. |
| | | | | | |
| Personnel Services | 33,583,858 | 20,025,582 | 13,558,276 | 67.70% | Attributable to the implementation of CPCS II effective January 1, 2025, pursuant to and in accordance with Section 3 of E.O. No. 95, s.2025. |
| | | | | | |
| Maintenance and Other Operating Expenses | 17,951,949 | 13,608,639 | 4,343,310 | 31.92% | Attributable to increases in Fuel price, Security Services and Business permit. |
| | | | | | |
| Income Tax | 25,838,225 | 21,704,588 | 4,133,637 | 19.04% | Attributable to higher Revenue in 2026. |
| | | | | | |
| Comprehensive Income | 110,100,952 | 113,344,446 | (3,243,494) | (2.86%) | 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 2026 | Dec-31 2025 | INCREASE/(DECREASE) Amount | % | Remarks |
|---|---|---|---|---|---|
| Cash & Cash Equivalent | 830,865,691 | 308,528,822 | 522,336,869 | 169.30% | Attributable to cash flow provided by operating activities. |

| | | | | | |
|---|---|---|---|---|---|
| Other Short-term Investment | 2,900,267,673 | 3,249,270,785 | (349,003,112) | (10.74%) | Attributable to the transfer of short-term time deposit to LBP Investment Bond. |
| | | | | | |
| Receivables, net | 915,319,746 | 854,547,055 | 60,772,691 | 7.11% | Attributable to the increase in uncollected revenue from rental and JV shares. |
| | | | | | |
| Inventories | 2,197,212 | 2,353,699 | (156,487) | (6.65%) | Attributable to the decreases in fuel and oil, other materials and Medical Supplies vis-à-vis the increase in Office Supplies. |
| | | | | | |
| Financial Liabilities | 24,886,117 | 23,434,648 | 1,451,469 | 6.19% | Attributable to increase in liabilities to suppliers of goods and services. |
| | | | | | |
| Inter-agency Payable | 79,475,824 | 53,684,033 | 25,791,791 | 48,04% | Attributable to increase in Income Tax payable. |
| | | | | | |
| Deferred Credits/unearned Income | 72,951,427 | 67,550,719 | 5,400,708 | 8.00% | Attributable to increase in deferred output tax brought about by non-collection of receivable by PCPI. |

2.2.f Any seasonal aspects that had a material effect on the financial condition or results of operations

- Not applicable -

**Philippine National Construction Corporation**
Schedule of Key Performance Indicators

**EXHIBIT 7**

| Performance Indicators | AS OF | | Explanation |
|---|---|---|---|
| | Mar-31 2026 | December 31, 2025 | |
| **Current/Liquidity Ratio**<br>Current Ratio (Current Assets divided by Current Liabilities) | 40.33% | 38.64% | This ratio evaluates the ability of the company to pay its current debt promptly.<br><br>Current ratio increased from 38.64% as of December 31, 2025 to 40.33% as of March 31, 2026. This was mainly due to the increase in current assets that compensated for the increase in current liabilities due to cash inflows provided by operating activities and receivables. |
| **Solvency Ratios**<br>Debt to Assets (Total Liabilities divided by Total Assets) | 38.25% | 38.24% | Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is finance by debts.<br><br>The ratio has slightly increased from 38.24% as of December 31, 2025 to 38.25% as of March 31, 2026 due to accrual of 2% penalty charges on unpaid concession fees. |
| Debt to Equity (Total Liabilities divided by Total Equity) | 61.95% | 61.93% | 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.<br><br>The ratio has increased from 61.93% as of December 31, 2025 to 61.95% as of March 31, 2026 due to comprehensive income for the quarter. |
| **Asset to Equity Ratio**<br>(Total Assets divided by Total Equity) | 161.95% | 161.93% | Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts.<br><br>The ratio has slightly improved from 161.93% as of December 31, 2025 to 161.95% as of March 31, 2026 brought about by comprehensive income of Q1 2026. |

| Performance Indicators | THREE MONTHS ENDED | | Explanation |
|---|---|---|---|
| | March 31, 2026 | March 31, 2025 | |
| **Interest Rate Coverage Ratio**<br>(Income before Interest/Penalty divided by Interest/Penalty) | 273.07% | 278.17% | Determines how easily a company can pay interest on oustanding debt.<br><br>The ratio decreased from 278.17% as of March 31, 2025 to 273.07% as of March 31, 2026 due to recognition of lower income in March 31, 2026 as compared to same period in 2025. |
| **Profitability Ratios**<br><br>Return on Assets [Net Income (Loss) divided by Total Asssets] | 0.15% | 0.18% | Measures the company's earnings in relation to all the resources it had at its disposal.<br><br>The ratio of 0.18% as of March 31, 2025 vis-à-vis the ratio of 0.15% as of March 31, 2026 was the outcome of the income recognition of ~~₱113~~.344 million for March 31, 2025 as compared with the recognized comprehensive income of ~~₱110~~.101 million for the quarter ended March 31, 2026. |
| Return on Equity [Net Income (Loss) divided by Total Equity] | 0.24% | 0.31% | Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owner's capital.<br><br>The decrease in the ratio from 0.31% to 0.24% was the result of lower income for the quarter ended March 2026. |

## 1st Quarter 2026 vs. 1st Quarter 2025

### Results of Operations

**Revenue**. Revenue for the quarter ended March 31, 2026 stood at ₱212.359 million, higher by 14.80% or ₱27.382 million compared to ₱184.978 million for the quarter ended March 31, 2025. The increase was attributable to the increase in JV Revenue Shares and Rental Income.

**General and Administrative Overhead**. Overhead account increased by 53.22% or ₱17.902 million from ₱33.634 million for the quarter ended March 31, 2025 to ₱51.536 million for the quarter ended March 31, 2026 due to the increases in employees cost due to CPCS II adjustment that took effect only on January 2026 and increase in Maintenance and other operating expense i.e Fuel & Lubricant, etc.

**Income from Operation**. Income from operation for the quarter ended March 31, 2026 increased by 6.26% or ₱9.480 million from ₱151.343 million for the quarter ended March 31, 2025 to ₱160.823 million for the quarter ended March 31, 2026. Said favorable variance was the resulting effect of the reasons discussed above.

**Other Income (Charges)**. This account posted a balance of ₱38.733 million for the quarter ended March 31, 2026 compared to ₱47.323 million for the quarter ended March 31, 2025. The 18.15% decrease was due to the decreases in Interest Income, Dividends and Miscellaneous Income Income vis-à-vis the increase in Depreciation Expense.

**Comprehensive Income (Loss)**. Net Comprehensive Income for the quarter ended March 31, 2026 amounted to ₱110.101 million compared to the net income of ₱113.344 million for the quarter ended March 31, 2025. The variance was due to the reasons discussed above.

### Financial Position

**Current Assets**. Current assets increased by 19.48% or ₱768.972 million from ₱3.948 billion as of March 31, 2025 to ₱4.717 billion as of March 31, 2026 due to the cash flows provided by the Company's operating and investing activities, receivables and other non-current assets against the decreases in Inventories and Other Investments.

**Current Liabilities**. Current liabilities increased by 2.51% or ₱286.530 million from ₱11.408 billion as of March 31, 2025 to ₱11.695 billion as of March 31, 2026 due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB) and Other deferred credits.

**Stockholder's Equity**. Stockholder's Equity as of March 31, 2026 totalled ₱46.825 billion vis-à-vis the stockholders' equity as of March 31, 2025 in the amount of ₱36.935 billion. The increase in the account is attributable to the effect of appraisal of properties in the later part of 2025 and comprehensive income in 2026.

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

| Performance Indicators | As of 03/31/2026 (Unaudited) | As of 03/31/2025 (Unaudited) | Explanation |
|---|---|---|---|
| **Current/Liquidity Ratios** | | | |
| ***Current Ratio*** **(Current Assets Divided by Current Liabilities)** | 0.40 | 0.35 | This ratio evaluates the ability of the company to pay its current debt promptly.<br><br>Current ratio of 0.35 as of March 31, 2025 slightly increased to 0.40 as of March 31, 2026 due to cash inflows provided by operating activities and Receivables vis-à-vis the decreases in Inventories. |
| **Solvency Ratios** | | | |
| ***Debt to Assets*** **(Total Liabilities Divided by Total Assets)** | 38.25% | 40.93% | Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts.<br><br>The ratio decreased from 40.93% as of March 31, 2025 to 38.25% as of March 31, 2026 brought mainly by the accrual of the 2% penalty charges on unpaid concession fees. |
| ***Debt to Equity*** **(Total Liabilities Divided by Total Equity)** | 61.95% | 69.28% | 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.<br><br>The ratio decreased from 69.28% as of March 31, 2025 to 61.95% as of March 31, 2026 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)** | 1.62 | 1.69 | Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts.<br><br>The slight improvement of the ratio from 1.69 as of March 31, 2025 to 1.62 as of March 31, 2026 is due to the comprehensive income in 2026. |
| **Interest Rate Coverage Ratio (Income Before Interest/Penalty/Penalty and Taxes Divided by Interest/Penalty)** | 2.73 | 2.78 | Determines how easily a company can pay interest on outstanding debt.<br><br>The ratio decreased from 2.78 as of March 31, 2025 to 2.73 as of March 31, 2026 due to recognition of lower income in March 31, 2026 as compared to same period in 2025. |
| **Profitability Ratios** | 0.15% | 0.18% | 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 0.18% as of March 31, 2025 vis-à-vis the ratio of 0.15% as of March 31, 2026 was the outcome of the income recognition of ₱113.344 million for March 31, 2025 as compared with the recognized comprehensive income of ₱110.101 million for the quarter ended March 31, 2026. |
| ***Return on Equity*** **(Net Income (Loss) Divided by Total Equity)** | 0.24% | 0.31% | Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital.<br><br>The decrease in the ratio from 0.31% to 0.24% is attributable to the decrease in stockholder's equity as a result of lower comprehensive income in March 31, 2026 vis-à-vis March 31, |

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 36 of the 2025 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 2025 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, 2026 compared to March 31, 2025 (increased/decrease of 5% or more)**

*Cash in*creased by ₱676.294 million or 437.53% from ₱154.572 million as of March 31, 2025 to ₱830.866 million as of March 31, 2026 due to the cash flows used in Company's operating activities and investing activities.

*Receivables increased by* ₱224.823 million or 32.56% from ₱690.497 million as of March 31, 2025 to ₱915.320 million as of March 31, 2026 due to the booking of PCPI rental and JV revenue shares.

*Inventories - decreased by* ₱0.585 million or 21.02% from ₱2.782 million as of March 31, 2025 to ₱2.197 million as of March 31, 2026 due mainly to the decrease in fuel and oil, materials and medical supplies.

*Other Current Assets - increased by* ₱6.875 million or 11.20% from ₱61.389 million as of March 31, 2025 to ₱68.264 million as of March 31, 2026 due to the increases in Prepaid Registration, Prepaid Insurance and Withholding Tax at source.

*Investment Property - increased by* ₱11.482 billion or 21.06% from ₱54.517 billion as of March 31, 2025 to ₱65.999 billion as of March 31, 2026 due to gain in fair value of investment property.

*Property and Equipment - increased by* ₱1.056 billion or 45.88% from ₱2.301 billion as of March 31, 2025 to ₱3.356 million as of March 31, 2026 due to the acquisition of one (1) service vehicle.

*Intangible Asset - increased by* ₱0.089 million or 25.00% from ₱0.357 million as of March 31, 2025 to ₱0.446 million as of March 31, 2026 representing 10% retention of the Accounting Software.

*Financial Liabilities – Accounts Payable in*creased by ₱4.600 million or 22.67% from ₱20.286 million as of March 31, 2025 to ₱24.886 million as of March 31, 2026 due to increase on unpaid accounts to suppliers of goods and services that are normally settled within twelve (12) months from the reporting period.

*Deferred credits/Unearned Revenue/Income - increased by* ₱20.424 million or 38.88% from ₱52.527 million as of March 31, 2025 to ₱72.951 million as of March 31, 2026 mainly due to the increase in other deferred credits.

**Material changes to the Company's Statement of Income for the quarter ended March 31, 2026 compared to the quarter ended March 31, 2025 (increase/decrease of 5% or more)**

*Service and Business Income in*creased by 8.18% or ₱19.121 million from ₱233.717 million *as of* March 31, 2025 *to* ₱252.838 million as of March 31, 2026 due to higher JV shares and Rental Income.

*Other Non-operating Income de*creased by 34.19% or ₱520 from ₱1,520 *as of* March 31, 2025 *to* ₱1,000 as of March 31, 2026 due to higher bid deposit in 2025.

*General and Administrative Expenses* increased by 18.48% or ₱18.230 million from ₱98.670 million for the quarter ended March 31, 2025 to ₱116.900 million for the quarter ended March 31, 2026 due to the increases in Personnel Cost brought about by the implementation of CPCS II and higher MOOE due to increases in Travelling, Training, Supplies, Utility, Communication, Professional Services, Security Services , Repairs and Maintenance, Taxes and Other MOOE.

*Income Tax in*creased by 19.04% or ₱4.134 million from ₱21.705 million *as of* March 31, 2025 *to* ₱25.838 million as of March 31, 2026 mainly due to the increase in Revenue in 2026.

*Comprehensive Income* - decreased by 2.86% or ₱3.243 million from ₱113.344 million for the quarter ended March 31, 2025 to ₱110.101 million for the quarter ended March 31, 2026 due to the reasons discussed above.

**ANNEX "J"**

**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, 2026**

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. 429, 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, 2026 and December 31, 2025 |
| Exhibit 2 | Statements of Comprehensive Income for the six months ended June 30, 2026 and June 30, 2025 |
| Exhibit 3 | Statements of Changes in Equity for the six months ended June 30, 2026 |
| Exhibit 4 | Statements of Cash Flows for the six months ended June 30, 2026 |
| 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 "J"**

Office of the President of the Philippines
PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION
KM. 15 EAST SERVICE ROAD, BICUTAN, PARAÑAQUE CITY, 1700
DIRECT LINE : 88460209

BAGONG PILIPINAS

September 17, 2026

**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, 2026, 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 "J"**

Office of the President of the Philippines
PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION
KM. 15 EAST SERVICE ROAD, BICUTAN, PARAÑAQUE CITY, 1700
DIRECT LINE : 88460209

BAGONG PILIPINAS

# 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, 2026. 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**
Corporate Treasurer
TIN: 118-060-474

**VERONICA B. TACDERAS**
Head, Controllership
TIN: 122-819-743

**ANNEX "J"**

**Exhibit 1**

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
**STATEMENTS OF FINANCIAL POSITION**
**June 30, 2026 and December 31, 2025**
(In Philippine Peso)

| | June 2026 (UnAudited) | December 2025 (Audited) |
|---|---|---|
| | | |
| **ASSETS** | | |
| | | |
| **Current Assets** | | |
| Cash & cash Equivalent | 758,641,867 | 108,528,921 |
| Other investments | 3,095,370,892 | 3,449,270,686 |
| Receivables, net | 974,500,695 | 854,547,055 |
| Inventories | 3,173,520 | 2,353,699 |
| Other current assets | 65,058,439 | 66,598,227 |
| | **4,896,745,413** | **4,481,298,588** |
| | | |
| **Non-Current Assets** | | |
| Financial Assets | 796,970 | 796,970 |
| 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 | 1,546,610 |
| Receivables | 98,493,845 | 98,491,690 |
| Investment property | 65,998,745,755 | 65,998,745,755 |
| Property and equipment, net | 3,357,687,630 | 3,355,610,689 |
| Intangible Assets | 446,429 | 446,429 |
| Deferred tax assets | 24,542,414 | 24,542,414 |
| Other non-current assets, net | 89,006,305 | 88,285,328 |
| | **71,118,282,658** | **71,115,482,585** |
| | | |
| **TOTAL ASSETS** | **76,015,028,071** | **75,596,781,173** |
| | | |
| **LIABILITIES** | | |
| | | |
| **Current Liabilities** | | |
| Financial liabilitiles | 25,250,177 | 23,434,648 |
| Other financial liabilities (Due to NG and GOCCs) | 11,481,963,516 | 11,354,022,616 |
| Inter-agency payables | 58,077,411 | 53,684,033 |
| Trust liabilities | 99,623,157 | 99,623,157 |
| Deferred credits/unearned income | 79,022,381 | 67,550,719 |
| | **11,743,936,642** | **11,598,315,173** |
| | | |
| **Non-Current Liabilities** | | |
| Deferred tax liabilities | 17,309,674,717 | 17,309,674,717 |
| Trust liabilities | 3,789,629 | 3,789,629 |
| | **17,313,464,346** | **17,313,464,346** |
| | | |
| **TOTAL LIABILITIES** | **29,057,400,988** | **28,911,779,519** |
| | | |
| **EQUITY** | **46,957,627,083** | **46,685,001,654** |
| | | |
| **TOTAL LIABILITIES AND EQUITY** | **76,015,028,071** | **75,596,781,173** |

**ANNEX "J"**

**Exhibit 2**

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
**STATEMENTS OF COMPREHENSIVE INCOME**
**For the Period Ended June 30, 2026 and 2025**
(In Philippine Peso)

| | June | |
|---|---|---|
| | **2026 (Unaudited)** | **2025 (Unaudited)** |
| **Income** | | |
| Service and business income | 522,031,575 | 463,349,835 |
| Gains | - | - |
| Other non-operating income | 24,042 | 18,931 |
| | **522,055,617** | **463,368,766** |
| **Expenses** | | |
| Personnel services | 55,349,160 | 40,342,820 |
| Maintenance and other operating expens | 43,676,211 | 26,316,082 |
| Financial expenses | | |
| Penalty charges on unpaid concessio | 127,940,900 | 127,940,900 |
| Bank charges | 1,700 | 10,100 |
| Direct costs | - | - |
| Non-Cash Expenses | 3,659,083 | 2,860,596 |
| | **230,627,054** | **197,470,498** |
| **Income (Loss) Before Tax** | **291,428,563** | **265,898,268** |
| **Income Tax expense** | 54,313,131 | 43,530,679 |
| **Net Income (Loss)** | **237,115,432** | **222,367,589** |
| **Other Comprehensive income (loss)** | - | - |
| **Total Comprehensive Income (Loss)** | **237,115,432** | **222,367,589** |

**ANNEX "J"**

**Exhibit 3**

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
**STATEMENTS OF CHANGES IN EQUITY**
**For the Quarter Ended June 30, 2026**
(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, 2025 | | 2,283,758,120 | 46,137,443 | 5,551,726,307 | (56,158,831) | (16,699,918) | 2,398,549,812 | 36,477,712,721 | (24,000) | 46,685,001,654 |
| Add (Deduct): | | | | | | | | | | 0 |
| Correction of prior year's income | 35 | | | | | | | 35,509,998 | 0 | 35,509,998 |
| As at January 1, 2026, as restated | | 2,283,758,120 | 46,137,443 | 5,551,726,307 | (56,158,831) | (16,699,918) | 2,398,549,812 | 36,513,222,719 | (24,000) | 46,720,511,652 |
| Changes in equity for 2026 | | | | | | | | | | |
| Add (Deduct): | | | | | | | | | | 0 |
| Comprehensive loss for the year, as restated | | | | | | | | 237,115,432 | | 237,115,432 |
| 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 | | | | | | | - | | | - |
| Balance at March 31, 2026 | | 2,283,758,120 | 46,137,443 | 5,551,726,307 | (56,158,831) | (16,699,918) | 2,398,549,812 | 36,750,338,150 | (24,000) | 46,957,627,083 |

**ANNEX "J"**

**Exhibit 4**



**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
**CONDENSED STATEMENT OF CASH FLOWS**
**FOR THE MONTH ENDED JUNE 30, 2026**

| | This Month | Year To Date |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| **Cash Inflows** | | |
| Proceeds from Sale of Goods and Services | - | - |
| Collection of Income/Revenue | 64,214,162 | 333,720,069 |
| Receipt of Assistance/Subsidy | - | - |
| Collection of Receivables | 11,500 | 24,490,451 |
| Receipt of Inter-Agency Fund Transfers | - | - |
| Receipt of Intra-Agency Fund Transfers | - | - |
| Trust Receipts | - | - |
| Other Receipts | 7,798 | 1,768,951 |
| **Total Cash Inflows** | **64,233,460** | **359,979,472** |
| Adjustments | - | - |
| **Adjusted Cash Inflows** | **64,233,460** | **359,979,472** |
| **Cash Outflows** | | |
| Payment of Expenses | 10,997,493 | 70,327,575 |
| Purchase of Inventories | 46,586 | 2,232,208 |
| Grant of Cash Advances | 92,338 | 1,680,112 |
| Prepayments | - | - |
| Refund of Deposits | - | - |
| Payments of Accounts Payable | - | - |
| Remittance of Personnel Benefit Contributions and Mandatory Deductions | 2,038,199 | 11,406,309 |
| Grant of Financial Assistance/Subsidy/Contribution | - | - |
| Release of Inter-Agency Fund Transfers | 198,441 | 96,559,458 |
| Release of Intra-Agency Fund Transfers | - | - |
| Other Disbursements | - | - |
| **Total Cash Outflows** | **13,373,057** | **182,205,662** |
| Adjustments | - | - |
| **Adjusted Cash Outflows** | **13,373,057** | **182,205,662** |
| **Net Cash Provided by/(Used in) Operating Activities** | **50,860,403** | **177,773,809** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| **Cash Inflows** | | |
| Proceeds from Sale/ Disposal of Investment Property | - | - |
| Proceeds from Sale/Disposal of Property, Plant and Equipment | - | - |
| Sale of Investments | - | - |
| Receipt of Interest Earned | 8,360 | 5,581,350 |
| Receipt of Cash Dividends | 5,518,698 | 13,128,005 |
| Proceeds from Matured Investments/Redemption of Long-term Investments/Return on Investments | - | 497,215,138 |
| Collection of Long-Term Loans | - | - |
| Proceeds from Sale of Other Assets | - | - |
| **Total Cash Inflows** | **5,527,058** | **515,924,493** |
| Adjustments | - | - |
| **Adjusted Cash Inflows** | **5,527,058** | **515,924,493** |

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
**CONDENSED STATEMENT OF CASH FLOWS**
**FOR THE MONTH ENDED JUNE 30, 2026**

| | This Month | Year To Date |
|---|---|---|
| **Cash Outflows** | | |
| Purchase/Construction of Investment Property | - | 619,648 |
| Purchase/Construction of Property, Plant and Equipment | 679,372 | 4,965,609 |
| Purchase of Investments | 55,000,000 | 738,000,000 |
| Purchase of Bearer Biological Assets | - | - |
| Purchase of Consumable Biological Assets | - | - |
| Purchase of Intangible Assets | - | - |
| Grant of Loans | - | - |
| **Total Cash Outflows** | **55,679,372** | **743,585,257** |
| Adjustments | - | - |
| **Adjusted Cash Outflows** | **55,679,372** | **743,585,257** |
| **Net Cash Provided By/(Used In) Investing Activities** | **(50,152,314)** | **(227,660,764)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| **Cash Inflows** | | |
| Proceeds from Incurrence of Financial Liabilities | - | - |
| Proceeds from Issuance of Bonds and Acceptances Payable | - | - |
| Proceeds from Domestic and Foreign Loans | - | - |
| Contribution from National Government | - | - |
| Proceeds from Issuance of Capital Stock and other Equity Securities | - | - |
| **Total Cash Inflows** | **-** | **-** |
| Adjustments | - | - |
| **Adjusted Cash Inflows** | **-** | **-** |
| **Cash Outflows** | | |
| Payment of Long-Term Liabilities | - | - |
| Redemption of Bonds Issued and Unsecured Subordinated Debt | - | - |
| Payment for Reacquisition of Capital Stock and other Equity Securities | - | - |
| Payment of Interest on Loans and Other Financial Charges | - | - |
| Payment of Cash Dividends | - | - |
| **Total Cash Outflows** | **-** | **-** |
| Adjustments | - | - |
| **Adjusted Cash Outflows** | **-** | **-** |
| **Net Cash Provided By/(Used In) Financing Activities** | **-** | **-** |
| **INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **708,089** | **(49,886,954)** |
| **Effects of Exchange Rate Changes on Cash and Cash Equivalents** | **-** | **-** |
| **CASH AND CASH EQUIVALENTS, JUNE 1 / JANUARY 1** | **57,933,877** | **108,528,921** |
| **CASH AND CASH EQUIVALENTS, JUNE 30** | **58,641,966** | **58,641,966** |

# 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 June

30, 2026. 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, 2026.

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 35 of the 2025 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, 2026, the Company's resources totaled P76.015 billion, higher by P418.247 million or 0.55% compared to the December 31, 2025 figure of P75.597 billion.

The increase in resources was attributable to the increase in Cash and Cash Equivalent provided by the Company's operating and investing activities, Receivables and Inventories 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 P237.115 million for the six months ended June 30, 2026 increased by P14.748 million or 6.63% compared to the reported net income of P222.368 million for the same period of 2025. 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 "J"**

| Income Statement | FOR THE SIX MONTHS ENDED June-30 2026 | June-30 2025 | INCREASE/(DECREASE) Amount | % | Remarks |
|---|---|---|---|---|---|
| REVENUES | 412,648,230 | 371,574,284 | 41,073,946 | 11.05% | Attributable to increase in rental income from FCA properties and JV Shares |
| | | | | | |
| Other Income (Charges) | 105,748,304 | 88,933,886 | 16,814,418 | 18.91% | Attributable to the increases in Interest Income and Depreciation expense vis-à-vis the decrease in Dividend Income. |
| | | | | | |
| Personnel Services | 55,349,160 | 40,342,820 | 15,006,340 | 37.20% | Attributable to the implementation of CPCS II effective January 2025. |
| | | | | | |
| Maintenance and Other Operating Expenses | 43,677,911 | 26,326,182 | 17,351,729 | 65.91% | Attributable to increases in Fuel prices, Business Permit, Fire Insurance Premium at Dampa Property as well as the Comprehensive Insurance of newly procured SV's and the payment of Tax deficiencies for 2022 per LOA AUDM29-125-2024-008748. |
| | | | | | |
| Income Tax | 54,313,131 | 43,530,679 | 10,782,452 | 24.77% | Attributable to higher Income in 2026. |
| | | | | | |
| Comprehensive Income | 237,115,432 | 222,367,588 | 14,747,843 | 6.63% | Attributable to reasons stated above. |
| | | | | | |

**ANNEX "J"**

2.2.e The 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 2026 | Dec-31 2025 | Amount | % | Remarks |
| Cash & Cash Equivalent | 758,641,867 | 108,528,921 | 650,112,946 | 599.02% | Attributable to cash flow provided by operating activities and the reclassification of Other Investment. |
| | | | | | |
| Other Investment - Placements | 3,095,370,892 | 3,449,270,686 | (353,899,794) | (10.26%) | Attributable to reclassification of other investments to Cash and Cash Equivalent. |
| | | | | | |
| | | | | | |
| Receivables, net | 974,500,695 | 854,547,055 | 119,953,640 | 14.04% | Attributable to the increase in uncollected rental of PCPI and JV revenue shares. |
| | | | | | |
| Inventories | 3,173,520 | 2,353,699 | 819,821 | 34.83% | Attributable to the increases in fuel and lubricants and office supplies vis-à-vis the decrease in medical supplies and other supplies. |
| | | | | | |
| Financial Liabilities | 25,250,177 | 23,434,648 | 1,815,529 | 7.75% | Attributable to unpaid liabilities to suppliers of goods and services. |
| | | | | | |
| Inter-agency Payable | 58,077,411 | 53,684,033 | 4,393,378 | 8.18% | Attributable to increase in Income Tax Payable. |
| | | | | | |
| Deferred Credits/unearned Income | 79,022,381 | 67,550,719 | 11,471,662 | 16.98% | Attributable to increase in Other deferred credits vis-à-vis the decrease in deferred output tax. |

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 2026 vs. 2nd Quarter 2025

#### Results of Operations

**Revenue**. Revenue for the quarter ended June 30, 2026 stood at ₱412.648 million, higher by 11.05% or ₱41.074 million compared to ₱371.574 million for the quarter ended June 30, 2025. The increase was attributable to the increase in JV Revenue Shares and Rental Income.

**General and Administrative Overhead**. Overhead account increased by 48.54% or ₱32.358 million from ₱66.669 million for the quarter ended June 30, 2025 to ₱99.027 million for the quarter ended June 30, 2026 due to the increases in employees cost due to CPCS II adjustment that took effect only on January 2026 and increase in Maintenance and other operating expense i.e Fuel & Lubricant, etc.

**Income from Operation**. Income from operation for the quarter ended June 30, 2026 increased by 2.86% or ₱8.716 million from ₱304.905 million for the quarter ended June 30, 2025 to ₱313.621 million for the quarter ended June 30, 2026. Said favorable variance was the resulting effect of the reasons discussed above.

**Other Income (Charges)**. This account posted a balance of ₱105.748 million for the quarter ended June 30, 2026 compared to ₱88.934 million for the quarter ended June 30, 2025. The 18.91% increase was due to the increases in Interest Income and Depreciation Expense vis-à-vis the decrease in Dividends.

**Comprehensive Income (Loss)**. Net Comprehensive Income for the quarter ended June 30, 2026 amounted to ₱237.115 million compared to the net income of ₱222.368 million for the quarter ended June 30, 2025. The variance was due to the reasons discussed above.

#### Financial Position

**Current Assets**. Current assets increased by 19.47% or ₱798.062 million from ₱4.099 billion as of June 30, 2025 to ₱4.897 billion as of June 30, 2026 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 2.53% or ₱289.446 million from ₱11.454 billion as of June 30, 2025 to ₱11.744 billion as of June 30, 2026 due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB), Income Tax Payable and Other deferred credits.

**Stockholder's Equity**. Stockholder's Equity as of June 30, 2026 totalled ₱46.958 billion vis-à-vis the stockholders' equity as of June 30, 2025 in the amount of

₱25.636 billion. The increase in the account is attributable to the effect of appraisal of properties in the later part of 2025 and comprehensive income in 2026.

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

| Performance Indicators | As of 06/30/2026 (Unaudited) | As of 06/30/2025 (Unaudited) | Explanation |
|---|---|---|---|
| **Current/Liquidity Ratios**<br>***Current Ratio*** **(Current Assets Divided by Current Liabilities)** | 0.42 | 0.36 | This ratio evaluates the ability of the company to pay its current debt promptly.<br><br>Current ratio of 0.36 as of June 30, 2025 slightly increased to 0.42 as of June 30, 2026 due to cash inflows provided by operating activities and Receivables. |
| **Solvency Ratios**<br>***Debt to Assets*** **(Total Liabilities Divided by Total Assets)** | 38.23% | 40.90% | Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts.<br><br>The ratio decreased from 40.90% as of June 30, 2025 to 38.23% as of June 30, 2026 brought mainly by the accrual of the 2% penalty charges on unpaid concession fees and deemed tax on the increase in value of Investment Property. |
| ***Debt to Equity*** **(Total Liabilities Divided by Total Equity)** | 61.88% | 69.21% | 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.<br><br>The ratio decreased from 69.21% as of June 30, 2025 to 61.88% as of June 30, 2026 was brought by the the accrual of the 2% penalty charges on unpaid concession fee to the Toll Regulatory Board (TRB) and deemed tax on the increase in value of Investment Property. |
| **Asset to Equity Ratio (Total Assets Divided by Total Equity)** | 1.62 | 1.69 | Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts.<br><br>The slight improvement of the ratio from 1.69 as of June 30, 2025 to 1.62 as of June 30, 2026 is due to the comprehensive income in 2026. |
| **Interest Rate Coverage Ratio (Income Before Interest/Penalty/Penalty and Taxes Divided by Interest/Penalty)** | 2.85 | 2.74 | Determines how easily a company can pay interest on outstanding debt.<br><br>The ratio increased from 2.74 as of June 30, 2025 to 2.85 as of June 30, 2026 due to recognition of higher income in June 30, 2026 as compared to same period in 2025. |

| | | | |
|---|---|---|---|
| **Profitability Ratios**<br>***Return on Assets* (Net Income (Loss) Divided by Total Assets)** | 0.31% | 0.35% | Measures the Company's earnings in relation to all the resources it had at its disposal.<br><br>The ratio of 0.35% as of June 30, 2025 vis-à-vis the ratio of 0.31% as of June 30, 2026 was the outcome of the income recognition of ₱222.368 million for June 30, 2025 as compared with the recognized comprehensive income of ₱237.115 million for the quarter ended June 30, 2026. |
| ***Return on Equity* (Net Income (Loss) Divided by Total Equity)** | 0.50% | 0.60% | Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital.<br><br>The decrease in the ratio from 0.60% to 0.50% was the result of higher stockholder's equity in 2026 vis-à-vis the slight increase in comprehensive income in June 30, 2025 as against June 30, 2026. |

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

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

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

i.c Pending lawsuits/litigations which consists of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various regional Trial Courts (RTC). Discussion is contained under Note 36 of the 2025 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 2025 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, 2026 compared to June 30, 2025 (increased/decrease of 5% or more)**

*Cash in*creased by ₱643.765 million or 560.39% from ₱114.877 million as of June 30, 2025 to ₱758.642 million as of June 30, 2026 due to the cash flows used in Company's operating activities and investing activities.

*Receivables increased by* ₱243.617 million or 33.33% from ₱730.884 million as of June 30, 2025 to ₱974.501 million as of June 30, 2026 due to the booking of PCPI rental and JV revenue shares.

*Inventories - increased by* ₱0.587 million or 22.68% from ₱2.587 million as of June 30, 2025 to ₱3.174 million as of June 30, 2026 due the increases in office supplies, fuel and oil and other materials vis-à-vis the decrease in medical supplies.

*Investment Property - increased by* ₱11.482 billion or 21.06% from ₱54.517 billion as of June 30, 2025 to ₱65.999 billion as of June 30, 2026 due to gain in fair value of investment property.

*Property and Equipment - increased by* ₱1.053 billion or 45.69% from ₱2.305 billion as of June 30, 2025 to ₱3.358 billion as of June 30, 2026 due to the acquisition of one (1) service vehicle.

*Inter-agency Payables - increased by* ₱6.121 million or 11.78% from ₱51.957 million as of June 30, 2025 to ₱58.077 million as of June 30, 2026 due maily to increase in income tax payable.

*Deferred credits/Unearned Revenue/Income - increased by* ₱23.653 million or 42.72% from ₱55.370 million as of June 30, 2025 to ₱79.022 million as of June 30, 2026 mainly due to the increase in other deferred credits.

*Stockholder's equity - increased by* ₱9.944 billion or 26.87% from ₱37.013 billion as of June 30, 2025 to ₱46.958 billion as of June 30, 2026 due to the reasons stated above.

**Material changes to the Company's Statement of Income for the quarter ended June 30, 2026 compared to the quarter ended June 30, 2025 (increase/decrease of 5% or more)**

*Service and Business Income in*creased by 12.66% or ₱58.682 million from ₱463.350 million *as of* June 30, 2025 *to* ₱522.032 million as of June 30, 2026 due to higher JV shares and Rental Income.

*Other Non-operating Income in*creased by 27.00% or ₱5,111 from ₱18,931 *as of* June 30, 2025 *to* ₱24,042 as of June 30, 2026 due to reversal of impairment loss brought about by collection of rental of Tabang property.

*General and Administrative Expenses* increased by 48.54% or ₱32.358 million from ₱66.669 million for the quarter ended June 30, 2025 to ₱99.027 million for the quarter ended June 30, 2026 due to the increases in Personnel Cost brought about by the implementation of CPCS II and higher MOOE due to increases in Travelling, Training, Supplies, Utility, Communication, Professional Services, Security Services , Repairs and Maintenance, Taxes and Other MOOE.

*Income Tax in*creased by 24.77% or ₱10.782 million from ₱43.531 million *as of* June 30, 2025 *to* ₱54.313 million as of June 30, 2026 mainly due to the increase in Revenue in 2026.

*Comprehensive Income* - increased by 6.63% or ₱14.748 million from ₱222.368 million for the quarter ended June 30, 2025 to ₱237.115 million for the quarter ended June 30, 2026 due to the reasons discussed above.

**ANNEX "J"**

**Philippine National Construction Corporation**
Schedule of Key Performance Indicators

**EXHIBIT 7**

| Performance Indicators | AS OF | | Explanation |
|---|---|---|---|
| | June 30, 2026 | December 31, 2025 | |
| **Current/Liquidity Ratio**<br>Current Ratio (Current Assets divided by Current Liabilities) | 41.70% | 38.64% | This ratio evaluates the ability of the company to pay its current debt promptly.<br><br>Current ratio increased from 38.64% as of December 31, 2025 to 41.70% as of June 30, 2026. This was mainly due to the higher increase in current assets that compensated for the increase in current liabilities due to cash inflows provided by operating activities and receivables. |
| **Solvency Ratios**<br>Debt to Assets (Total Liabilities divided by Total Assets) | 38.23% | 38.24% | Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is finance by debts.<br><br>The ratio has increased from 38.24% as of December 31, 2025 to 38.23% as of June 30, 2026 due to accrual of 2% penalty charges on unpaid concession fees and deemed tax on the increase in value of Investment Property. |
| Debt to Equity (Total Liabilities divided by Total Equity) | 61.88% | 61.93% | 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.<br><br>The ratio has increased from 61.93% as of December 31, 2025 to 61.88% as of June 30, 2026 due to comprehensive income for the second quarter. |
| **Asset to Equity Ratio**<br>(Total Assets divided by Total Equity) | 161.88% | 161.93% | Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts.<br><br>The ratio has slightly improved from 161.93% as of December 31, 2025 to 161.88% as of June 30, 2026 brought about by comprehensive income of Q2 2026. |

| Performance Indicators | SIX MONTHS ENDED | | Explanation |
|---|---|---|---|
| | June 30, 2026 | June 30, 2025 | |
| **Interest Rate Coverage Ratio**<br>(Income before Interest/Penalty divided by Interest/Penalty) | 285.33% | 273.80% | Determines how easily a company can pay interest on oustanding debt.<br><br>The ratio increased from 273.80% as of June 30, 2025 to 285.33% as of June 30, 2026 due to recognition of higher income in June 30, 2026 as compared to same period in 2025. |
| **Profitability Ratios**<br><br>Return on Assets [Net Income (Loss) divided by Total Asssets] | 0.31% | 0.35% | Measures the company's eamings in relation to all the resources it had at its disposal.<br><br>The ratio of 0.35% as of June 30, 2025 vis-à-vis the ratio of 0.31% as of June 30, 2026 was the outcome of the income recognition of ₱222.368 million for June 30, 2025 as compared with the recognized comprehensive income of ₱237.115 million for the quarter ended June 30, 2026. |
| Return on Equity [Net Income (Loss) divided by Total Equity] | 0.50% | 0.60% | Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owner's capital.<br><br>The decrease in the ratio from 0.60% to 0.50% was the result of higher stockholder's equity in 2026 vis-à-vis the slight increase in comprehensive income in June 30, 2025 as against June 30, 2026. |

ANNEX "K"

**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.

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| 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 |

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## 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.

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## 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 |

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## 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*

**MINUTES OF THE 2025 ANNUAL MEETING OF STOCKHOLDERS OF PHILIPPINE NATIONAL CONSTRUCTION CORPORATION HELD AT THE PNCC COMPLEX**

PNCC Complex, KM 15, East Service Road
Bicutan, Parañaque City
20 November 2025, 3:00 P.M.

---

**STOCKHOLDERS PRESENTED/REPRESENTED**

| **Common Shares** | Number of Shares | Percentage (%) |
|---|---|---|
| PROXIES | 48,148,319 | 24.08% |
| IN PERSON | 70,657 | 0.04% |
| TOTAL: | 48,218,976 | 24.12% |

*Stockholdings (%):*

Common – 24.12%
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 |
| Beatriz G. Torno | Director/GSIS Representative |
| Evelina G. Escudero | Director/GSIS Representative |
| Alex L. Sembrano | Director |
| Jonathan S. Avanceña | Director |
| Mariano Jesus S. Averia | Director |

*Officers:*

| | |
|---|---|
| John Benedick R. Dela Cruz | Corporate Secretary |
| Erika Grace E. Velasco | Assistant 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:*

| | |
|---|---|
| Marbile Q. Calapardo | Audit Team Leader (COA) |
| Juland B. Andrada | Audit Team Member (COA) |
| Kenneth A. Isidro | Audit Team Member |
| Edelyn S. Jimeno | Stock Transfer Agent (PSTI) |
| Hilda R. Amion | Stock Transfer Agent (PSTI) |
| Arlene B. Gealogo | Stock Transfer Agent (PSTI) |

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## I. CALL TO ORDER / ROLL CALL

During the annual stockholders' meeting, all members of the Board were physically present namely: (1) Chairman Herculano C. Co, Jr. (2) President & CEO Miguel E. Umali, (3) Director Mariano Jesus S. Averia, (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 and (11) Director Beatriz G. Torno.

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 29 August 2025 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 2024 Audited Financial Statements and Information Statement were mailed to all shareholders of record beginning 29 September 2025. Further, the Notice of Meeting was published in a newspaper of general circulation last 19 February 2025, 20 February 2025, 13 August 2025, and 20 August 2025.

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 48,218,976 shares or 24.12% were present both in proxies and in person. Therefore, the Corporate Secretary certified that there is no quorum for the 2025 Annual Stockholders' Meeting.

Considering that there was no quorum for today's meeting, upon motion duly made and seconded, the 2025 Annual Stockholders' Meeting was adjourned at 3:25 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*

**BEATRIZ G. TORNO**
*Director*

**RUBEN D. TORRES**
*Director*

Certified correct:

**JOHN BENEDICK R. DELA CRUZ**
*Corporate Secretary*

**ANNEX "N"**

# SUMMARY OF BOARD RESOLUTIONS PASSED IN 2023

## JANUARY 19, 2023 – SPECIAL

**BD-01-2023** RESOLVED, AS IT IS HEREBY RESOLVED, to approve the implementation of the employees' gratuity pay of PESOS: Five Thousand (PHP5,000.00) each, or the total amount of PESOS: One Million Three Hundred Twenty Three Thousand (PHP1,323,000.00);

RESOLVED FURTHER, to realign the unexpended amounts in the 2022 COB which is enough to cover the cited budget allocation shortage in order to fund the gratuity pay benefits of PNCC employees, subject to the usual accounting and auditing rules and regulations.

**BD-02-2023** *No Resolution/s passed*

## JANUARY 26, 2023 – REGULAR

**BD-03-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, with its remaining Members still constituting a quorum, unanimously elects Mr. HERCULANO CLETO CO, JR. as Acting Member of the PNCC Board of Directors, *vice* William T. Yu, effective immediately.

RESOLVED further, that the Board expresses its deepest appreciation to Mr. William T. Yu for his invaluable service to the company.

**BD-04-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, with its remaining Members still constituting a quorum, unanimously elects Mr. MIGUEL ERMITAÑO UMALI as Acting Member of the PNCC Board of Directors, effective immediately.

**BD-05-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, with its remaining Members still constituting a quorum, unanimously elects Mr. LAMBERTO BASA MERCADO JR. as Acting Member of the PNCC Board of Directors, effective immediately.

**BD-06-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, with its remaining Members still constituting a quorum, unanimously elects Mr. JONATHAN SALVADOR AVANCEÑA as Acting Member of the PNCC Board of Directors, effective immediately.

**BD-07-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, with its remaining Members still constituting a quorum, unanimously elects Mr. ALEX LIMUACO SEMBRANO as Acting Member of the PNCC Board of Directors, *vice* Salvador B. Calanoy IV, effective immediately.

RESOLVED further, that the Board expresses its deepest appreciation to Mr. Salvador B. Calanoy IV for his invaluable service to the company.

**BD-08-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, with its remaining Members still constituting a quorum, unanimously elects Mr. OSCAR TOLETE ZALDIVAR as Acting Member of the PNCC Board of Directors, *vice* Mohamad Taha A. Guinomla, effective immediately.

RESOLVED further, that the Board expresses its deepest appreciation to Mr. Mohamad Taha A. Guinomla for his invaluable service to the company.

**BD-09-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, with its remaining Members still constituting a quorum, unanimously elects Mr. DANILO SANTOS CONSTANTINO Acting Member of the PNCC Board of Directors, *vice* Pedro B. Cabatingan, Jr., effective immediately.

RESOLVED further, that the Board expresses its deepest appreciation to Mr. Pedro B. Cabatingan, Jr for his invaluable service to the company.

**BD-10-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, with its remaining Members still constituting a quorum, unanimously elects Mr. MARIANO JESUS SOLLA AVERIA as Acting Member of the PNCC Board of Directors, *vice* Manuel Luis C. Antonio, effective immediately.

RESOLVED further, that the Board expresses its deepest appreciation to Mr. Manuel Luis C. Antonio for his invaluable service to the company.

**BD-11-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously appoints and designates Mr. KEVIN JORDAN DE LEON MENDOZA as Corporate Secretary of PNCC effective immediately, with an honorarium/premium of PESOS: PHP 25,000.00 / per month and entitlement to per diem of PHP 1,500.00 for every board or committee meeting for as long as he is performing such function.

RESOLVED Further, that the Board, constituting a quorum, unanimously appoints and designates Mr. JOHN BENEDICK RIGOS DELA CRUZ as Assistant Corporate Secretary effective immediately, with an honorarium/premium of PESOS: PHP 20,000.00 / per month and entitlement to per diem of PHP 1,500.00 for every board or committee meeting for as long as he is performing such function.

RESOLVED Finally, RENATO M. MONSANTO shall be appointed/designated as Administrative Support-Corporate Secretariat with a new Service Contract for a period of six (6) months with the same compensation and benefits as his previous Service Contract.

**BD-12-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, reconstitutes the standing Board Committees of PNCC, as follows:

***Corporate Governance -***

| | |
|---|---|
| 1. Herculano C. Co, Jr. | Chairman |
| 2. Miguel E. Umali | Vice-Chairman |
| 3. Ruben D. Torres | Member |
| 4. Oscar T. Zaldivar | Member |
| 5. Danilo S. Constantino | Member |

***Audit Committee -***

| | |
|---|---|
| 1. Lamberto B. Mercado, Jr. | Chairman |
| 2. Herculano C. Co, Jr. | Vice-Chairman |
| 3. Jonathan S. Avanceña | Member |
| 4. Mariano Jesus S. Averia | Member |
| 5. Alex L. Sembrano | Member |

***Finance Committee -***

| | |
|---|---|
| 1. Alan R. Luga | Chairman |
| 2. Herculano C. Co, Jr. | Vice-Chairman |
| 3. Miguel E. Umali | Member |
| 4. Danilo S. Constantino | Member |
| 5.Carlo Antonio B. Almirante | Member |

***Legal and Compliance Committee -***

| | |
|---|---|
| 1. Oscar T. Zaldivar | Chairman |
| 2. Herculano C. Co, Jr. | Vice-Chairman |
| 3. Miguel E. Umali | Member |
| 4. Ruben D. Torres | Member |
| 5. Carlo Antonio B. Almirante | Member |
| 6. Lamberto B. Mercado Jr. | Member |
| 7. Mariano Jesus S. Averia | Member |

***Business Development Committee -***

| | |
|---|---|
| 1. Alex L. Sembrano | Chairman |
| 2. Herculano C. Co, Jr. | Vice-Chairman |
| 3. Miguel E. Umali | Member |
| 4. Alan R. Luga | Member |
| 5. Lamberto B. Mercado, Jr. | Member |

***Performance Agreement Negotiation Committee (PAN)***

| | |
|---|---|
| 1. Mariano Jesus S. Averia | Chairman |
| 2. Herculano C. Co, Jr. | Vice-Chairman |
| 3. Miguel E. Umali | Member |
| 4.Jonathan S. Avanceña | Member |
| 5. Carlo Antonio B. Almirante | Member |

***Executive Committee -***

| | |
|---|---|
| 1. Herculano C. Co, Jr. | Chairman |
| 2. Miguel E. Umali | Vice-Chairman |
| 3. Lamberto B. Mercado, Jr. | Member |
| 4. Alan R. Luga | Member |
| 5. Oscar T. Zaldivar | Member |

**BD-13-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously elects Mr. HERCULANO CLETO CO JR. as Chairman of the Philippine National Construction Corporation, effective immediately.

RESOLVED Further, that the Board, constituting a quorum, unanimously elects Mr. MIGUEL ERMITAÑO UMALI as President and Chief

Executive Officer/Vice-Chairman of Philippine National Construction Corporation, effective immediately.

**BD-14-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously appoints and designates Chairman HERCULANO C. CO, JR. and/or President & CEO MIGUEL E. UMALI as the authorized representative/s of PNCC in the Joint Venture Companies, to wit:

| | |
|---|---|
| 1. SMC Skyway Corporation (formerly CMMTC-S1 & 2) | Chairman Herculano C. Co Jr. |
| 2. SMC Skyway Stage 4 Corp. (formerly CITI) | Chairman Herculano C. Co Jr. |
| 3. SMC Skyway Stage 3 Corp (formerly CCEC) | President and CEO Miguel E. Umali |
| 4. South Luzon Tollroad-5 Expressway, Inc. (SLTR5) | Chairman Herculano C. Co Jr. and President and CEO Miguel E. Umali |
| 5. Pasig River Expressway Corporation (PAREX Project) | Chairman Herculano C. Co Jr. and President and CEO Miguel E. Umali |
| 6. SMC Southern Access Link Expressway Corporation (SMC SALEX Project) | Chairman Herculano C. Co Jr. and President and CEO Miguel E. Umali |
| 7. SMC Northern Access Link Expressway Corporation (SMC NALEX Project) | Chairman Herculano C. Co Jr. and President and CEO Miguel E. Umali |
| 8. SMC Central Access Link Expressway Corporation (CALEX) | Chairman Herculano C. Co Jr. and President and CEO Miguel E. Umali |

RESOLVED Further, that the Board confirm, as it hereby confirms, the authority of Chairman HERCULANO C. CO JR. and/or President and CEO Miguel E. Umali to: (1) attend and represent the Corporation at any Annual or Special Meeting of the Stockholders of JVCs, or any and all postponements and/or adjournments thereof including the Special Meeting of its stockholders and (2) vote upon any and all matters to be taken up at any such meetings, according to the number of shares of stock in JVCs of which the Corporation is the lawful and beneficial owner.

**BD-15-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously nominates the new Board of Directors of PNCC Subsidiaries, as follows:

***DISC Contractors, Builders & General Services Inc. (DISC) -***

1. Director Lamberto B. Mercado Jr.
2. Director Jonathan S. Avanceña
3. Director Mariano Jesus S. Averia
4. Director Alex L. Sembrano
5. Director Oscar T. Zaldivar

***CDCP Farms Inc. -***

1. Director Lamberto B. Mercado Jr.
2. Director Jonathan S. Avanceña
3. Director Mariano Jesus S. Averia
4. Director Alex L. Sembrano
5. Director Oscar T. Zaldivar
6. Director Danilo S. Constantino

***Alabang-Sto. Tomas Development Inc. (ASDI) –***

1. Director Lamberto B. Mercado Jr.
2. Director Jonathan S. Avanceña
3. Director Mariano Jesus S. Averia
4. Director Danilo S. Constantino

RESOLVED Further, for the President & CEO Miguel E. Umali, to officially inform the GCG of the new list of nominees to the PNCC subsidiaries for the purpose of securing the requisite appointment letters of the aforesaid nominees to the said positions.

**FEBRUARY 09, 2023 – SPECIAL**

**BD-16-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, hereby confirms the election and on boarding of Mr. Herculano C. Co Jr., Mr. Miguel E. Umali, Mr. Lamberto B. Mercado Jr., Mr. Jonathan S. Avanceña, Mr. Alex L. Sembrano, Mr. Oscar T. Zaldivar, Mr. Danilo S. Constantino, Mr. Mariano Jesus S. Averia, as members of the PNCC Board of Directors.

RESOLVED Further, that the composition of the new Board of Directors of PNCC as of 26 January 2023, is now as follows:

Herculano C. Co, Jr. – Chairman
Miguel E. Umali – President & CEO/ Vice-Chairman
Alex L. Sembrano- Director
Oscar T. Zaldivar - Director
Danilo S. Constantino - Director

Lamberto B. Mercado Jr. – Director
Jonathan S. Avanceña – Director
Carlo Antonio B. Almirante – Director
Mariano Jesus S. Averia - Director
Alan R. Luga – Director
Ruben D. Torres – Director (representing Private Sector)

**BD-17-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously designates Ms. Veronica B. Tacderas, Mr. Paul C. Vicente, and Manuel R. Forbes as Authorized Representatives of PNCC to submit with the BIR the following documentary requirements, to wit:

1. Application for Authority to Print (ATP) Receipts and Invoices;
2. Application for Registration of Books of Accounts;
3. Application for Permit to Use Manual Loose Leaf;
4. Application for TIN Card Issuance/Registration Information Updates;
5. Application for Transfer of Registration; and
6. To submit Registration Update Sheet.

RESOLVED, Further, that the herein authorized representatives of PNCC is also authorized to sign, execute and deliver any all documents necessary to achieve the above stated purpose and to perform any and all acts necessary for the fulfilment of the given authority.

**BD-18-2023** RESOLVED, that the Board, hereby APPROVES the following:

1. The PNCC CY 2023 proposed performance scorecard and all other documents as required under GCG M.C. No. 2023-01, and its submission to the GCG;

2. Authorization of the following officers and employees to constitute the PNCC Technical Panel to provide the GCG all necessary information relevant and material to the measures and targets in the proposed performance scorecard:

| NAME | POSITION/DESIGNATION |
|---|---|
| 1.Rosalyn S. Delivios | Head - MIS |
| 2. Ilie Lionel B. Gramata | Head – Corporate Legal Department |
| 3. Kevin Jordan DL. Mendoza | Legal Officer |
| 4. Veronica B. Tacderas | Head – Controllership Department |
| 5. Cristy M. Mediavillo | Head – Treasury Department |

3. Authorization of the President and CEO, or upon his written authority, a duly authorized representative, to take such steps, sign all documents and papers, and perform such acts as may be necessary to carry out and implement the foregoing authority;

4. Authorization of the President and CEO to represent PNCC during the Performance Target Conference (PTC) for the setting of the final performance targets of the GOCC.

**BD-19-2023** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board hereby sets a fixed schedule of its regular meetings on the fourth (4th) Thursday of every month. Thus, the following dates shall be the schedule of the regular board meeting for CY 2023 unless otherwise fix by a subsequent board resolution, to wit:

| | | | |
|---|---|---|---|
| 1. | 26 January 2023 | 7. | 27 July 2023 |
| 2. | 23 February 2023 | 8. | 24 August 2023 |
| 3. | 23 March 2023 | 9. | 28 September 2023 |
| 4. | 27 April 2023 | 10. | 26 October 2023 |
| 5. | 25 May 2023 | 11. | 23 November 2023 |
| 6. | 22 June 2023 | 12. | 28 December 2023 |

**MARCH 08, 2023 – SPECIAL**

**BD-20-2023** RESOLVED, AS IT IS HEREBY RESOLVED, to adopt the joint committees' recommendation to approve the transmittal of the 2022 Financial Statement to the COA for final audit.

**BD-21-2023** RESOLVED, AS IT IS HEREBY RESOLVED, that the annual stockholders' meeting of PNCC scheduled to be held on March 28, 2023 pursuant to the Corporation's By-Laws be postponed to October 24, 2023 at 3:00 P.M. and that the appropriate notices of postponement of the annual stockholders' meeting be effected by the Corporate Secretary.

**BD-22-2023** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously appoints and designates Mr. Kevin Jordan DL. Mendoza, the Corporate Secretary of PNCC, as Acting Compliance Officer of PNCC in addition to his function as Corporate Secretary and shall remain as such until his appointment is revoked or terminated.

**MARCH 28, 2023 – REGULAR**

**BD-23-2023** RESOLVED, AS IT IS HEREBY RESOLVED, to designate Atty. Kevin Jordan DL. Mendoza, in his capacity as Corporate Secretary, to represent the Corporation and act for it in the submission of reportorial requirements with the SEC through the Online Submission Tool (OST).

**BD-24-2023** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously authorizes PNCC's President & CEO Miguel E.

Umali as the authorized representative of PNCC to sign the Security Service Agreement with Golden Z-5 Security & Investigation Agency.

**BD-25-2023** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board constituting a quorum, after due deliberation, in so far as the charge of unauthorized practice of law finds Atty. Rey Nathaniel C. Ifurung to have committed a violation of Section 7(b)(2) of R.A. No. 6713 and accordingly order his REMOVAL and DISMISSAL as Compliance Officer effective 28 March 2023, on the grounds of violation of Section 7(b)(2) of R.A. No. 6713, serious misconduct and breach of trust and confidence;

RESOLVED FURTHER, that on the second charge constituting 1) failure to submit or comply with the PSE requirement of timely submission of the Disclosure on the List of Top 100 Stockholders; 2) refusal to sign the required Disclosure of the List of Top 100 Stockholders for submission to the PSE; and 3) refusal to sign the required Disclosure on the election of New Board Members, the Board, after due deliberation, finds Atty. Rey Nathaniel C. Ifurung liable thereto and orders his REMOVAL and DISMISSAL as Compliance Officer effective 28 March 2023, on the grounds of serious misconduct, gross neglect in the performance of his duties and for breach of trust and confidence and to be ultimately held liable for the penalty imposed by the Philippine Stock Exchange, Inc. against PNCC, if and when the same becomes final and executory;

RESOLVED FURTHER, that on the third charge constituting 1) Atty. Rey Nathaniel C. Ifurung's, with the assistance of his former secretary, direct and active participation in the drafting and preparation of the Complaint Letter dated December 22, 2022 addressed to the Office of the Ombudsman ostensibly coming from the PNCC Employees Union (PEU), securing the signatures of the officers of the PEU thereon, filing thereof with the Office of the Ombudsman and leaking the same to the media; 2) directing, orchestrating and manipulating the PEU, thru its President, Venjie E. Namocatcat, to file a letter complaint dated January 16, 2023 against the President & CEO and Head of HR; and 3) meeting with the union officers and members at the Shakeys Restaurant SM Bicutan on January 17, 2023 at around 7:00 PM to give words of assurance to the officers who signed the Ombudsman Complaint and urge them to submit their Salaysay, the Board after due deliberation, finds Atty. Rey Nathaniel C. Ifurung to have committed the charges levelled against him and accordingly orders his REMOVAL and DISMISSAL as Compliance Officer effective 28 March 2023, on the grounds of serious misconduct, breach of trust and confidence, conflict of interest and disloyalty;

RESOLVED FINALLY, that the President & CEO is directed to officially inform Atty. Rey Nathaniel C. Ifurung of the Board's decision ordering his REMOVAL and DISMISSAL as the Compliance Officer of the Company effective 28 March 2023, for the reasons/grounds stated in this Resolution.

**BD-26-2023** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board constituting a quorum, directs the President & CEO to refer the matter to the OGCC for the filing of the appropriate case, if any, against Atty. Rey Nathaniel C. Ifurung for violation of Section 7(b)(2) of R.A. No. 6713.

**BD-27-2023** RESOLVED, AS IT IS HEREBY RESOLVED, to designate as authorized signatories for the said account the following:

| | | | |
|---|---|---|---|
| 1. | Miguel E. Umali | - | President & CEO |
| 2. | Cristy M. Mediavillo | - | Head of Treasury |
| 3. | Felix M. Erece, Jr. | - | Head of Human Resources |

RESOLVED FURTHER, that any transaction to be executed for and on behalf of the Company involving the said account should have the signatures of any of the two authorized signatories.

RESOLVED FINALLY, that for transactions amounting to PhP 50,000.00 and above, the authorized signatories shall be the President & CEO and one from either of the two signatories. For transactions below PhP 50,000, the President & CEO need not sign, and signatures from both of the two signatories shall be deemed sufficient.

**APRIL 18, 2023 – SPECIAL**

**BD-28-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously revokes the appointment/designation of Kevin Jordan DL. Mendoza as Acting Compliance Officer effective April 18, 2023.

RESOLVED FURTHER, that the Board, appoints and designates Mr. ILIE LIONEL B. GRAMATA as the Compliance Officer, concurrent with his position as Vice-President – Head of Corporate Legal Department of PNCC effective April 18, 2023, with an honorarium/responsibility premium of PESOS: PHP 30,000.00 / per month.

RESOLVED FINALLY, that the Board, constituting a quorum, unanimously appoints and designates Ms. ROSALYN S. DELIVIOS as Assistant Compliance Officer, concurrent with her position as Senior Manager – Head of MIS Department effective April 18, 2023, with an honorarium/responsibility premium of PESOS: PHP 25,000.00 / per month.

**BD-29-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously elects and designates CRISTY M. MEDIAVILLO as the Corporate Treasurer concurrent with her position as Senior Manager – Head of Treasury, effective April 18, 2023, with an honorarium/responsibility premium of PESOS: PHP 25,000.00/ per month

as long as she occupies the position of Corporate Treasurer and until a replacement is duly elected and qualified.

RESOLVED FURTHER, that the Board, hereby revokes any Board Resolution issued inconsistent with the foregoing.

**MAY 09, 2023 – SPECIAL**

**BD-30-2023** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously approves the MOA to be signed by TRB, PNCC and NLEX Corporation.

RESOLVED FURTHER, that the Board, constituting a quorum, unanimously authorizes PNCC's President & CEO Miguel E. Umali as the authorized representative of PNCC to sign the Memorandum of Agreement.

**MAY 25, 2023 – REGULAR**

**BD-31-2023** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously elects Ms. EVELINA G. ESCUDERO as a member of the Board of Directors of PNCC, effective 25 May 2023 *vice* Atty. Carlo Antonio B. Almirante.

RESOLVED FURTHER, that Ms. Evelina G. Escudero shall replace Atty. Carlo Antonio B. Almirante as member of the Finance Committee and Performance Agreement Negotiation Committee.

RESOLVED FINALLY, that the Board expresses its deepest appreciation to Atty. Carlo Antonio B. Almirante for his invaluable service to the company.

**JUNE 08, 2023 – SPECIAL**

**BD-32-2023** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously adopts the SALN Policy and directs the PNCC Management to undertake the necessary actions for its implementation.

**JULY 20, 2023 – SPECIAL**

**BD-33-2023** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously approves the proposed Three-Year Vehicle Re-Fleeting Program as follows:

**ANNEX "N"**

**YEAR 1 (2023)**

| PURCHASE | INTENDED USER | BUDGET | SERVICE VEHICLE TO BE REPLACED | YEAR ACQUIRED/AGE |
|---|---|---|---|---|
| 1. One (1) SUV | OP | P 2,800,000.00 | Nissan Patrol 3.0L (XRY-900) | Mar. 13, 2009 /14 y.o. (Non-operational) |
| 2. One (1) MPV/E (MPV for Exec) | Legal Dept. | P 2,300,000.00 | Ford Escape 3.0L (ZBG-958) | Oct. 13, 2005 / 18 y.o. (Non-operational) |
| 3. One (1) EV/SUV (Exec. Van/SUV) | OC/Board | P 3,500,000.00 | Hyundai Starex (NSQ-692) | Oct. 12, 2009/ 14 y.o. (Non-operational) |
| 4.One (1) MPV/C (MPV for Carpool) | Carpool | P 1,200,000.00 | Toyota Corolla Altis 1.6L (XTG-867) | Jun. 17, 2005/ 18 y.o. (Non-operational) |
| 5. One (1) MPV/C (MPV for Carpool) | Carpool | P 1,200,000.00 | Toyota Corolla Altis 1.6L (XTG-377) | Jun. 12, 2005/ 18 y.o. (Operational) |
| 6. One (1) MC Motorcycle | Carpool | P 150,000.00 | Yamaha FZ6, 125 cc | Feb. 21, 2008 /15 y.o. (Non-operational) |
| **5 MVs + 1 MC** | **Total:** | **P 11,150,000.00** | | |

**YEAR 2 (2024)**

| PURCHASE | INTENDED USER | BUDGET | SERVICE VEHICLE TO BE REPLACED | YEAR ACQUIRED/AGE |
|---|---|---|---|---|
| 1. One (1) SUV | OC/Board | P 2,800,000.00 | Mits. Montero 2.5L (NCI-504) | Apr. 1, 2009 /14 y.o. (Operational) |
| 2. One (1) EV/SUV (Exec. Van/SUV) | OP | P 3,500,000.00 | Hyundai Starex 2.5L (UKO-172) | Mar. 13, 2013/ 10 y.o. (Operational) |
| 3. One (1) MPV/E (MPV for Exec) | HRD | P 2,300,000.00 | Kia Sorento 2.5L (ZEA-381) | Jul. 18, 2006/ 17 y.o. (Operational) |
| 4. One (1) PU (Pick-up) | Carpool | P 1,700,000.00 | Toyota Hi-Lux 2.5L (ZIM-977) | Jul. 5, 2007/ 16 y.o. (Operational) |
| 5. One (1) UV (Utility Van) | Carpool | P 1,200,000.00 | Toyota Innova 2.5L (NCQ-660) | Jun. 16, 2009/ 14 y.o. (Operational) |
| **5 MVs** | Total: | **P 11,500,000.00** | | |

**YEAR 3 (2025)**

| PURCHASE | INTENDED USER | BUDGET | SERVICE VEHICLE TO BE REPLACED | YEAR ACQUIRED/AGE |
|---|---|---|---|---|
| 1. One (1) MPV/C (MPV for Carpool) | Carpool | P 1,200,000.00 | Toyota Corolla Altis 1.6L (NCO-576) | May 20, 2009 /14 y.o. (Operational) |
| 2. One (1) MPV/C (MPV for Carpool) | Carpool | P 1,200,000.00 | Toyota Corolla Altis 1.6L (NCO-631) | May 20, 2009/ 14 y.o. (Operational) |
| 3. One (1) UV (Utility Van) | Carpool | P 1,200,000.00 | Toyota Hi-Ace GL Grandia (NQY-621) | Mar. 17, 2010/ 13 y.o. (Operational) |
| 4. One (1) PU (Pick-up) | Carpool | P 1,700,000.00 | Toyota Hi-Lux 2.5L (NQF-657) | Apr. 26, 2010/ 13 y.o. (Operational) |
| **4 MVs** | **Total:** | **P 5,300,000.00** | | |

RESOLVED FURTHER, that the Board approves the supplemental budget in the amount of Eleven Million One Hundred Fifty Thousand Pesos (PhP 11,150,000.00) to be included in the 2023 Corporate Operating Budget (COB).

RESOLVED FINALLY, that the Board authorizes the management, thru its President & CEO Miguel E. Umali, to comply and complete all necessary submissions to the DBM and secure the requisite Authority to Purchase Motor Vehicle (APMV) from the DBM for the said Three-Year Vehicle Re-Fleeting Program.

**JULY 27, 2023 – REGULAR**

**BD-34-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves to renew the Service Contract of RENATO M. MONSANTO for a period of three (3) months with the same compensation and benefits as his previous Service Contract.

RESOLVED FURTHER, that the Board authorizes PNCC's President & CEO Miguel E. Umali to sign the new Service Contract of RENATO M. MONSANTO.

**BD-35-2023** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously approves to apply for the transfer of electric service connection with MERALCO from the former Company's Lessee Marvin Sedano to and under the name of Philippine National Construction Corporation.

RESOLVED FURTHER, that the Board authorizes PNCC's President & CEO Miguel E. Umali as the authorized representative of PNCC to apply for, to sign, and to transact with MERALCO as may be deemed necessary for the above-mentioned purpose.

**BD-36-2023** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously approves to apply for the transfer of water service connection with MAYNILAD from the former Company's Lessee Marvin Sedano to and under the name of Philippine National Construction Corporation.

RESOLVED FURTHER, that the Board authorizes PNCC's President & CEO Miguel E. Umali as the authorized representative of PNCC to apply for, to sign, and to transact with MAYNILAD as may be deemed necessary for the above-mentioned purpose.

**BD-37-2023** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board hereby resets a fixed schedule of its regular meetings on the fourth ($4^{th}$) Wednesday of every month starting August 2023 and for this purpose Board Resolution No. BD19-2023 is deemed amended/revoked. Thus, the following dates

shall be the schedule of the regular board meeting for CY 2023 unless otherwise fix by a subsequent board resolution, to wit:

1. 23 August 2023
2. 27 September 2023
3. 25 October 2023
4. 22 November 2023
5. 27 December 2023

**AUGUST 09, 2023 – SPECIAL**

**BD-38-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, and by unanimous vote, to temporarily allow the continued presence of the former sub-lessees of Sps. Sedano in the FCA (Seaside Dampa) Property, for the purpose of continuing their current business operation under the management of PNCC, and to directly remit their payments to PNCC for their use and occupation of the property on a month to month basis (and on the basis of known and existing actual rental rate being paid) until such time the Board finally decides on the plan of action to be taken with the FCA (Seaside Dampa) Property vis-à-vis its planned lease and development of the 9.9-hectares as contained in the TOR submitted to the OP.

**BD-39-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously appoints and designates P/MGen. CHRISTOPHER A. LAXA (Ret) as the Administrative/Security Representative of PNCC in the FCA Property effective 09 August 2023, with an honorarium/responsibility premium of PESOS: PHP 70,000.00 / per month for a period of three (3) months.

RESOLVED FURTHER, that P/MGen. CHRISTOPHER A. LAXA (Ret) shall directly report and be accountable to the Board of Directors of PNCC through the Chairman of Business and Development Committee and the President & CEO.

RESOLVED FURTHER, that the Board authorizes the augmentation by five (5) to ten (10) security guards in the FCA (Seaside Dampa) Property who shall then be deployed to the subject property to secure the said property and to assist P/MGen. CHRISTOPHER A. LAXA (Ret) in the performance of his duties and responsibilities.

RESOLVED FINALLY, that the Board authorizes PNCC's President & CEO Miguel E. Umali to execute and sign the Service Contract of P/MGen. CHRISTOPHER A. LAXA (Ret) after the same passes the usual contract review process with the Office of the Government Corporate Counsel (OGCC).

**BD-40-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves to amend and revise the Quality Policy, to wit:

> **"The PHILIPPINE NATIONAL CONSTRUCTION CORPORATION** is committed to provide excellent services in the toll road business and realty management to the full satisfaction of all its stake holders.
>
> To achieve this, the company shall comply with all applicable requirements of an effective and efficient QMS and ensure its continual improvement.
>
> The Company's Quality Policy has the full support and commitment of the Management and the Board of Directors.
>
> All employees are required to understand, implement and maintain the elements of the QMS in relation to their functions in the company.
>
> This Quality Policy shall be communicated and made readily available to all relevant interested parties."

**AUGUST 23, 2023 – REGULAR**

**BD-41-2023** RESOLVED, AS IT IS HEREBY RESOLVED, to DENY Atty. Rey Nathaniel C. Ifurung's Request for Reconsideration for the reason that no new issues were raised in the said Request for Reconsideration and it contains a mere rehash of the same arguments and explanation he earlier provided during the administrative investigation of his cases and to AFFIRM the Board Resolution No. BD 25-2023 passed and approved by the Board during its Regular Board meeting held on 28 March 2023 ordering the REMOVAL and DISMISSAL of Atty. Rey Nathaniel C. Ifurung as Compliance Officer effective 28 March 2023;

RESOLVED FURTHER, that the President/CEO shall officially communicate this decision to Atty. Rey Nathaniel C. Ifurung and furnish him with the appurtenant documents.

**BD-42-2023** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves to amend and revise the Charter of the Corporate Governance Committee, to include as one of its purposes the following: "(i) Ensures the effective implementation of Material Related Party Transactions Policy.

**ANNEX "N"**

**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.

**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.*<br><br>Integrity. *We are always mindful to do the right thing.*<br><br>Commitment. *We are committed to perform our duties and obligations.*<br><br>Innovation. *We are prepared to meet challenges to better fulfill the needs of our stakeholders.*<br><br>Excellence. *We are guided to do the best in all our dealings.*<br><br>Loyalty. *We are dedicated and devoted to the company.*<br><br>Equity. *We are fair, just and inclusive.*<br><br>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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# SUMMARY OF BOARD RESOLUTIONS PASSED IN 2025

## JANUARY 8, 2025 – SPECIAL

**BD-01-2025** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board hereby sets a fixed schedule of its regular meetings on the fourth (4th) Wednesday of every month. Thus, the following dates shall be the schedule of the regular board meetings for CY 2025 unless otherwise revised by the Board, to wit:

| | | | |
|---|---|---|---|
| 1. | 22 January 2025 | 7. | 23 July 2025 |
| 2. | 26 February 2025 | 8. | 27 August 2025 |
| 3. | 26 March 2025 | 9. | 24 September 2025 |
| 4. | 23 April 2025 | 10. | 22 October 2025 |
| 5. | 28 May 2025 | 11. | 26 November 2025 |
| 6. | 25 June 2025 | 12. | 17 December 2025 |

**BD-02-2025** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously designates Mr. Amando M. Orallo and/or Manuel R. Forbes as Authorized Representatives of PNCC to apply for and to sign and receive all documents as may be necessary to apply for the renewal of the Company's Business Permit before the Business Permits and Licensing Office (BPLO) of Parañaque City and Pasay City under the name of the Philippine National Construction Corporation.

RESOLVED FURTHER, that the herein authorized representatives of PNCC is also authorized to sign, execute, secure and obtain any supporting documents before BPLO, to pay any amount of fees required in relation to the above-mentioned purpose, and to deliver all documents necessary to achieve the above stated purpose and to perform any and all acts necessary for the fulfilment of the given authority.

## JANUARY 22, 2025 – REGULAR

**BD-03-2025** 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 BIR, PHILHEALTH, SSS, HDMF, and LGUs to update the Plan of Liquidation of DCBGSI and obtain the pertinent clearances from such government agencies.

**BD-04-2025** 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 BIR, PHILHEALTH, SSS, HDMF, and LGUs to update the Plan of Liquidation of CDCP-FC and obtain the pertinent clearances from such government agencies.

**BD-05-2025** 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 BIR, PHILHEALTH, SSS, HDMF, and LGUs to update the Plan of Liquidation of TCPC and obtain the pertinent clearances from such government agencies.

**BD-06-2025** 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/or the Head of Treasury Department, Ms. Cristy M. Mediavillo as the authorized representatives of PNCC for the purpose of signing the Letter of Instruction of Commission on Audit's Confirmation and Statement of Management Responsibility for Financial Statements of DCGBSI and other related documents.

RESOLVED FURTHER, that the Board designates the Head of Treasury Department, Ms. Cristy M. Mediavillo as the authorized representatives of PNCC to sign the Letter of Instruction to Land Bank of the Philippines for the purpose of rolling over the High Yield Savings Account of DCBGSI with account number 1821-2174-54.

**BD-07-2025** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves and confirms that the budgetary provision of the 3rd year of the Three-Year Re-Fleeting Program in the total amount of Six Million Nine Hundred Thousand Pesos (Php 6,900,000.00) for the procurement of the four (4) above-stated vehicles is included in the Board approved 2025 Corporate Operating Budget as per Resolution No. BD45-2024 dated 29 October 2024.

RESOLVED FURTHER, 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 3rd Year of the approved 3 – Year Re-Fleeting Program.

**FEBRUARY 12, 2025 – SPECIAL**

**BD-08-2025** RESOLVED, AS IT IS HEREBY RESOLVED, to adopt the joint committees' recommendation to approve the transmittal of the 2024 Financial Statement to the COA for final audit.

**BD-09-2025** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board approves the supplemental budget in the amount of Thirteen Million Pesos (PhP 13,000,000.00) to be included in the 2024 COB to cover the Actual Income Tax Expense of PNCC for CY 2024.

**BD-10-2025** 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 Design and Build of a Sewage Treatment Plant at portion of Lot 1 of the Financial Center Area, Pasay City with 1RedDragon Construction Services.

**BD-11-2025** RESOLVED, AS IT IS HEREBY RESOLVED, for the Company, through its statutory counsel (OGCC) to file a Petition for Certiorari before the appropriate court to assail both RTC's Decision dated 23 December 2024 and RTC's Resolution dated 11 February 2025;

RESOLVED, FURTHER, to authorize the President & CEO Miguel E. Umali to sign the necessary Verification and Certification of Non-Forum Shopping for the purpose of filing the aforesaid Petition before the appropriate court.

**BD-12-2025** RESOLVED, AS IT IS HEREBY RESOLVED**,** that the annual stockholders' meeting of PNCC scheduled to be held on 25 March 2025 pursuant to the Corporation's By-Laws be postponed to 20 November 2025 at 3:00 P.M. and that the appropriate notices of postponement of the annual stockholders' meeting be effected by the Corporate Secretary.

**FEBRUARY 26, 2025 – REGULAR**

**BD-13-2025** 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 BIR, PHILHEALTH, SSS, HDMF, and LGUs to update the Plan of Liquidation of TFC and obtain the pertinent clearances from such government agencies.

**BD-14-2025** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously approves and adopts the Revised Rules and Regulations on Monetization of Leave Credits.

RESOLVED FUTHER, that the Board authorizes PNCC's President & CEO Miguel E. Umali to sign the aforesaid Revised Rules and Regulations on Monetization of Leave Credits.

**MARCH 12, 2025 – SPECIAL**

**BD-15-2025** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board approves the supplemental budget in the amount of Seven Hundred Ninety-Seven Thousand Three Hundred Fifty Pesos and Nineteen Centavos (PhP 797,350.19) to be included in the 2025 Corporate Operating Budget (COB) to cover the retirement benefits of Mr. Amando M. Orallo.

**MARCH 26, 2025 – REGULAR**

**BD-16-2025** RESOLVED AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously designates Ms. Cristian P. Onigo, the Contracting/ Subletting Manager of the Materials Management Department, as the duly authorized representative of the Company to request with the Bureau of Internal Revenue a Certified True Copy of the recent BIR Zonal Valuation of PNCC's Bicutan property.

**BD-17-2025** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board approves the supplemental budget in the amount of Four Hundred Sixteen Thousand Two Hundred Thirty-Six Pesos and Ninety-Five Centavos (PhP 416,236.95) to be included in the 2025 Corporate Operating Budget (COB) to cover the Payment of Monetization of Leave Credits for the said seven (7) PNCC employees

**APRIL 08, 2025 – SPECIAL**

**BD-18-2025** 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 Hobbies of Asia Inc., to and under the name of Philippine National Construction Corporation.

RESOLVED FURTHER, that the Board authorizes Engr. Jaime G. Soriano, Jr. 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-19-2025** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously appoints President & CEO Miguel E. Umali and/or 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 14 April 2025.

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 14 April 2025.

**APRIL 23, 2025 – REGULAR**

**BD-20-2025** RESOLVED, AS IT IS HEREBY RESOLVED**,** that the Board approves the supplemental budget in the total amount of Three Hundred Ninety-Four Thousand Three Hundred Seventy One Pesos and Twenty Centavos (PhP 394,371.20) to be included in the 2025 Corporate Operating Budget (COB) to cover the adjustments in the retirement benefits of Mr. Dionisio C. Quiño, Mr. Moses M. Pangilinan and Mr. Amando M. Orallo.

**MAY 07, 2025 – SPECIAL**

**BD-21-2025** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board approves the supplemental budget in the amount of One Hundred Eighty Thousand Six Hundred Forty-Two and Fifty-Nine Centavos (PhP 180,642.59) to be included in the 2025 Corporate Operating Budget (COB) to cover the Payment of Monetization of Leave Credits for the said two (2) PNCC employees.

**MAY 21, 2025 – REGULAR**

**BD-22-2025** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously elects Ms. BEATRIZ GONZALES TORNO as a member of the Board of Directors of PNCC, effective 21 May 2025 *vice* Alan R. Luga.

RESOLVED FINALLY, that the Board expresses its deepest appreciation to Alan R. Luga for his invaluable service to the company.

**BD-23-2025** 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 |
| 6. Evelina G. Escudero | Member |
| 7. Beatriz G. Torno | 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. Beatriz G. Torno | 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. Evelina G. Escudero | Chairman |
| 2. Herculano C. Co, Jr. | Vice-Chairman |
| 3. Miguel E. Umali | Member |
| 4. Danilo S. Constantino | Member |
| 5. Mariano Jesus S. Averia | 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. Evelina G. Escudero | Member |
| 5. Lamberto B. Mercado, Jr. | Member |
| 6. Jonathan S. Avanceña | 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. Beatriz G. Torno | Member |
| 6. Danilo S. Constantino | Member |

| | | | |
|---|---|---|---|
| 7. PMO Representative | Ex-Officio 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. Danilo S. Constantino | Member |
| 5. Oscar T. Zaldivar | Member |

**BD-24-2025** RESOLVED, AS IT IS HEREBY RESOLVED that the Board approves the supplemental budget in the amount of One Million Seventy Thousand Pesos (PhP 1,070,000.00) to be included in the 2025 Corporate Operating Budget (COB) to cover the Payment of ICT Projects.

**BD-25-2025** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously adopts and approves PNCC's 2025 Management Risks and Opportunities Action Plan.

**JUNE 11, 2025 – SPECIAL**

**BD-26-2025** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, hereby authorize the Management through the authorized signatories of PNCC for LBP accounts, to withdraw the remaining balance of LBP Account No. 1821-2111-62, to transfer the same to PNCC LBP Account No. CA 1822-1047-50, and to close the LBP Account No. 1821-2111-62.

**BD-27-2025** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously approves the award of the lease of the Sta. Rita Property to SAVVICE Corporation;

RESOLVED FINALLY, that PNCC President & CEO Miguel E. Umali is hereby authorized to sign and execute the Lease Contract involving the Sta. Rita Property with SAVVICE Corporation, subject to the usual review and approval of the Contract by the Office of the Government Corporate Counsel (OGCC).

**JUNE 25, 2025 – REGULAR**

**BD-28-2025** RESOLVED AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously designates PNCC Legal System and Control Officer, Dolly C. Nepomuceno to receive the Check amounting to Php 3,300,000.00 representing the cash bond posted by PNCC before the NLRC.

**JULY 9, 2025 – SPECIAL** *No Resolution/s passed*

**JULY 30, 2025 – REGULAR**

**BD-29-2025** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board unanimously approves the Agenda for the conduct of the 2025 Annual Stockholders' Meeting on 20 November 2025 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. 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

RESOLVED FURTHER, to fix 29 August 2025 as the Record Date for the Annual Stockholders' Meeting on 20 November 2025 at 3:00 P.M. to be held at the PNCC Complex, KM 15 East Service Road, Bicutan, Parañaque City.

**AUGUST 13, 2025 – SPECIAL**

**BD-30-2025** RESOLVED AS IT IS HEREBY RESOLVED, that bank account be opened in the Development Bank of the Philippines (DBP)-Makati Branch, in the name and for the use of this Corporation; that all moneys, checks, or other funds of this corporation be deposited in said DBP and that until otherwise ordered, said bank be and it hereby is authorized to make payments from the funds of this corporation on deposit with it, upon and according to the check of this corporation signed by any *two (2) of the following and always with the President & CEO, Atty. Miguel E. Umali.*

| NAME | POSITION | SPECIMEN SIGNATURE |
|---|---|---|
| **Miguel E. Umali** | **President and CEO** | |
| **Felix M. Erece, Jr.** | **Head, HR** | |
| **Cristy M. Mediavillo** | **Corporate Treasurer** | |

that said bank is authorized to receive for deposit or collection any items purporting to be endorsed in the name of the corporation; that all such checks, drafts, notes, or other negotiable papers endorsed to or signed by this corporation, as aforesaid, including checks drawn to cash or bearer or to the individual order of any officer of this corporation, shall be honored and paid by said bank without inquiry as to whether the same be drawn or required for this corporation's business or benefit; and all such payments shall be charged to the corporation's account; hereby ratifying and approving all that said bank may do or cause to be done by virtue hereof;

RESOLVED FURTHER, that the above-mentioned signatories be authorized as authority is hereby given to effect fund transfers and/or enroll the corporate bank account(s) in Fund Transfer Facilities (Debit One-Credit All or DOCA) of DBP; to apply for and obtain from DBP, 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 DBP; to apply for, invest in and/or obtain from DBP 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 DBP;

RESOLVED FURTHER, that said signatories be authorized, as authority is hereby given, to renew, roll-over, amend, revise, convert or substitute, as may be necessary and/or applicable, the abovementioned deposits, placements, investments, banking/treasury transactions and other banking services, obtained from DBP;

RESOLVED FURTHER, that said signatories be authorized, as authority is hereby given, to execute, sign and deliver any and all such agreements, contracts and other documents as are or may be necessary to implement the foregoing authorities;

RESOLVED FINALLY, that the foregoing resolutions shall continue and remain in full force and effect until repealed and/or amended by subsequent resolutions of the Board of Directors and appropriate copies thereof served upon and received by DBP.

**AUGUST 27, 2025 – REGULAR**

**BD-31-2025** 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 Ley Construction Development Corporation (Hobbies of Asia, Inc.) 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.

RESOLVED FINALLY, that the Board approves the supplemental budget in the amount of Two Million Pesos (PhP 2,000,000.00) to be included in the 2025 Corporate Operating Budget (COB) to cover the payment of Bill Deposit for two (2) Electric Service Account with Application Nos. 25051527194 and 25051527232

**BD-32-2025** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board authorizes the President & CEO Miguel E. Umali to sign the check in the name of Asiavest Merchant Bankers (M) Berhad to cover the monetary award in the case of "Philippine National Construction Corporation vs. Asiavest Merchant Bankers (M) Berhad" pursuant to the final and executory Decision rendered by the Supreme Court docketed as G.R. No. 172301, COA Decision dated 26 October 2023 and COA Resolution 2025-2014 dated 28 January 2025 docketed as COA CP Case No. 2021-338 on the Petition for Money Claim filed by Asiavest Equity Sdn Bhd (In Members' Voluntary Liquidation).

**BD-33-2025** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board, constituting a quorum, unanimously authorizes the PNCC's President & CEO and his/her duly authorized representative, to sign any and all Verification and Certification, including the Certificate of Non-Forum Shopping in all legal pleadings in cases involving PNCC.

**SEPTEMBER 10, 2025 – SPECIAL** *No Resolution/s passed*

**SEPTEMBER 24, 2025 – REGULAR**

**BD-34-2025** RESOLVED, AS IT IS HEREBY RESOLVED, that the Board unanimously considers the unsolicited proposal of Tokagawa Global Corporation to lease, develop, and operate a sand quarry on PNCC Porac Property, and accordingly authorizes the Leasehold Selection Committee to negotiate with Tokagawa Global Corporation for the purpose of improving the terms and conditions of the proposed lease agreement in accordance with the provision of the Amended Special Guidelines for Lease of the Company.

**OCTOBER 07, 2025 – SPECIAL** *No Resolution/s passed*

**OCTOBER 22, 2025 – REGULAR**

**BD-35-2025** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves the proposed Corporate Operating Budget for 2026 submitted by the Management.

**BD-36-2025** 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 20 November 2025, composed of: [a] Chairman, with an Honorarium of PhP 2,500.00; [b] two (2) PNCC employees as members with an Honorarium of PhP 2,000.00 each; and [c] two (2) representatives from the Commission on Audit as election validators.

RESOLVED FURTHER, that the Board approves the Honorarium in the amount of PhP 800.00 to each of the fifteen (15) personnel and Three (3) PSTI representatives who will render assistance in the formal requirements and physical arrangements for the 2025 Annual Stockholders Meeting.

**NOVEMBER 05, 2025 – SPECIAL**

**BD-37-2025** RESOLVED, AS IT IS HEREBY RESOLVED, that Board, constituting a quorum, unanimously designates Atty. John Benedick R. Dela Cruz as PNCC's Data Protection Officer effective November 15, 2025, with an Honorarium of Php 20,000.00 per month for as long as he is performing such function.

**NOVEMBER 05, 2025 – REGULAR** *No Resolution/s passed*

**DECEMBER 03, 2025 – SPECIAL**

**BD-38-2025** RESOLVED, that the Board, hereby APPROVES the following:

1. The PNCC CY 2026 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-39-2025** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves and adopts the Disaster Risk Contingency Plan of PNCC;

RESOLVED FINALLY, that PNCC President & CEO Miguel E. Umali is hereby authorized to sign and execute the Disaster Risk Contingency Plan of PNCC to be submitted to the Governance Commission for GOCCs (GCG).

**DECEMBER 17, 2025 – REGULAR**

**BD-40-2025** RESOLVED, AS IT IS HEREBY RESOLVED that the Board, constituting a quorum, unanimously approves and adopts the Revised PNCC's Competency Model.

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# 2026 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 19, 2026, 3:00 p.m. at PNCC New Hobbies of Asia, FCA Property, Diosdado Macapagal Blvd., Pasay City.

1. **Stockholders of record as of July 30, 2026** 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 asm2026@pncc.ph

iii. Stockholder must send an **original copy of the signed proxy** to the Office of the Corporate Secretary at PNCC New Hobbies of Asia, FCA Property, Diosdado Macapagal Blvd., Pasay City.
iv. **Submission of proxies shall be done on or before November 17, 2026.**

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.